



Advanced
Biofuels
Association

MICHAEL J. MCADAMS
PRESIDENT

January 11, 2010

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

Dear Board Members:

The members of the Advanced Biofuels Association ("ABFA") submit these comments in response to the California Air Resources Board's ("CARB") Preliminary Draft Regulation For A California Cap And Trade Program ("the California cap and trade program").

ABFA represents 22 second-generation companies that hold the promise to deliver significant scalable volumes of high-performance, environmentally-advantageous fuels to California as well as national and global markets. Our companies employ a diverse array of feedstocks and conversion technologies to produce bio-based fuels for use in the gasoline, diesel and jet fuel markets. As an organization, we recognize that there is no "silver bullet solution" to decarbonize transportation energy. Our organization envisions a future where a substantial portion of transport carbon reductions are met by a range of different biofuels from a diverse set of feedstocks.

The comments below are focused on the draft regulation's treatment of biofuels.

First, as currently drafted, the California cap and trade program treats biomass used for power differently than biomass used for fuels. We believe that biomass used for transportation fuel should be on parity with that used for power, and thus prefer the first proposed option for calculating the surrender obligation for transportation fuels, which is found on page 40 of the draft regulation.

This first option is consistent with the ABFA's belief that the surrender obligation for biomass used for transportation should be NO higher than that for biomass used for power. In particular, the ABFA agrees with CARB's approach to regulating emissions of biomass used for power and recommends that such an approach is the appropriate treatment for all biomass. Specifically, when analyzing biomass used for power, CARB acknowledges that the carbon content of

biomass was recently sequestered from the atmosphere, and thus *the surrender obligation for biomass used for power generation is zero.*¹

Second, we believe that the latter three proposed methodologies to calculate the surrender obligation for biofuels are misguided for several reasons. For example, we believe that these methodologies ignore key environmental benefits the biofuels industry provides. In doing so, CARB risks overly burdening this nascent low-carbon industry with undue and unfair compliance obligations just at this time in our nation's history when policymakers are striving to encourage cleaner replacements for petroleum.

ABFA strongly recommends the following actions to CARB:

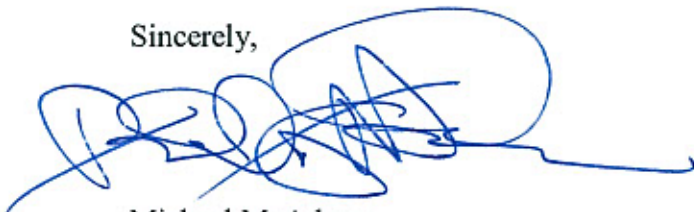
1. **appropriately and consistently reward the environmental benefits of all forms of bio-energy regardless of whether the end-product created is electricity or fuel.**
2. **do not include lifecycle emissions in the California cap and trade in surrender compliance obligations for any industry.**

In addition, we believe that the latter three methodologies on page 40 of the draft rule are misguided for including lifecycle emissions in the surrender obligation. We strongly urge CARB to avoid any of these latter three options as they are flawed and risk the following unintended policy outcomes:

1. Ignore key carbon benefits of biofuels while crediting those benefits for biomass used for power.
2. Require biofuels and other liquid fuels to purchase allocations for the entirety of their supply chain (lifecycle emissions) while not requiring this for any other regulated industry.
3. Exclusively penalize biofuels by requiring the purchase of allocations for indirect land use change emissions in addition to direct and lifecycle emissions.

The ABFA is concerned that the capital intensive and still-emerging advanced biofuels industry would be severely negatively impacted with any of the above listed latter three approaches to biofuels carbon accounting. We believe they would unjustifiably and arbitrarily incent biomass exclusively towards power and away from liquid fuels. This unintended consequence would likely reduce production and use of advanced biofuels during a time when they are critical to the development of a robust and economical supply of low carbon energy for transport.

Sincerely,



Michael McAdams

¹ See California Air Resources Board, "Preliminary Draft Regulation for a California Cap-and-Trade Program," p. 15, Nov. 24, 2009.