ORANGE COUNTY HISPANIC CHAMBER OF COMMERCE

February 9, 2024

CARB Board of Directors
California Air Resources Board
P.O. 2815
Sacramento, CA 95812

Re: Opposition to California Air Resources Board Proposal to Regulate Jet Fuel

Dear CARB Board of Directors,

The Orange County Hispanic Chamber of Commerce is writing to share our serious concern and opposition to the recent California Air Resources Board (CARB) proposal to regulate jet fuel under its Low Carb Fuel Standard (LCFS) program.

The Orange County Hispanic Chamber of Commerce represents the interests of and provides access to Orange County's 30,000 Hispanic-owned businesses. We support the development of these businesses by providing opportunities for networking, legislative advocacy, access to capital, education and training programs.

The U.S. airline industry plays a vital role in California's economy. Furthermore, the industry is committed to reducing its climate impact and achieving "net zero" carbon emissions by 2050. Transitioning to Sustainable Aviation Fuels (SAF) is core to this commitment, and the industry has pledged to work with governments and other stakeholders to make three billion gallons of SAF available in the United States by 2030. Achieving these goals requires new and additional policy incentives, streamlined permitting processes, and close collaboration among airlines, fuels industry, manufacturers, environmental organizations and governments, among others.

With respect to SAF, California has established itself as an early leader in attracting investment, production, and use of SAF through the existing Low Carbon Fuels Standard (LCFS) Program, which provides an opt-in credit for SAF that helps reduce the price difference between SAF and conventional jet fuel. This voluntary regulatory structure has been successful in enabling the growth of the SAF market in California and across the country. CA has the most viable market for SAF today in the United States and as airlines increase their demand for SAF the market continues to grow.

Aviation accounts for 2.6% of the US GHG emissions but 5% of US GDP and 4.1% of CA's GDP. There are 380 thousand employees of US Commercial aviation firms based in California, with an overall economic impact of $194 billion[1]. Aviation is critical to driving California's economy and it's rank as the 5th largest economy in the world, enabling $114 Billion in annual trade flows and underpinning the of many of the rest of California's biggest economic drivers such as agriculture, tourism, manufacturing, banking, technology and small business. Ensuring a healthy and vibrant aviation industry is essential to California's future, and leveraging CARB's early leadership on SAF can enable California leadership in the emerging SAF production industry, creating new jobs and economic development opportunities.

With this context, we express our serious concern with a new proposal by the California Air Resources Board (CARB) to regulate jet fuel as an obligated fuel under the LCFS Program. CARB's proposed changes to the LCFS program include a proposal to eliminate the existing exemption for conventional jet fuel use for flights within the state of California. This proposed change is unlikely to result in increased SAF production, availability, or use in California, but would lead to higher jet fuel prices. The primary impediment to increased SAF production and availability in California remains the higher cost of SAF for producers and buyers relative to conventional jet fuel and renewable diesel. The CARB proposal would not meaningfully address this fundamental challenge and therefore unlikely to meaningfully increase SAF supply or use.

The proposal seeks to regulate jet fuel and reduce emissions from aviation, both of which are pre-empted under federal law a fact that CARB recognized when it exempted jet fuel in 2018.[2]. Aviation has unique circumstances, that go beyond considerations of interstate commerce, for the safe operation and maintenance of aircraft that the federal government has recognized in the EPA's Clean Air Act and the jurisdiction of the FAA.

1 *The Economic Impact of Civil Aviation on the U.S. Economy, State Supplement, US Department of Transportation, November 2020*

2 *CARB stated that "[s]ubjecting aircraft fuels to annual carbon intensity standards would raise federal preemption issues" available at https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2018/lcfs18/isor.pdf?_ga=2.259407882.1202437490.1641 231788-253234234.1573227006*

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These statutory authorities establish clear and broad federal authority for regulating jet fuel and aircraft engine emissions that pre-empts California from regulating jet fuel under the LCFS program.

Moving forward with eliminating the fossil jet fuel exemption and implementation of a new obligation will likely result in litigation that will be lengthy, costly and do nothing to advance the mission of more SAF production and uplift. Engaging in litigation will divert resources from the state and the aviation industry that would be better spent enabling greater SAF production. Our mutual interest is to increase SAF production, availability, and use and the most effective way to accomplish this is to continue the positive, collaborative approach represented by the existing "opt-in" mechanism developed by CARB and the aviation community.

Based on these considerations, we urge CARB to reconsider and withdraw the proposal to remove the exemption for jet fuel for intrastate flights and instead preserve the existing opt-in approach for SAF and partner with the aviation sector and stakeholders across the emerging SAF ecosystem on new policies and approaches to rapidly increase the availability of SAF in California. We urge CARB to focus on the ultimate goal – how to get more SAF into planes in California by reducing barriers to production, availability and use.

Sincerely,

Reuben Franco
President & CEO
The Orange County Hispanic Chamber of Commerce

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