BUNGE

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August 8, 2022

Hon. Liane M. Randolph, Chair
California Air Resource Board
1001 I Street
Sacramento, CA 95814

Re: July 7, 2022, Public Workshop Regarding Potential Changes to the Low Carbon Fuel Standard

Dear Chair Randolph:

Bunge is the world's largest oilseed processor by crush volume capacity. As a leading producer and supplier of feed and specialty plant-based oils and fats, we buy and process agricultural commodities, turning them into a number of products that we transport around the world to be used in the food industry, animal feed, and — increasingly — the renewable diesel industry. We are committed to meeting these needs sustainably.

Our commitment to sustainability is core to what we do as a business. The very nature of the work we do — connecting farmers to consumers to deliver essential food, feed, and fuel to the world — requires a deep understanding of the environment and market demands around us. It means we must face head-on the realities of a changing climate and the role we play minimizing our impact on the planet while meeting the needs of consumers and communities.

We recognize that climate change presents significant risks not only to our business, but to the wider food and agriculture industry. We believe that ambitious steps must be taken by businesses individually and collectively to address the climate crisis. And so, at Bunge, we are taking a leading role in shaping more sustainable food systems. This starts with changing the way we think as a business: Driven by a variety of teams and levels of leadership, we have embraced climate-focused decision-making with strong business benefits throughout our organization and across our business. These climate-focused decisions include ambitious goals.

Bunge is well on its way to meet our commitment to eliminate all deforestation and native vegetation conversion in our supply chains in 2025. Over 95% of our crop volumes in South America are already deforestation-free. Reaching this milestone is the product of our efforts across multiple fronts to build relationships with farmers, develop powerful tools to incentivize sustainable agriculture, and support sector-wide partnerships to see impact happen at scale.

We have built the sector's most comprehensive and robust traceability and monitoring system which give us unprecedented insight into our supply chain. It is a foundational component of our non-deforestation commitment and helps us to mitigate against land-use change in our supply

chain. We have also worked to forge connections with farmers. Together these investments in processes and people result in supply chains that often exceed the minimum socio-environmental compliance criteria.

Bunge is also focused on reducing its own greenhouse gas ("GHG") emissions as well as those throughout its supply chain. We are improving the efficiency and sustainability of our own operations by investing significant capital expenditure into projects that will reduce our GHG emissions. Bunge has also been procuring zero- or low-carbon sources of energy. Today, three or our facilities in North America run on 100% wind power, adding to a growing list around the world. Bunge's goal is to reduce its own emissions by 25% and the emissions throughout our supply chain by over 12%, by 2030. These targets are validated by the Science Based Targets Initiative, are aligned with Paris Climate Agreement expectations, and are audited by a credible independent third-party every year.

In addition to improving existing supply chains, the urgency of climate action also provides opportunities for new sustainable markets and products. For example, as consumers and governments seek lower carbon-intensity fuels, we are expanding our partnerships to increase our ability to meet growing demand for the next generation of renewable fuels and the development of lower carbon-intensity feedstocks. This allows us to leverage our experience to help shape the sustainability of the growing renewable energy industry.

The next several years will be critical to keep the Paris Agreement's goals in sight. Accordingly, the California Air Resources Board's ("CARB") consideration of potential changes to the Low Carbon Fuel Standard ("LCFS") comes at an important time.

During the July 7, 2022, public workshop, CARB requested feedback on, among other things, the following topics:

- What are the potential risks of increased use of crop-based biofuels?
- Should staff consider a cap on crop-based biofuels?

See Public Workshop Presentation at 37.

Bunge applauds the design of the LCFS, which has long been a centerpiece of California's efforts to combat climate change. CARB's foresight to design a market-based system that uses science to identify the carbon intensity ("CI") of various fuels, and then incentivize investment in relatively low CI fuels, has proven to be both elegant and effective. Bunge encourages CARB to continue its efforts to refine the CI scores for all fuel types, including crop-based fuels. Ensuring the accuracy of these scores will allow the LCFS to function as intended. A cap on crop-based fuels — or any type of fuel — on the other hand, would be antithetical to the LCFS program.

Crop-Based Fuels Are Consistent With — and Desirable Under — the LCFS

The LCFS was designed to reduce the state's reliance on petroleum-based fuels and encourage the use of less carbon intense fuels in the transportation sector. The program has repeatedly been highlighted as crucial to the state's efforts to combat climate change, including for example, in CARB's 2008 Climate Change Scoping Plan and its subsequent updates.

Renewable diesel is a drop-in fuel that can achieve significant reductions in emissions, as compared to petroleum-based diesel, for heavy-duty transportation applications that cannot be easily electrified. *See* Draft 2022 Scoping Plan Update at 152 (where CARB notes that the transition to complete zero-emission vehicle technology "will not happen overnight" and that low-carbon liquid fuels will be necessary in the near-term, including for legacy vehicles and hard-to-electrify sectors, "such as aviation, locomotives, and marine applications").

Bunge shares CARB's commitment to ensure that the CI scores for crop-based fuels accurately reflect the best science concerning indirect land use change ("ILUC") associated with use of crop-based feedstocks for fuels production. As the scientific community's understanding of land use change and economists' ability to accurately model land use change has continued to improve, CARB Staff has repeatedly updated its ILUC and CI scores to reflect this new knowledge and send the appropriate market signals. Bunge believes that CARB should continue improving the accuracy of CI scores, without abandoning the flexibility that is central to the LCFS.

CARB Should Continue to Refine the CI Scores of Crop-Based Fuels — Not Impose a Cap

A cap on crop-based fuels would be antithetical to the design of the LCFS and would deprive the market of a fuel type, which, based on Bunge's experience working directly with domestic and international growers, can be made from truly sustainable feedstocks.

Bunge has adopted aggressive and measurable commitments and implemented robust monitoring and traceability systems to demonstrate that crop-based feedstocks can be grown and sourced sustainably and deforestation-free. These feedstocks can be deployed at-scale to produce drop-in fuels that achieve near-term reductions in GHG emissions, while easing volatility in the internationally linked fuel markets due to geopolitical instability.

Improving the accuracy of these CI scores also provides an opportunity to help incentivize sustainable farming practices and allay some concerns regarding the potential upstream environmental impacts of crop-based fuels. As the recent Draft Scoping Plan update observes, the LCFS has been a key driver of market development for renewable diesel and is being viewed as a model by other jurisdictions. *See* Draft 2022 Scoping Plan Update at 18, 19.

Notably, the availability of soybean oil as a feedstock — complemented by lower-CI feedstocks such as tallow and used cooking oil, and the incentive provided by the LCFS for use of such feedstocks to produce a drop-in replacement for petroleum-based diesel — has motivated petroleum-based energy producers to convert their existing refining assets to the production of renewable fuels. Several of these projects have been approved. When these converted refineries come online, they will be the largest renewable fuels production facilities in the world.

In his June 22 letter to you, the Governor announced several goals and asked that they be incorporated into the final Scoping Plan. These include that CARB "adopt an aggressive 20% clean fuels target for the aviation sector" and "evaluate and consider an increase in the stringency of the Low Carbon Fuel Standard and to work with relevant agencies to accelerate refinery transitions away from petroleum to the production of clean fuels."[1] The California petroleum refineries that have approval to convert their refineries so they can produce renewable fuels are already contemplating producing sustainable aviation fuel. These converted refineries will undoubtedly help improve the achievability of Governor's aviation-sector target, as well as potential increases to the stringency of the LCFS.

Setting a cap on use of crop-based fuels at this time would send the wrong signal to companies embarking on the transition to renewable fuels production. Such an arbitrary cap is not only inconsistent with the market-based approach reflected by the LCFS, but it could, quite possibly, eliminate the very market force that has motivated incumbent energy producers to undertake the large-scale transitions of California's petroleum refining infrastructure, in accordance with the Governor's command. That command is reflected not only by his July 22 letter to you, but also by Executive Order N-79-20, which affirmed his support for the LCFS and ordered state agencies to expedite regulatory processes to repurpose and transition refineries to the production of renewable fuels.[2]

Bunge would encourage CARB to explore how the LCFS's scoring methodology could be leveraged to amplify sustainable agricultural practices and reduce indirect land use change, rather than adopt an arbitrary cap on crop-based lipids as a feedstock for substitutes for petroleum-based fuels. For example, CARB could introduce a scalable ILUC score that differentiates between fuel producers that are using feedstocks that are certified as deforestation-free and meet stringent traceability criteria, and those that are not. As a result of our investments and efforts to end deforestation in our supply chains, Bunge can currently provide verified deforestation and conversion-free ("DCF") products — 96% of our volumes of soy in Brazil, and over 50% of our palm oil volumes are verified DCF. A scalable ILUC score may help incentivize other companies to replicate Bunge's approach to sustainable sourcing, and could thus encourage industry-wide transformation.

CARB could also incentivize climate-smart farming practices at the farm level by allowing for variable feedstock scoring when calculating a fuel pathway's CI score. By incentivizing and rewarding climate-smart practices, CARB could meaningfully expand the adoption of sustainable agricultural practices and help advance the science and understanding of how these practices may further support the environmental integrity of the LCFS.

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[1] Letter from Gavin Newsom, Governor of California, to Liane Randolph, Chair, CARB, July 22, 2022, https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf?emrc=1054d6, at 3.

[2] Executive Order, N-79-20, https://www.gov.ca.gov/wp-content/uploads/2020/09/9.23.20-EO-N-79-20-Climate.pdf, at 1 and 4.

Bunge applauds CARB's continued efforts to set and meet ambitious decarbonization goals. We share CARB's optimism that the LCFS will continue to serve as a powerful and exportable tool that can incentivize sustainable practices and products for the benefit of Californians and the environment. We look forward to working with CARB to explore how the renewable fuels industry's commitments to sustainability, deforestation-free crops, and traceability can be harnessed to send the most appropriate market signals and guard against unintended consequences.

Sincerely,

Robert Coviello
Chief Sustainability Officer and Government Affairs