

December 21, 2022

Cheryl Laskowski
Branch Chief
California Air Resources Board
1001 I Street
Sacramento, California 95814
Submitted electronically to: LCFSWorkshop@arb.ca.gov

RE: Canola Council of Canada's Comments on November 9, 2022 LCFS Workshop

Dear Dr. Laskowski,

The Canola Council of Canada (CCC) appreciates the opportunity to submit comments to the California Air Resources Board (CARB) in response to the Low Carbon Fuel Standard (LCFS) workshop held on November 9, 2022. We thank CARB staff for holding this workshop and initiating the pre-rulemaking activity for potential amendments to the LCFS regulation.

The CCC is a non-profit industry association representing all sectors of the Canadian canola industry, including seed developers, farmers, exporters, and processors. The CCC's mission is to advance the growth and profitability of the canola industry based on innovation, sustainability, resilience, and the creation of superior value to customers throughout the world.

California is among canola's largest and most important customers, with consumption of canola oil and meal valued at \$800 million in 2020. Canola oil is one of the most versatile crop-based oils on the market today. It has long been regarded as one of the healthiest cooking oils available and is increasingly recognized as a low-carbon feedstock for renewable fuel production. Canola meal is also contributing to GHG emission reductions through its inclusion in dairy feed rations. Recent research shows that feeding dairy cows canola meal reduces enteric methane emissions while at the same time improving milk productivity.¹

1. Carbon Intensity Targets, Analytical Tools, and Preliminary Scenario Descriptions

We appreciate the attention paid to providing a preliminary description of the California Transportation Supply (CATS) Model at the Workshop. Developing a strong and transparent

¹ <https://www.canolacouncil.org/news/new-research-demonstrates-increased-milk-production-and-reduced-greenhouse-gas-emissions-when-dairy-cows-are-fed-canola-meal/>

analytical framework to inform both choice of carbon intensity targets and help predict likely compliance activities across low carbon fuels is a helpful exercise.

We support consideration of Alternative C, with a 2030 target on the order of 35%. We would also prefer to see a scenario that models more aggressive front-loaded change to near term targets. Credit markets such as the LCFS tend to respond well to near-term policy signals and, therefore, changes to near-term targets will have a more immediate impact on investment in low carbon fuels, reestablish balance between credit and deficit generation, and facilitate greater aggregate greenhouse gas reductions over time.

We recommend that the supply curve for virgin vegetable oils in the CATS model be differentiated by oilseed type so that we can better provide input on the volumes predicted to be available from canola supply at various prices. Canola has a unique story that should be considered separate and distinct from other vegetable oils. Production has witnessed a 4-fold increase over the past two decades. While canola acres have expanded, this has largely displaced summerfallow, cropland that is purposefully kept out of production during the growing season. Canola yields have nearly doubled since 2001, underscoring the ability to support future increases in output on the same amount of land.

2. Target Acceleration Mechanism

We propose that, in addition to tightening the stringency of the LCFS to achieve a minimum 30 percent reduction by 2030, CARB work with stakeholders to develop a feature that dynamically responds in the event of future sustained and significant CI target reductions by further tightening the stringency. This feature, which some stakeholders are now calling an “acceleration mechanism”, would complement the updated overall stringency of the program, complement existing mechanisms to avoid credit shortfalls and price escalation, and better ensure that opportunities to deliver additional reductions of climate change pollutants and air toxic pollutants are not foregone. An acceleration mechanism keeps innovation, investment, and emission reductions moving faster than they would otherwise if it proves feasible to do so. We believe that an acceleration mechanism can be developed that provides clear metrics that trigger adjustments to the program as well as the necessary certainty for deficit and credit generators to plan accordingly.

1. Lack of Clarity on the Mechanism for any Potential Crop-based Feedstock Caps Should be Addressed

Crop based biofuels have a critical role to play as the transportation industry continues its transition towards a zero-carbon future. Crop feedstocks like canola deliver tangible emission reductions, are sustainably grown, renewable, and have a proven track record of increasing supplies to accommodate demand. Biofuels derived from crops are ready to use right now and at scale, which is important as other technologies to decarbonize transportation fuels (esp diesel and aviation fuels) will require time to develop.

The LCFS's existing Indirect Land Use Change (ILUC) values already provide a strong incentive to use feedstocks derived from non-primary-crop sources. Restricting or limiting the utilization of crop-based biofuels further, without scientific justification, would compromise CARB's hard-earned reputation as a fact-driven climate leader and, more importantly, risk achievement of California's greenhouse gas reduction goals. Further, despite Alternatives A and B from CARB's slides stating that virgin oil feedstocks could be limited, CARB's *reasoning* as to why this limit occurs in these scenarios was unclear at the Workshop.

Do Alternatives A and B represent scenario analysis attempting to determine what level of targets the program could reach if competition for the supply of vegetable oils emerges in a strong fashion from other similar low carbon fuel policies outside of California? If so, we support such sensitivities being evaluated, as we support the expansion of clean fuel policies.

However, while it may be simple to model such hard limits in analytical tools such as CATS, we believe such limits would prove problematic in practice. If CARB intends to go beyond analytical scenarios and impose some sort of regulatory change intended to limit the use of virgin vegetable oils, this topic necessitates a series of separate workshops to discuss how such a policy would be implemented.

For example, since reporting occurs for all fuel suppliers at once for a given quarter how would the marginal supplier (that exceeds the last allowable volume) be identified? How would such a fuel supplier know to halt production? How would the farms that supply the crops that become the oil that become the fuel know not to plant the marginal volume? Hopefully the signal would not simply be receiving zero credits for volumes that have already been produced in good faith based on the expectation of LCFS support.

Such "threshold" risks are hard for producers of agricultural commodities to deal with and, unlike current LCFS price signals, do not fit well with existing markets for vegetable oils. We believe canola growers would struggle with the incentives created if—when LCFS prices are high—the gallon just *before* the threshold is met would receive high credit value and the gallon just *after* the threshold would receive nothing.

2. Provide a Venue for Discussion of Sustainable Agriculture Practices for Biofuel Crops

We continue to support CARB holding a workshop specific to the topic of sustainable agriculture practices that have greenhouse gas benefits. The UC Davis study we submitted with our August 8th letter demonstrated that soil organic carbon (SOC) levels in natural lands across California are relatively low, meaning there is a lot of potential to sequester more C in the soils. Canola farms have extensive experience with the practices that can improve SOC levels and soil health and such benefits should be recognized in the LCFS's treatment of canola. If properly incentivized greater adoption of on-farm conservation practices like minimal till, cover cropping and crop rotations can be achieved. Policy incentives like recognition of SOC in the LCFS can speed up the adoption of these practices both in California and in other jurisdictions.

We thank you again for the opportunity to provide comments on this workshop and look forward to continued engagement with CARB as potential changes to the LCFS are considered.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Everson", with a long horizontal flourish extending to the right.

Jim Everson
President