



April 21, 2025

VIA ELECTRONIC FILING

Ms. Rajinder Sahota
Deputy Executive Officer - Climate Change & Research
California Air Resources Board
1001 I Street
Sacramento, Ca 95814

Re: Neste Comments on Proposed Low Carbon Fuel Standard (LCFS) Regulation Published on April 4, 2025

Dear Ms. Sahota:

Neste appreciates the opportunity to provide these comments to the California Air Resources Board (CARB) regarding the draft LCFS regulation 15-day package published on April 4, 2025. These comments are in addition to the comments submitted by Neste for the 45-day regulatory package¹, the April 10, 2024 LCFS Workshop², the August 12, 2024 15-day package³, the recirculated EIR⁴ and the October 1, 2024 15-day package⁵, and all of our recommendations should be considered as part of this LCFS rulemaking.

Neste appreciates the work that has been done on this rulemaking and remains in strong support of the LCFS program. The LCFS program has an outstanding record of success in reducing emissions from the transportation sector in the state of California. The new proposed targets will ensure that the program continues to attract high levels of investments in renewable energy. We urge the rule's adoption as soon as possible and we support the rule becoming effective January 1, 2025 to shore up the LCFS credit market and overall investments in renewable energy. Neste also appreciates CARB's efforts to address in a timely manner concerns raised by the California Office of Administrative Law (OAL)⁶.

For consideration for improvement, we raise concern with the new proposal to effectively end new biodiesel (BD) and renewable diesel (RD) pathway applications under Section 95488(d). This new proposal introduces uncertainty that will impact investment decisions in new, long-term innovations such as the development of new feedstocks and energy efficient operations. It also brings uncertainty to existing pathway holders renewing or updating an existing pathway. Uncertainty impacts production decisions or investments in not only RD but also SAF. Additionally, this proposal essentially favors those that use older technologies and not those that produce the lowest cost fuel. This can lead to potentially higher costs for the California consumer. Neste recommends that CARB reprioritize technology neutrality to ensure that California consumers receive renewable energy at the lowest cost possible and the lowest CI.

Below is a detailed discussion of the analysis presented in this April 2025 15-day package. Neste also supports the comments from the Low Carbon Fuels Coalition (LCFC) and ICF on this rulemaking. We appreciate your consideration.

¹ <https://www.arb.ca.gov/lists/com-attach/6974-lcfs2024-B2IUN1YkACcLaARb.pdf>

² <https://ww2.arb.ca.gov/form/public-comments/submissions/11066>

³ <https://www.arb.ca.gov/lists/com-attach/7564-lcfs2024-AG4HZFUnACcGZQnc.pdf>

⁴ https://www.arb.ca.gov/lists/com-attach/16-eiarecirc_lcfs2024-WjRUN10vUnULaAIW.pdf

⁵ <https://www.arb.ca.gov/lists/com-attach/88-lcfs2024-2nd15day-AmwAY1wuBSIHZFUK.pdf>

⁶ https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/disapproval_decision.pdf

Reject the Proposal to Stop Accepting New RD Pathway Applications (95488(d))

Neste opposes the proposal to stop accepting new pathway applications for biomass-based diesel starting in 2031 if certain ZEV mandates are met in 2029 (95488(d)). This proposal is arbitrary and brings uncertainty to the RD market precisely when companies are evaluating further investments, for example in SAF production. Given the interconnectivity between the economics of SAF and RD, this proposal could discourage SAF development in the long-term.

This provision also creates uncertainty for those with existing BD or RD pathways (and SAF pathways). It is unclear how CARB will handle existing pathways that are being renewed and/or updated to account for new calculation methodologies and/or renewable fuel production changes. Fuel production changes could be as simple as changes in feedstock sourcing and, if this proposal is adopted, it is unclear if CARB will deem these as new fuel pathways. It is also unclear if changes in ownership would result in existing pathways being deemed new fuel pathways.

Given the lack of clarity on how this new provision will apply to existing BD/RD pathways and the uncertainty it creates for future SAF production, Neste therefore recommends that CARB reject this proposed provision.

Proposed Land Use Change (LUC) Methodologies in 95488.3(d) are an Opportunity to Drive Innovation

Neste appreciates CARB clarifying in section 95488.3(d)(2) how it will determine LUC values for regions/biomass/fuel combinations not currently contemplated in Table 6 of the LCFS regulation. Neste supports the use of best available and peer reviewed data to ensure LUC is accurately accounted for, especially for innovative feedstocks that apply climate smart agricultural (CSA) practices. By accurately evaluating LUC for innovative feedstocks CARB will help drive production of renewable energy such as SAF, while also addressing concerns with deforestation and most other concerns with crop-based feedstocks. Neste looks forward to CARB applying the best available data on LUC values developed in the future.

Neste is concerned by the changes to section 95488.3(d)(1) that now seem to make LUC evaluations apply to all biomass-feedstocks and not just to crop-based feedstocks. This is a new change that is outside the scope of the concerns raised by OAL, as OAL's only issue was that section 95488.3(d)(2) did not state the methodologies that will be used to evaluate LUC. This proposed change to 95488.3(d)(1) also goes against all scientific research regarding LUC, including CARB's own 2015 research⁷, that have all concluded that only crop-based feedstocks result in LUC. Neste therefore recommends that CARB remove its proposed change to 95488.3(d) as it pertains to which feedstocks are subject to LUC evaluations.

General Recommendations:

Neste makes the following general comments that apply to more administrative requirements in the LCFS regulation:

1. Transition to CA-GREET 4.0 (95488(c)): Neste supports the proposal to begin use of the CA-GREET 4.0 model with the 2025 Annual Fuel Pathway Report.
2. Sustainability Certification System Approval/Disapproval (95488.9(g)): Neste appreciates CARB adding clarity as to how sustainability certification systems will be approved for use. Should a certification system be disapproved, Neste appreciates knowing how that will be managed.

⁷ https://ww3.arb.ca.gov/fuels/lcfs/iluc_assessment/iluc_analysis.pdf

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Thank you for considering our comments. We look forward to continuing to work with CARB on this rulemaking and urge its adoption as soon as possible.

A handwritten signature in black ink, appearing to read "Oscar Garcia", with a stylized flourish at the end.

Oscar Garcia
Sr. Regulatory Affairs Manager
Neste US, Inc.