August 26, 2024

Steven S. Cliff, Ph.D.
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed 15-Day Changes to Proposed LCFS Regulation

Dear Dr. Cliff:

We are writing to provide comments on the proposed 15-day change document that was published on August 12, 2024. 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 fats 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%, and NOx by 10%. Renewable diesel is compatible up to 100% in all existing vehicles, equipment, and infrastructure. Following substantial investment, one of our joint venture's renewable diesel plants will be converted to produce approximately 235 million gallons of sustainable aviation fuel (SAF) beginning later this year.

After reviewing the 15-day change document, we have several comments we wish to share.

Carbon Intensity Benchmarks

We were encouraged by the increased ambition reflected in the 2025-2029 carbon intensity (CI) benchmarks, particularly the 9% step-down set for 2025. This more aggressive implementation schedule offers the potential to restore a healthy balance to the credit market, while also better aligning with the state's capacity for meaningful carbon reductions across a broad spectrum of technologies.

As shown in the following charts, the program has been significantly outperforming the current CI benchmarks. While this overperformance is a positive development for the climate, it has inadvertently led to a decrease in credit prices and slowed investment in the clean technology sector. The proposed 9% step-down, coupled with the possibility of activating the Automatic Acceleration Mechanism (AAM), will address this fundamental issue more effectively than the original proposal, helping ensure the program continues to drive substantial carbon reductions while maintaining economic viability in the clean technology market.

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

Figure 1 below shows that since 2021 obligated parties have been decarbonizing at a rate well beyond the requirements of the LCFS regulation[2].

Figure 1

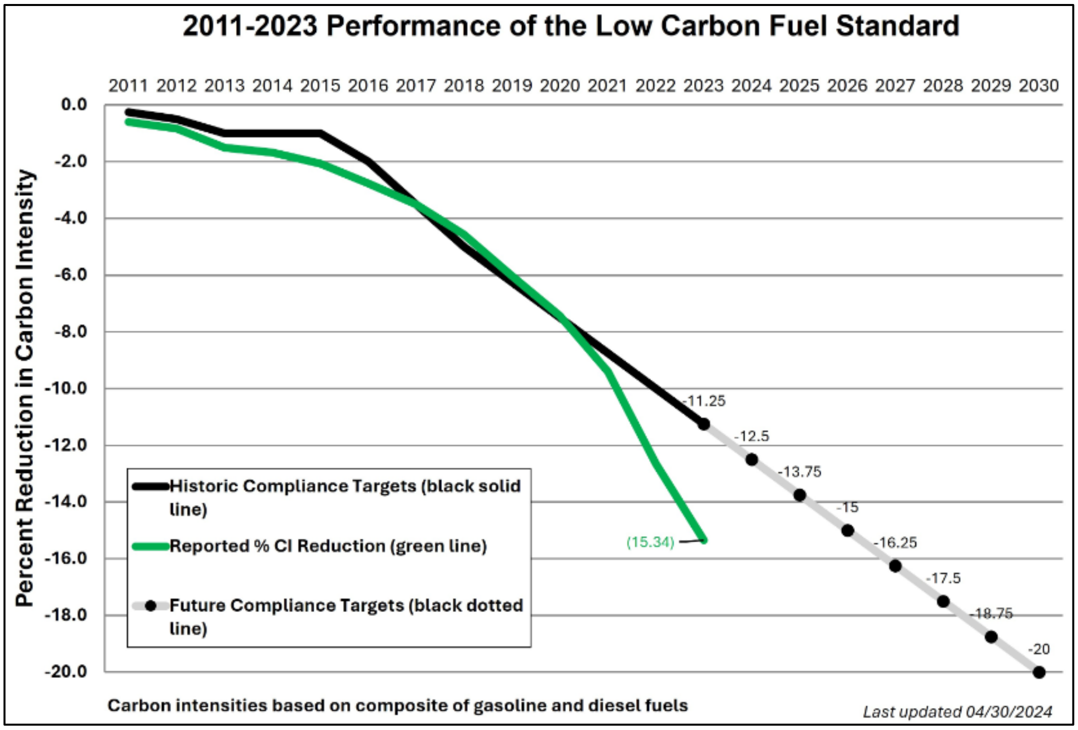
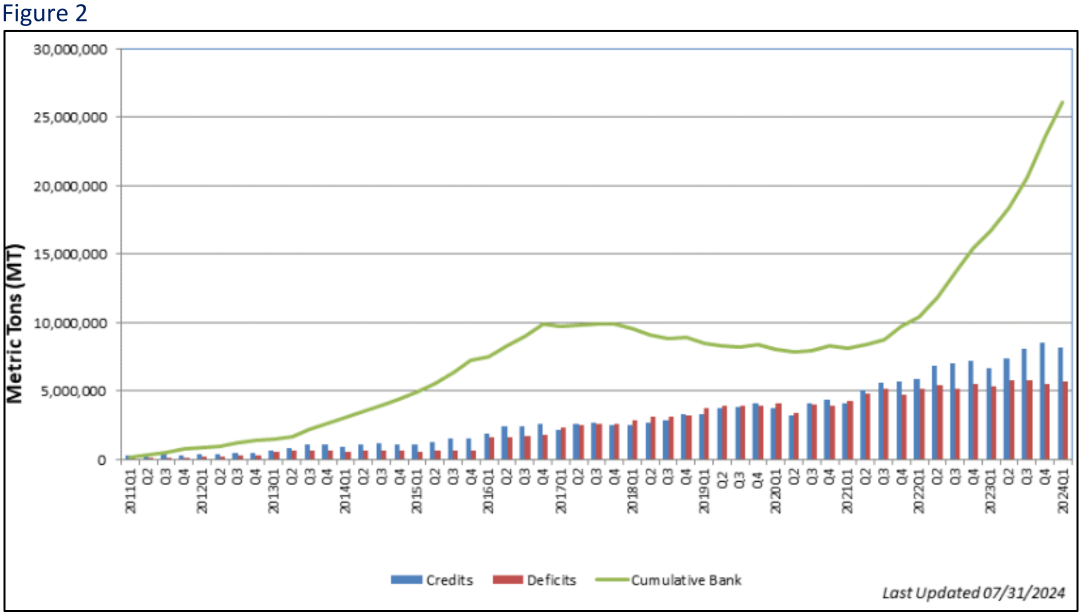


Figure 2 below highlights how overcompliance has dramatically affected the LCFS credit bank.

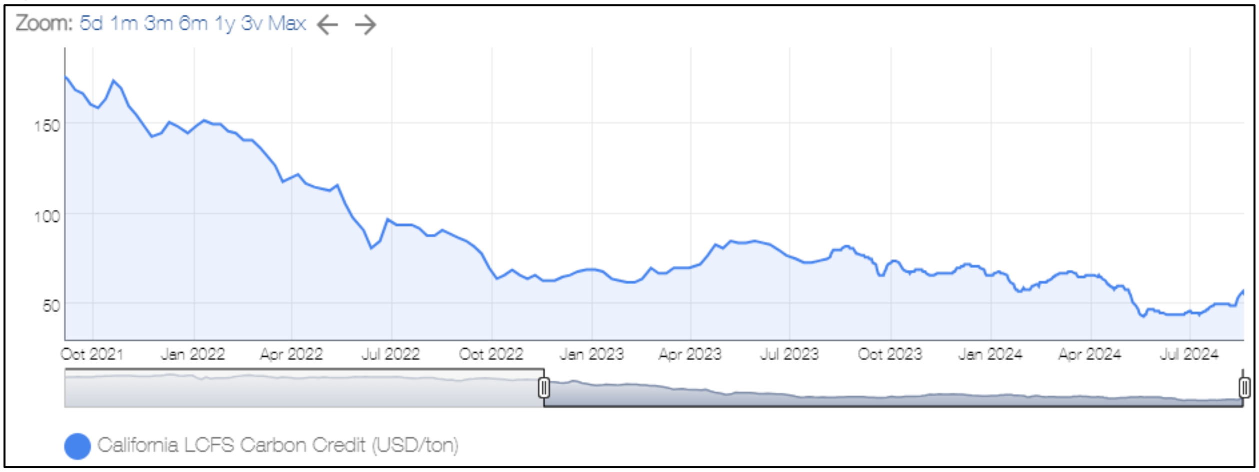
Figure 2



[2] All charts sourced from the CARB LCFS Data Dashboard.

Figure 3 below illustrates the impact of overcompliance on LCFS credit prices since 2021.

Figure 3



Sustainable Aviation Fuel

While we are pleased to see the rulemaking moving forward, we must also express our disappointment that intrastate jet fuel remains exempt from obligations under the LCFS program. We believe this decision could hinder SAF adoption in the state and prevent Californians from realizing substantial air quality benefits, including reduced emissions of PM, NOx, and SOx. If Governor Newsom's goal of 20% SAF uptake is to be achieved, we believe additional measures are necessary[3]. Fortunately, policy options are available, and we hope to work with CARB to explore and potentially implement those strategies.

Timeliness of Action

This regulatory process, including the informal workshop period, has been ongoing for nearly three years. While there are recommendable improvements that could be considered, time is running out under the Administrative Procedure Act (APA). Given the urgency of the situation and the severe consequences of missing the regulatory deadline, we strongly recommend proceeding without further changes to the proposed regulation and moving swiftly toward finalization. This would allow the credit market to begin recovering and enable decarbonization efforts to accelerate under the more ambitious carbon intensity benchmarks outlined in the proposal.

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

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[3] https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf