BUNGE

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June 24, 2022

Hon. Liane M. Randolph, Chair
California Air Resource Board
1001 I Street
Sacramento, CA 95814

Re: Draft 2022 Climate Change Scoping Plan

Dear Chair Randolph:

Bunge is the world's largest oilseed processor by crush volume capacity. As a leading producer and supplier of feed and specialty plant-based oils and fats, we buy and process agricultural commodities, turning them into a number of products that we transport around the world to be used in the food industry, livestock industry, and — increasingly — the renewable diesel industry. We are committed to meeting these needs sustainably.

Our commitment to sustainability is core to what we do as a business. The very nature of the work we do — connecting farmers to consumers to deliver essential food, feed, and fuel to the world — requires a deep understanding of the environment and market demands around us. It means we must face head-on the realities of a changing climate and the role we play minimizing our impact on the planet while meeting the needs of consumers and communities.

We recognize that climate change presents significant risks not only to our business, but to the wider food and agriculture industry. We believe that ambitious steps must be taken by businesses individually and collectively to address the climate crisis. And so, at Bunge, we are taking a leading role in shaping more sustainable food systems. This starts with changing the way we think as a business: Driven by a variety of teams and levels of leadership, we have embraced climate-focused decision-making with strong business benefits throughout our organization and across our business. These climate-focused decisions include ambitious goals.

For example, we are well on our way to meet our commitment to eliminate all deforestation and native vegetation conversion in our supply chains in 2025. Over 95% of our crop volumes in South America are already deforestation-free. Reaching this milestone is the product of strong tools and relationships. Bunge has built a robust traceability and monitoring system to give us unprecedented insight into our supply chain. We have also worked to forge connections with farmers. Together these investments in processes and people result in supply chains that meet socio-environmental compliance criteria.

Bunge is also focused on reducing its own greenhouse gas (GHG) emissions by 25% and the emissions throughout our supply chain by over 12%, by 2030. These targets are validated by the Science Based Targets Initiative and are aligned with Paris Climate Agreement expectations.

In addition to improving existing supply chains, the urgency of climate action also opens the door to exciting new opportunities for additional sustainable markets and products. For example, as consumers and governments seek lower carbon-intensity fuels, we are expanding our partnerships to increase our ability to meet growing demand for the next generation of renewable fuels and the development of lower carbon-intensity feedstocks. This allows us to leverage our experience to help shape the sustainability of the growing renewable energy industry.

Bunge applauds California's leadership in driving innovation to reduce transportation sector emissions and accelerate climate ambition. The next several years will be critical to keep the Paris Agreement's goals in sight. Accordingly, the California Air Resources Board's (CARB) consideration of pathways to achieve the State's decarbonization objective in the May 10, 2022 Draft 2022 Scoping Plan Update (Draft Scoping Plan) comes at an important time.

Ensuring That the Needed Low-Carbon Liquid Fuels Are Truly Sustainable

In the Draft Scoping Plan, CARB notes that the transition to complete zero-emission vehicle technology "will not happen overnight," and that low-carbon liquid fuels will be necessary as the state transitions to a combustion free future. Draft Scoping Plan at 152. Specifically, legacy vehicles with internal combustion engines, as well as hard-to-electrify sectors of the economy, "such as aviation, locomotives, and marine applications," will continue to need liquid fuels. *Id.*

The Draft Scoping Plan continues by noting that, while these liquid fuels will be necessary, CARB must:

> use the best available science to ensure that raw materials used to produce transportation fuels do not incentivize feedstocks with little to no GHG reductions from a life cycle perspective. A dramatic increase in alternative fuel production must not come at the expense of global deforestation, unsustainable land conversion, or adverse food supply impacts, to name a few examples. Staff will continue to monitor scientific findings on these topics to ensure that California policies, such as the LCFS, send appropriate market signals and do not result in unintended consequences.

Id. at 153–54.

Bunge shares CARB's commitment to use the best science to ensure the environmental integrity of the reductions achieved through the LCFS. We agree that embracing crop-based feedstocks should not entail deforestation and other unintended consequences. We have adopted aggressive and measurable commitments and implemented robust monitoring and traceability systems to demonstrate that crop-based feedstocks can be grown and sourced sustainably and

deforestation-free. These feedstocks can be deployed at-scale today to produce drop-in fuels that achieve near-term reductions in GHG emissions, while easing volatility in the internationally linked fuel markets due to geopolitical instability.

As the Draft Scoping Plan observes, CARB's LCFS has been a key driver of market development for renewable diesel and is being viewed as a model by other jurisdictions. *See id*. at 18, 19. By accounting for the full lifecycle of emissions within a fuel's pathway, including indirect land use change, the LCFS harnesses market forces to drive innovation towards use of the most sustainable feedstocks. Bunge therefore supports CARB's proposed scenario and its decision that an alternative scenario that would eliminate nearly all combustion of petroleum and renewable fuels by 2035 (Alternative 1) could result in a more abrupt dislocation and significantly greater costs to consumers.

The LCFS also has the potential to drive further innovation in cultivation of crop-based feedstocks to ensure sustainability. For example, CARB could introduce a scalable indirect land use change score that differentiates between fuel producers which are using feedstocks that are certified as deforestation-free and meet stringent traceability criteria, and those which are not. CARB could also incentivize climate-smart farming practices at the farm level by allowing for variable feedstock scoring when calculating a fuel pathway's carbon intensity score. By incentivizing and rewarding climate-smart practices, CARB could meaningfully expand the adoption of sustainable agricultural practices and help advance the science and understanding of how these practices may further support the environmental integrity of the LCFS.

Renewable Liquid Fuels and the Potential to Benefit Local Workers and Communities

The Draft Scoping Plan acknowledges the role that next-generation liquid fuels can play in addressing socially important issues, including worker protection and environmental justice. It acknowledges Executive Order N-79-20's directive for state agencies to support the transition of existing petroleum refineries away from fossil fuels as a means of protecting workers as our economy embraces low-carbon transportation fuels. *Id.* at 153. Additionally, among the strategies for achieving success, CARB notes that it can "incentivize the transition of existing refineries to support deployment of low-carbon fuels while protecting public health and the environment." *Id.* at 154.

Bunge agrees that including renewable liquid fuels as a key component of the Scoping Plan's strategy to achieve the State's climate objectives can help local communities as well as the environment. Bunge is actively working with partners to support the repurposing of existing fossil fuel infrastructure within California for use in production of renewable fuels. Like CARB, we recognize that utilizing these "existing assets is critical to avoiding emissions leakage." *Id.* at 153. Repurposing existing energy infrastructure also preserves local, "high road jobs," helping retain and redeploy a skilled petroleum-industry workforce in achieving near-term GHG reductions and the State's carbon neutrality objective. *See id*. at 138.

Additionally, increasing the production volume of renewable diesel in California will provide tangible, near-term environmental benefits to disadvantaged communities near refineries and

throughout the state. Production of renewable diesel results in lower emissions of criteria pollutants and toxic air contaminants, improving air quality and reducing risk in local communities. And disadvantaged communities throughout the state also stand to benefit from increasing the volume of renewable diesel consumed in California, as this will reduce criteria pollutant and toxic emissions from heavy freight and transportation, both of which are identified as impacting disadvantaged and overburdened communities throughout California.

We applaud CARB's continued efforts to set and meet ambitious decarbonization goals. We share CARB's optimism that the LCFS will continue to serve as a powerful and exportable tool that can incentivize sustainable practices and products for the benefit of Californians and the environment. We look forward to working with CARB and other stakeholders in the forthcoming LCFS rulemaking process to explore how the renewable fuels industry's commitments to sustainability, deforestation-free crops, and traceability can be harnessed to send the most appropriate market signals and guard against unintended consequences.

Sincerely,

Robert Coviello
Chief Sustainability Officer and Government Affairs