

October 16, 2024

Liane Randolph, Chair California Air Resources Board 1001 I Street Sacramento, California 95814 Via electronic submission

Re: Second Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information for the Proposed Low Carbon Fuel Standard Amendments (Second 15-Day Notice)

Dear Chair Randolph:

Thank you for the opportunity to comment in response to the second 15-day proposed modifications to the Low Carbon Fuel Standard (LCFS) by the California Air Resources Board (CARB) on October 1. CHS appreciates the opportunity to share insights on behalf of our businesses and farmer-owners with interest in this issue.

CHS is a leading global agribusiness *owned by farmers, ranchers and cooperatives* across the United States. Diversified in energy, agronomy, grains and foods, CHS is uniquely positioned to provide expertise in the areas of agriculture commodities and liquid fuels.

CHS supplies farmer customers with more than 2.5 billion gallons of refined fuels annually, including diesel and gasoline. In addition, CHS operates soybean and canola processing facilities and two ethanol plants in the Midwest. With more than four decades of experience as a leading marketer of renewable fuels, CHS provides a critical link between grain farmers, ethanol manufacturers and biofuel blenders. The company is also one of the largest U.S. marketers of ethanol products, a leading marketer of biodiesel blended fuels and a growing participant in global liquid fuels imports and exports.

CHS comments are focused in three areas of the proposed LCFS amendments: vegetable oil cap, sustainability compliance requirements and fuel pathways. Implementation of a cap on biomass-based diesel (BBD) feedstocks, complex and duplicative sustainability requirements, and phaseout of BBD pathways will result in fuel price increases and poorer air quality.

Vegetable oil cap

Biodiesel and renewable diesel are LCFS credit generating fuels that are key components to California greenhouse gas emission (ghg) reductions. Limiting the availability of these fuels in the California LCFS market will create market volatility, reduce ghg emission reductions by excluding domestic production of low carbon renewable fuels and increase fuel prices for California consumers. CARB modeling illustrates this conclusion.

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At the April 10, 2024 CARB workshop, staff presented the implications of a vegetable oil cap including the impact to LCFS progress. Modeled in Alternative 1, fuel costs increased to \$162 billion more than a comparable policy scenario without a vegetable oil cap. With respect to ghg emissions, less renewable diesel volume from the artificial cap in Alternative 1 resulted in an increase of NOx and PM 2.5 emissions by 10,981 tons and 2,773 tons, respectively.

The second 15-day revisions continue to disadvantage cost-effective solutions to reduce ghg emissions. CHS encourages CARB to promote policies that encourage the responsible production and use of renewable feedstocks while addressing concerns about deforestation through targeted risk-based measures. CARB should increase the stringency factor, which would raise credit prices while allowing the market to determine the lowest cost options to achieve ghg emission reductions.

Sustainability requirements

CARB proposed sustainability requirements are unrealistic and unnecessarily complex given existing compliance programs. CHS encourages CARB to consider a targeted, risk-based approach that prioritizes regulatory efforts in areas with higher risk deforestation potential and waste feedstock origination over lower risk regions like the U.S. and Canada. Existing provisions in the U.S Renewable Fuel Standard (RFS) and Canada's Clean Fuel Regulation (CFR) are practical and functioning models.

As proposed, it is not realistic for farmers to implement sustainability certification by 2026 due to agricultural supply chain and crop harvest cycles. Alternatively, it is realistic to meet sustainability requirements by permitting a level of aggregate compliance from crop-based feedstocks produced within the sustainability provisions of the RFS, Canadian CFR or energy tax provisions in the Inflation Reduction Act.

CHS specifically encourages CARB to not include North American soy, canola and sunflower oil in the credit generation cap since they are already qualified to generate RINs in the RFS by attesting that the feedstocks are grown on land that hasn't been converted since January 1, 2008. In turn, the Canadian CFR exempts U.S. crop-based feedstock given this RFS compliance provision. Recognizing biofuels produced in compliance with existing U.S. programs is a practical and effective way to achieve CARB's goals without sacrificing any sustainability gains.

Fuel pathways

As the science on land use change (LUC) continues to evolve, CARB should recognize that there are instances in which LUC should be reduced, as well as the instances where LUC should be increased. CHS encourages CARB to consider repeated requests to update LUC models when science reduces LUC penalties, including soybean oil. CARB's LUC modeling for BBD is nearly a decade old, producing a score of 29.1 gCO2/MJ. Evolving data from models like Argonne GREET's Carbon Calculator for Land-Use and the Land Management Change from Biofuels Production (CCLUB) illustrate lower estimated values of 12.5 and 12.2 gCO2/MJ for soybean oil, respectively.



CHS encourages CARB to initiate a targeted rulemaking to update the 2014 GTAP dataset and related to LUC values by the end of Q2 2025.

Conclusion

CHS respectfully suggests CARB convene an expert working group in early 2025 to consider issues related to the cap on credit generation, sustainability provisions, and land use change.

CARB analysis, existing federal regulations and recent LUC modeling support the ongoing ability for U.S. grown feedstocks and renewable fuels to enable California to achieve decarbonization goals.

The proposed second 15-day changes, including the vegetable oil cap, would have the unintended consequence of increasing fuel prices and reducing ghg emissions by limiting the credit generation of biodiesel and renewable diesel. Restricting credit generation of domestically produced fuels would consequentially advantage global market participants over U.S. crop-based feedstock and renewable fuels.

Leveraging existing sustainability frameworks in the U.S. and Canada enables CARB to achieve a targeted, risk-based sustainability compliance program. This approach supports the evolving biofuel industry and domestic markets for farmers.

Sincerely,

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Brian Schouvieller SVP, Trading and Risk Management CHS Inc.