Louis Dreyfus Company

October 16, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments LCFS Amendments – 2nd 15-Day Changes

Dear California Air Resources Board,

Louis Dreyfus Company (LDC) appreciates the opportunity to comment on the California Air Resources Board's (CARB) proposed amendments to the California Low Carbon Fuel Standard (LCFS). LDC is a leading merchant and processor of agricultural goods. We're processors of both soy and canola in North America, producers of both biomass-based diesel and ethanol and our customer base includes all renewable diesel producers selling product into the California markets today.

We appreciate the changes to the vegetable oil cap language posed in this second set of 15-day changes. The updated grandfathering provision provides an even playing field for all biomass-based diesel producers, and the clarification on mechanics is very helpful for the industry.

However, these updates did not address the fundamental issues with the 20 percent vegetable oil cap. Namely, this cap is not based on any technical or scientific analysis; the calculated 20 percent limit is based on incomplete data; and the cap fails to promote true environmental benefits.

Lack of Technical or Scientific Basis

Firstly, CARB has not provided technical or scientific analysis supporting the 20 percent cap. The published Standardized Regulatory Impact Assessment (SRIA) makes no mention of this cap,[1] while the Initial Statement of Reasons (ISOR) addresses a cap in passing, with the analyzed scenario causing an ***increase* in fossil fuels and GHG emissions**.[2] During LDC's conversations with multiple CARB board members, none were able to explain the source or scientific rationale for the 20 percent limit. One member described it as a "magic number," while another believed it had little scientific backing, while being "directionally correct." All members that we engaged expressed a desire for a more in-depth, scientifically driven approach to regulating soy and canola feedstocks rather than a blunt cap.

Incomplete Public Data

We understand from conversations with staff that the 20 percent cap is intended to approximate soy and canola BBD market share in 2023. However, this estimate is based on incomplete data and takes into account only soy biodiesel, soy renewable diesel, and canola biodiesel. Notably absent from this calculation is 279 million gallons of canola renewable diesel, which is accounted for under "RD – Other" in

[1] https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/appc-1.pdf
[2] https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/isor.pdf

the quarterly summary.[3] Including this canola renewable diesel produces a fraction of 32 percent rather than 20 percent.[4] We urge CARB to make this data public and to reconsider its calculation. If this is not possible, then renewable diesel produced from canola oil should be exempt from the 20 percent cap as it was not considered in the original estimate.

Moreover, the decision to cap soy and canola BBD at 2023 levels, even if calculated correctly, constitutes a substantial change to the regulatory provisions and is not related to the original proposal, and should therefore require a 45-day notice in the California Regulatory Notice Register.

Failure to Promote Environmental Benefits

Finally, the 20 percent cap fails to promote true environmental benefits. Based on our conversations with board members and other stakeholders, the cap is designed for three separate outcomes: limit land use change around the globe, improve conditions for disadvantaged communities, and address competition between food and fuel applications. This provision falls short in all three respects.

With respect to land use change, the displacement of domestically sourced soybean and canola oils promotes the imports of tallows and used cooking oils (UCOs) from countries flagged by environmental groups as suffering from high rates of deforestation and land conversion. We are seeing this happen with the explosion of UCO shipments from China and Southeast Asia and the increase in tallow shipments from South America. These products are backfilled in their host countries' own BBD mandates by locally produced palm and soy oils which have been attributed to deforestation. By contrast, Canada and the United States have not converted forest to farmland in decades, making domestic soy and canola a deforestation-free option. A vote for this proposal is a vote for deforestation.

This cap also fails to improve the economic situation of marginalized communities. It disadvantages inland BBD plants which employ thousands of people but are situated far from and have limited access to coastal ports that receive imported waste feedstocks. This will negatively impact the economic viability of these inland plants, impacting jobs in these rural communities. Additionally, this policy change is designed to material increase LCFS credit prices which will result in higher retail gasoline and diesel prices for all within the state.

With respect to the food vs fuel debate, this is non-issue as of this time for multiple reasons. The US & Canadian agricultural industries have invested a combined $8+ billion USD in expanded soybean and canola processing capacity, increasing the availability of soybean and canola oil and meal. It is also important to note that oil makes up only 20% of the content of a soybean;[5] increased processing in North America drives greater availability of soybean meal which in turn has positive impacts for animal food products pricing. Additionally, row crop prices are at multi-year lows, even as crop usage grows within the LCFS program.

In summary, the proposed LCFS revisions compromise the long-term health and viability of the U.S. agricultural industry, while providing limited environmental and economic benefits for the state of

[3] https://ww2.arb.ca.gov/resources/documents/low-carbon-fuel-standard-reporting-tool-quarterly-summaries; The only renewable diesel feedstock not listed separately in the quarterly data is canola oil when compared to the public pathways list.
[4] https://ww2.arb.ca.gov/resources/documents/low-carbon-fuel-standard-reporting-tool-quarterly-summaries
[5] CA-GREET3.0

California. We appreciate CARB's changes in this 15-day comment period, but urge CARB to make the canola renewable diesel data public and reconsider the cap levels so as not to stunt the efficiently operating renewable fuels industry put in place by the LCFS.

Thank you again for the opportunity to comment on this important issue. For a more thorough in-depth discussion of the cap, please reference our previous letter.[6] If CARB has any questions concerning this letter, please feel free to reach out to me at JONATHAN.SNOEBERGER@ldc.com.

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Jonathan Snoeberger

Regulatory Compliance Manager

[6] https://www.arb.ca.gov/lists/com-attach/7343-lcfs2024-Am5RNANkWXlQCVAz.pdf