February 20, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposed 2024 LCFS Amendments

Dear California Air Resources Board:

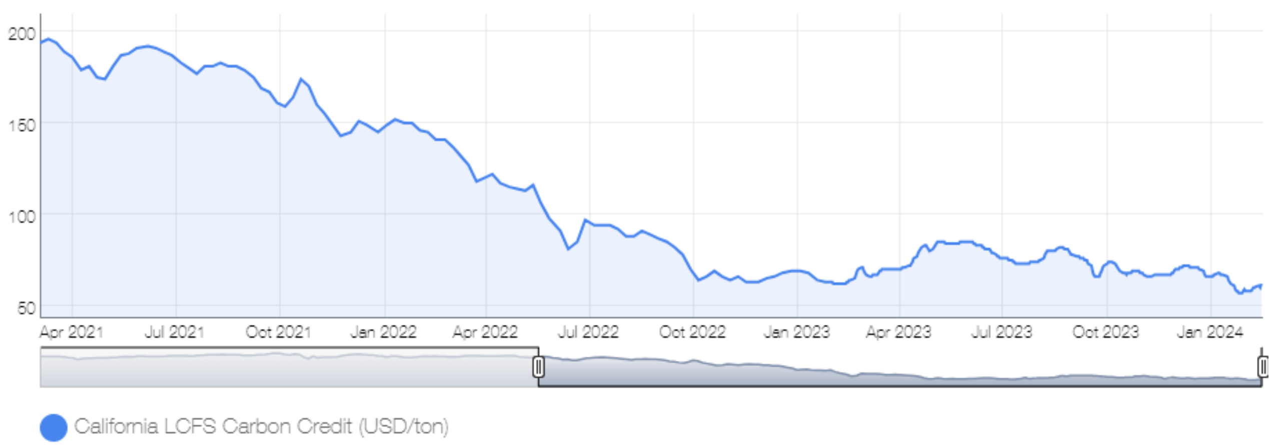
We are writing to provide comments on the Proposed 2024 Low Carbon Fuel Standard Amendments. Thank you for considering our views on this important issue.

Darling Ingredients is North America's largest purveyor of waste fats and oils and is a 50% owner of the nation's largest renewable diesel production facility through a joint venture. Most of the fat that Darling Ingredients processes from its North American factories (used cooking oil and animal fat) are used as feedstocks for domestically produced renewable diesel. We have collection, recycling, and processing operations at several locations in California[1]. According to CARB, our renewable diesel reduces greenhouse gasses (GHGs) by as much as 80%, particulate matter by 30%, NOx by 12%, and is sulfur and benzene free because it is produced from biological – rather than fossil – feedstocks. Renewable diesel is compatible up to 100% in all existing vehicles, equipment, and infrastructure and can be further processed into sustainable aviation fuel (SAF).

After reviewing the regulatory package, we have several comments we would like to share.

Carbon Intensity (CI) Benchmarks

Addressing the persistent decline in LCFS credit values demands more robust measures than have been included in the proposed regulatory package. While the amendments represent progress and a good faith effort to get the program back on track, a 5% step down in 2025 is simply not ambitious enough to remedy the ongoing challenges linked to overcompliance and a historically high credit bank. The data depicted in the chart below unmistakably indicate that the credit market lacks confidence in the proposed amendments' ability to rebalance supply and demand effectively.



[1] Fresno, Los Angeles, San Diego, San Francisco, Santa Ana, and Turlock.

To address this issue, stakeholders previously recommended that CARB implement the 5% step down beginning July 1, 2024 rather than January 1, 2025. We still believe this would be an effective policy response to help address the current problem. <u>However, in addition, we recommend increasing the 2025 step down from 5% to at least 10.5%. This would help restore the credit bank to levels more consistent with historical averages.</u> For the 2030 benchmark, we recommend a requirement of at least 35%. By implementing these measures, the program would be poised for stability and innovation both in the short and long term.

<u>Exemption for Jet Fuel</u>

Prior to the availability of sustainable aviation fuel (SAF), exempting jet fuel from the LCFS program seemed logical. However, the landscape has changed with new facilities coming online in the very near future. For example, our joint venture project, which will be capable of producing approximately 235 million gallons of SAF annually beginning by approximately the first quarter 2025, underscores the emergence and wider availability of SAF. In light of this evolving reality, it is disconcerting that the proposed amendments continue to exempt intrastate jet fuel until January 1, 2028. Such a delay would prove severely counterproductive since urgent market signals are needed to capitalize on the momentum the industry is currently experiencing.

<u>Advancing the repeal of the exemption to January 1, 2025 would offer essential support urgently needed to transition the aviation sector toward cleaner, more sustainable practices.</u> Furthermore, we advocate for exempting the obligation on all jet fuel, not solely intrastate, as continuing reliance on petroleum jet fuel amidst cleaner alternatives is entirely unnecessary, especially for years 2025, 2026, and 2027 when our joint venture alone could fulfill the entire SAF obligation for all three years.

<u>Auto Acceleration Mechanism (AAM)</u>

The AAM concept represents an innovative approach to managing the ambition of the LCFS, and we appreciate its integration into the proposed amendments. However, similar to the concerns expressed regarding the exemption of jet fuel, we fail to understand the reasoning behind postponing implementation until 2028. Should CARB lean toward deferring implementation of the AAM, we recommend considering 2027 as a more suitable timeline. The years spanning 2025 through 2027 stand out as particularly unbalanced during credit bank modeling exercises, demanding more ambition than is represented in the proposed amendments.

<u>Credit True Up After Annual Verification</u>

We strongly support the provision that allows the Executive Officer to perform a credit true up for a fuel pathway that has a lower verified operational CI upon receipt of a positive verification statement for the associated annual fuel pathway report. However, we fail to understand why CARB proposes to penalize CI exceedances by four times the difference in credits between the verified operational fuel pathway CI and the reported CI. Obviously, the agency has regulatory options at its discretion currently, including issuing notices of violation and levying financial penalties. If staff believe an additional deterrent is needed, two times the exceedance would seem more than sufficient to deter such activity. Four times the exceedance is simply unfair to producers and will result in less accurate CI values as well as an entirely different set of administrative challenges.

DARLING INGREDIENTS

CARB Leadership

We urge staff and the board to continue embracing CARB's historical role as the global leader on low carbon fuels policy. Under the tech-neutral California program, every alternative fuel and technology has been successful and significantly outperformed expectations. While we are encouraged and optimistic about the future of low carbon programs in other states, the reality is that most other jurisdictions are still in some phase of consideration or in a nascent stage of development. For this reason, continued strong leadership from CARB is needed to ensure continuity of innovation across the broad spectrum of technologies, especially sustainable aviation fuel.

Once again, thank you for considering our comments. If you should have any questions, please feel free to contact me at any time at shelby.neal@darlingii.com.

Sincerely,

Shelby Neal
VP - Renewables & Energy Policy