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February 19, 2015

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comment of Low Carbon Fuels Coalition Regarding the Proposed Re-adoption of an Updated Low Carbon Fuel Standard

Dear Chairwoman Mary Nichols and Members of the Board,

Thank you for the opportunity to provide comments regarding the proposed re-adoption of California's Low Carbon Fuel Standard ("LCFS"). This letter provides the comments of the Low Carbon Fuels Coalition. The Coalition represents a broad range of low carbon fuel providers including producers and developers of biodiesel, ethanol, renewable natural gas, waste-derived fuels, and retail low carbon fuel providers. The Low Carbon Fuels Coalition tracks regulations and legislation, advocates for policies that benefit the entire low carbon fuels industry, and facilitates industry success through consensus and coalition building.

We strongly support the re-adoption of the Updated LCFS as proposed. We applaud the Air Resources Board's continued work to implement and improve the LCFS. As a direct result of the LCFS, California is leading the world in reducing greenhouse gas ("GHG") emissions from vehicles, and diversifying the transportation sector. We look forward to the LCFS program's continued success and are committed to assisting you in this endeavor.

California's first three years of LCFS experience have strengthened rather than weakened the state's economy and accelerated the growth of California's Clean Economy. The LCFS is driving tangible and valuable business activities by incentivizing technological innovations that reduce carbon intensity ("CI"). Companies are developing new CI fuels and technologies, investing in infrastructure to expand the availability of low CI fuels and

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technologies, and making investments to reduce the CI of conventional petroleum fuels and biofuels.

The LCFS is also providing the collateral benefit of reducing the US trade deficit. While domestic production has expanded substantially in recent years, the US still imports approximately half of its crude oil requirements, resulting in a net export of about $500 million per day to foreign coffers.[1] By diversifying the California transportation market, the LCFS enables the expansion of low CI fuels derived from US biomass and waste materials, as well as other US based low carbon fuel technologies. It has been determined that ethanol production in 2013 added more than 87,000 direct jobs across the country, increased the gross domestic product by $44 billion, and contributed $30.7 billion in new household income.[2] By 2022, the advanced biofuels industry is expected to produce $150 billion of economic output and support 800,000 jobs in the U.S.[3]

While we support the program as a whole, we would like to highlight several key aspects of the proposed regulation that have received significant attention and emphasize our support for these program components.

1. Compliance Curve- We strongly support ARB's proposal to maintain the original LCFS CI reduction at 10% by 2020. The entire US fuels market is watching California's progress and will benefit from California's aggressive leadership given the increasing severity of climate change. The low carbon fuels industry is committed to supplying California's low carbon fuel requirements and confident that it can produce more than sufficient quantities of fuel.

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[1] The US is a massive net importer of crude oil at a monthly value that ranged from 20-25 billion dollars per month during 2013. A small portion of this trade deficit is offset by finished petroleum product exports which ranged from 1-7 billion dollars per month during the same period. See US Energy Information Administration, Monthly Crude Oil Trade and Monthly Petroleum Products Trade, http://www.eia.gov/todayinenergy/detail.cfm?id=15151#tabs_SpotPriceSlider-2 (last viewed November 1, 2014).

[2] See 2014 Ethanol Industry Outlook, Renewable Fuels Association, http://ethanolrfa.3cdn.net/2704ddcafa38cadd54_mlblcbx7o.pdf (last viewed February 11, 2015).

[3] See Energy Fact Check, American Council on Renewable Energy, http://www.energyfactcheck.org/featured-fact-checks/ (last viewed February 11, 2015.)

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2. Price Cap- We support the transparent and predictable market rules in the Updated LCFS to ensure that temporary shortages in the supply of low CI fuels or LCFS credits do not disrupt the market. Adoption of a Credit Clearance Market will protect markets in the event of a lack of liquidity. We support the proposed figure of $200/ton as the price that triggers the credit clearance mechanism.

3. Enforcement provisions- We support the expanded and clarified enforcement provisions that ARB has proposed to respond to fraudulent credit trades or other invalid activities are discovered in the market. The clearly defined rules dictating culpable parties and penalties will help market participants to behave within acceptable compliance boundaries. Due to the complex and novel nature of environmental attribute markets, regulators and enforcement officials must exert concerted efforts to maintain the integrity of credits and respect for the overall program. We support ARB's vesting of the Executive Officer with discretionary authority to intervene in the market to investigate suspect credits as well as the provisions providing interested parties the opportunity to respond and to submit evidence in the proceedings.

We look forward to working with you as you continue to strengthen and improve the LCFS. Please let me know if any clarification of these comments would be helpful.

Sincerely,

Graham Noyes
Acting Executive Director
Low Carbon Fuels Coalition