

Mr. Samuel Wade
Chief, Transportation Fuels Branch
Industrial Strategies Division
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

April 23rd, 2018

Re: Comments on Preliminary Draft Proposed Regulation Order and Staff Report

Dear Mr. Wade,

In the proposed rulemaking set for adoption in 2019 ARB has added for Validation of Fuel Pathway Applications; and Verification of Annual Fuel Pathway Reports under §95500. White Energy supports the Boards commitment to bringing assurance to carbon credit generation and transactions. We feel that greater assurance will provide more stability for the LCFS and the credits it generates. However, the proposed verification regulations may prove to be challenging to implement with the current state of verifying bodies and pathway participants. The LCFS has currently over 400 pathway codes ranging from Biodiesel to Renewable Gasoline. The producers of these fuels range from large firms to small independent producers. White acknowledges that the verification rulemaking makes some exception for producers of small credit volumes but believes that the remaining participants will still face difficulties in complying with certain measures of the rulemaking.

The rulemaking requires that verifiers be certified by the Executive Officer and that verifiers rotate on a regular basis. This rulemaking is new to the LCFS and therefore no existing verifiers are currently available. The domestic ethanol production capacity is 15 billion gallons while California's consumption of that domestic production is less than 8%. CARB has asserted that financial verification bodies could provide these services given that they elect to be certified under the certification process laid out in the rulemaking. Unlike financial verification, which is universally required and widely available, verification for the LCFS will represent an extremely small volume of work. CARB may find that few assurance firms will want to participate in these services because of the limited amount of work and the additional hassle of obtaining CARB certification. Due to the potentially small pool of verifiers that will be available in the early years of this rulemaking for verification, producers may not be able to rotate through verifying bodies as required. Additionally, many domestic renewable fuels producers participate in Quality Assurance Programs under the RFS. These participants have for years contracted verifiers that could be potentially disqualified from verifying under the LCFS rulemaking because they have been engaged by the producer prior to the effective date of the rulemaking which would further limit the number of potential verifiers available. We therefore suggest that ARB change the requirement for rotation separation from three years to one year or provide for a means of exemption from the requirement if the number of registered verifiers is too limited to reasonably implement this portion of rulemaking.

CARB staff has proposed a revision to the “Temporary Pathways for Fuels with Indeterminate Cis” (Table 8 formerly Table 7) that seem almost punitive and arbitrary in nature. Two examples of which are for corn based ethanol and biomass-based diesel from plant oils (excluding palm oil). These pathway scores now are listed as 90 gCO₂e/MJ and 65 gCO₂e/MJ. Both of these traditional renewable fuels have been the cornerstone of the LCFS and have been previously listed as scores of 75.97 gCO₂e/MJ and 56.95 gCO₂e/MJ. The increases from the former Table 7 and newly proposed Table 8 which replaces it in rulemaking represent an 18.5% increase in corn ethanol CI and 14.1% increase in the biomass-based diesel from plant oils (excluding palm oil). Current registered and approved FPCs for Corn Ethanol (Tier 1) do not exceed 85.58 gCO₂e/MJ.

California is projected to have a population growth rate of nearly 14% by 2030 from a 2015 baseline (an annual growth rate of just under 1%)¹. As the population continues to grow, demand for energy, specifically transportation energy will grow. It can be surmised that new facilities for transportation fuel production will need to come online. Since these newly built facilities either inside or outside the state of California will not have production data required to produce a CI score; they will be required by rulemaking to utilize Table 8. In both cases technology for these Tier 1 fuels as well as their feedstock have been well known and widely implemented for decades, it is overly harsh to prescribe such high temporary pathway scores and could deter new production facilities to come online to meet California demand. We are suggesting two options that could remedy these potential pitfalls. The first is to re-establish Table 7 as the baseline temporary CI score for fuels with indeterminate CI’s and create a secondary table that would represent regions of production used to increase the CI scores for import/transportation distance. This approach would be a more accurate representation of GHG accounting set forth by CA-GREET. The second suggestion would be for newly built production facilities or additional bolt on production is to allow firms that are building these facilities to apply for a “Design-based Pathway (§95488.9 (e)) that can be utilized in lieu of a temporary pathway from Table 8. This approach would encourage innovative technologies to be deployed in traditional designs that could further reduce GHG footprints of the production facilities.

Regards,
Greg Thompson – CEO
White Energy, Inc.

¹ Hans Johnson - Public Policy Institute of California, California’s Future Population, (http://www.ppic.org/content/pubs/report/R_116HJ3R.pdf)