



Liane Randolph, Board Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Liane,

Neste thanks CARB staff for all the work they have done in preparing for updates to the Low Carbon Fuel Standard (LCFS) regulation and appreciates the Board's commitment to thorough and open discussions in the development of regulation updates. Neste is very proud of being an early supplier of renewable diesel in California. We started selling renewable diesel in the state in 2012 when many questioned the viability of the LCFS program, and are glad to see that over 5.3 billion (with a "b") gallons of fossil diesel have been displaced with renewable diesel over the life of the LCFS program. That is almost twice the diesel California consumes in one year. This equates to about 40 million metric tons of GHG emissions being reduced by renewable diesel, the equivalent of what 10 large refineries emit in one year. This was all possible due to the leadership CARB showed when it enacted the LCFS program, and Neste is looking to that same leadership today to continue setting ambitious carbon reduction goals.

With this rulemaking, CARB has an opportunity to address overperformance in the LCFS program, which has stalled investment in renewable energy and prevented countless emissions reductions from occurring. Investments on things such as refinery conversions and additional renewable energy production are not viable with the current low credit prices, and CARB must take immediate action to stabilize the credit price. We therefore urgently request this rulemaking to be concluded by early 2024 to address the overheated LCFS credit market as soon as possible.

Neste would like to congratulate CARB for creating the right policies and market signals that have resulted in the California diesel market now being 57% renewable. What is more impressive is that consumers saw a drop in diesel prices during the most recent significant increase in renewable diesel consumption, showing that phasing out fossil fuels can actually protect the consumer. As noted by CARB staff in the SRIA, stronger action in the LCFS rulemaking will speed up the phaseout of fossil fuels and result in billions in health benefits to Californians. Neste recommends the following as part of the LCFS rulemaking:

- 1) Choose a carbon intensity goal of 35% by 2030, the most ambitious goal being evaluated by CARB staff;
- 2) Apply an immediate reduction in the carbon intensity target and automatic adjustments to the CI to address overperformance in the LCFS credit market, and to continue incentivizing investments on renewable energy;
- 3) Avoid an arbitrary cap on feedstocks used to produce renewable diesel and SAF. Neste believes that such a cap will only extend dependence on fossil fuels, and the SRIA appears to agree; and
- 4) Ensure the regulatory updates go into effect in 2024 to stop the bleeding of emissions reductions that are not occurring due to overperformance.

With this rulemaking, CARB has an opportunity to implement Governor Newsom's July 2022 directive to speed the transition away from petroleum, and CARB can do so by maximizing the stringency of the LCFS regulation. To put it more simply, any hesitation to be ambitious at this point will only delay critical progress toward meeting the state's carbon emission goals. Neste therefore recommends that CARB make every effort to maximize the carbon reductions that will occur under this LCFS rulemaking. Our planet and our children appreciate your continuing leadership.

Respectfully submitted,

A handwritten signature in black ink that reads "Peter W. Dahling". The signature is written in a cursive style with a large, prominent initial "P".

Peter Dahling
West Coast Legislative Affairs Manager
Neste US, Inc.