Par Pacific's Comments on the 15-Day Package

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Mr. Matt Botill
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California Air Resources Board
1001 I Street Sacramento, California 95812

Ms. Rajinder Sahota
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Dear Mr. Botill and Ms. Sahota,

We appreciate the opportunity to provide comments on the proposed modifications to the text of the LCFS amendment issued August 12, 2024 (the "15-Day Changes").

Par Pacific Holdings, Inc. (NYSE: PARR), headquartered in Houston, Texas, is a growing energy company providing both renewable and conventional fuels to the western United States. Par Pacific owns and operates 219,000 bpd of combined refining capacity across four locations in Hawaii, the Pacific Northwest and the Rockies, and an extensive energy infrastructure network, including 13 million barrels of storage, and marine, rail, rack, and pipeline assets. In addition, Par Pacific operates the Hele retail brand in Hawaii and the "nomnom" convenience store chain in the Pacific Northwest. Par Pacific also owns 46% of Laramie Energy, LLC, a natural gas production company with operations and assets concentrated in Western Colorado. More information is available at www.parpacific.com.

Par Pacific has announced a $90 million investment at its Kapolei, Hawaii refinery to convert an existing distillate hydrotreater unit to produce renewable fuels. The 61 million gallon per year project is expected to produce renewable diesel, sustainable aviation fuel, renewable naphtha, and renewable light-end products. The project is expected to be completed during the second half of 2025.

The 2025 Step-Down and Auto-Adjustment Mechanism (AAM)

We support the increase in the step-down from 5% to 9% in 2025. We also support the inclusion of the AAM but are concerned that its first potential triggering remains, as in the 45-day package, with 2028 being the first year for which it can amend CI reduction targets. Instead, we recommend that 2025 performance should be able to trigger the AAM, which would then be able to impact CI targets in 2027.

In short, the AAM should be allowed to trigger as early as possible, to guard against the case where the step down is not sufficient to address the current credit bank oversupply. This is especially the case since CARB did not include the more aggressive step-down in 2025 as recommended by ICF and as advocated for by many stakeholders in comments on the 45-day package.

The Cap on Credits on Biomass-Based Diesel ("BBD") from Soy and Canola Feedstocks

We were surprised and disappointed that CARB included major changes from the current regulation and the 45-day package in the 15-Day Changes related to caps on credits for soy and canola. We do not believe that it is appropriate to include impactful revisions without the supporting science and an adequate public process**.**

Caps on credits for BBD pathways with soybean oil and canola feedstocks were added in the 15-Day Changes despite these matters not being workshopped, and being contrary to CARB's position as expressed in its April 10, 2024 workshop (the "Workshop"), including as set forth in staff's presentation for it.

CARB has only provided stakeholders 15 days to submit comments on these major changes, however they include provisions that may cause some biofuels producers to go out of business and leave stranded assets. This potential outcome is inconsistent with CARB's guiding principles for the LCFS and may result in reduced renewable diesel and biodiesel in the California fuel pool.

In short, to include such drastic changes at this juncture is bad public policy and is unfair to stakeholders, including those living in disadvantaged communities

1. The 20% cap on credits for BBD from soy and canola feedstocks is unnecessary and will result in higher GHG emissions and tailpipe emissions for Californians, especially those in disadvantaged communities.

    a. As CARB made clear in the Workshop, soybean oil BBD will become deficit generating by 2033 at the latest and perhaps 2030 if the AAM mechanism is triggered twice. The use of soybean oil as a feedstock will then phase out, rendering the cap unnecessary.

    b. Furthermore, as CARB explained in the Workshop, the science does not exist to justify a cap on crop-based biofuels at this time.

    c. CARB also made clear in the Workshop, the LCFS already contains guardrails that disincentivize the use of crop-based feedstocks through the inclusion of an indirect land use change ("iLUC") Carbon Intensity ("CI") penalty and sustainability requirements. The amended LCFS will contain stringent sustainability requirements including certification by an internationally recognized body and third-party verification.

    d. As the 2022 Scoping Plan sets forth, and CARB has reiterated in the amendment proceeding, including in the Workshop, internal combustion engines will be on California roads for years to come and the heavy-duty fleet is expected to transition slowly. Heavy-duty trucking is extremely difficult to electrify, and it is projected that there will not be enough hydrogen production or refueling infrastructure in the foreseeable future.

       As the Scoping Plan noted, the answer in the transition period is the use of low carbon liquid fuels like BBD for the heavy-duty trucking sector.

       The LCFS incentivizes the use of waste-based feedstocks to make BBD due to the iLUC penalty on crop-based feedstocks, however there are clear signs that there will not be enough of these feedstock streams by 2030 to supply the market. This will be especially true as renewable diesel production continues to grow.

The EPA recently announced that it is investigating at least two biofuel producers amid concerns they are using virgin palm oil disguised as used cooking oil ("UCO") as feedstocks to generate RINs. The EU is also investigating the same issue. Without valid Chinese UCO, there will not be sufficient feedstocks for the necessary RD production unless producers can generate LCFS credits on the crop-based RD they produce. In addition, we expect the unintended consequence of more Chinese UCO being imported into the US to meet the CARB requirements and further incentive to blend virgin palm oil into the UCO pool, running counter to CARB's intentions.

2. **The possible end of BBD fuel pathways**. We were also surprised by the inclusion of a provision in the 15-Day Changes allowing for the possibility of CARB not accepting fuel pathway applications for BBD starting on January 1, 2031. This provision was not workshopped or discussed before the 15-Day Changes.

   If CARB insists on this provision, the triggering mechanism should be limited to the number of ZEV or near-ZEV classes 7 & 8 vehicles, i.e., the heavy-duty trucking categories, since these are the vehicles that are difficult to electrify.

3. **The 15-Day Changes reflect out-of-date databases to determine iLUC**

   On p. 10 of the Notice, CARB describes its proposed changes to Table 6, Land Use Change Values for Use in CI Determination as follows:

   In section 95488.3(d), Table 6, staff proposes to add specification of the geographic region to Table 6, identifying where land use change (LUC) carbon intensity was modeled for specific feedstock/fuel combinations. **Table 6 LUC values were estimated through the GTAP and AEZ-EF modeling framework developed by CARB with input from an expert working group in 2010 and were updated during CARB's re-adoption of the LCFS program in 2015.** [Emphasis added.]

   It was at this time that CARB assessed the iLUC for soy BBD at its current value of 29.1. However, as Dr. Farzad Taheripour et al explain in their June 2023 report entitled *Biodiesel induced land use changes: An assessment using GTAP-BIO 2014 data base,* CARB's assessments of LUC value were made using an earlier version of the GTAP-BIO model than is used today, as well as a 2004 database. However, the 2004 database has been updated twice since then, once in 2011 and again in 2014. In addition to updating the database, the Purdue GTAP team has also greatly improved the GTAP-BIO model to take into account intensification due to multiple cropping and/or conversion of idled land to crop production.

   Therefore, the 2004 data base and model CARB has been using was out-of-date, and CARB will be compounding the issue in the upcoming amendment by continuing to use them. The Scoping Plan requires CARB to use "the best available science" when computing emissions from crop-based feedstocks. Therefore, we request that CARB use the current GTAP-BIO model and 2014 database to calculate iLUC for such feedstocks.

Furthermore, we request that CARB continue to accord an equivalent iLUC value to Argentine soybean oil as the iLUC value for US soybean oil-based BBD. In addition to the same iLUC value, we also request that CARB continue to accord Argentine soy farming emissions an equivalent value to those of US soy.

4. **Eliminating fossil jet fuel as a deficit generator**. In the 45-day text, fossil jet from in-state jet fueling was added as a deficit generator. Again, without prior discussion, CARB removed the provision from the 15-Day Changes.

In closing, we note that there is sufficient time before the November Board meeting for CARB to issue a second 15-day package. We urge CARB to do so.