



CHESTER J. CULVER
GOVERNOR

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PATTY JUDGE
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April 22, 2009

Mary D. Nichols, Chairwoman
California Air Resources Board
Headquarters Building
1001 I Street
Sacramento, CA 95814

Dear Chairwoman Nichols:

I wish to share with you my concerns about the California Air Resources Board's treatment of biofuels in the proposed Low Carbon Fuel Standard (LCFS). The impact of the Board's approach will damage not only existing biofuels production, but would significantly curtail research and delivery of second and third generation advanced biofuels.

Iowa is home to the nation's leading biofuel producers, many of whom are working to transition to second-generation biofuel refining, and are working with the U.S. Department of Energy to research and demonstrate advanced biofuels from a range of feedstocks. These companies — and the thousands they employ — are producing domestic, renewable fuels that are enhancing the environment, bolstering local economies, reducing the trade deficit, and diversifying our fuel sources. I am extraordinarily proud of their accomplishments even as we work with stakeholders to achieve greater production efficiency and improved sustainability.

I am concerned about the Board's treatment of biofuels in the proposed LCFS since biofuels are treated differently from other compliance fuels and petroleum. Instead of establishing a baseline that allows various fuels to compete equitably on a carbon-based playing field, the following two issues have emerged:

- The Board has incorporated ethanol into the petroleum baseline, which means that ethanol is not only competing against other alternative fuels, but also against itself.
- The proposed LCFS enforces indirect land use effects only for biofuels, creating a potential bias in the regulation that will unfairly penalize these fuels, as well as the second and third generation fuels that may soon enter the market.

With regard to the to baseline issue, California gasoline contains 5.7 percent ethanol by volume. Yet, the Board has made 10 percent ethanol blends (E10) the baseline fuel.



As such, refiners moving from E5.7 to E10 do not receive carbon credit under the program. This baseline inclusion sets the ethanol industry up to replace itself. As outlined in the LCFS executive order (S-01-07), "[d]iversification of the sources of transportation fuel will help protect our jobs and economy from the consequences of oil price shocks." The Board's use of this baseline violates this goal.

With regard to the enforcement of indirect land use effects, it is unclear why biofuels are the only fuels under the proposed LCFS to be penalized for indirect land use effects. By requiring biofuels alone to satisfy a penalty for alleged indirect effects, the Board is creating a potential bias in the regulation and a clear disincentive to utilize biofuels of any kind.

While I support California's and the nation's efforts to better understand the indirect land use impact of various fuels, I also share the concern of over 100 scientists who wrote to Governor Schwarzenegger expressing their scientific and public policy concerns with enforcing indirect effects in a selective way. The outcome of the Board's proposed approach will not only damage existing biofuels producers, but will also significantly slow advanced biofuels investment and development.

Recognizing the extraordinary challenges of implementing an LCFS, I support expanding efforts to work with renewable fuel producers, farmers, investors, consumers, environmental leaders and others in order to find common ground on transportation fuel policies. We share a goal of reaching a future that includes flex-fuel, plug-in hybrid vehicles operating on clean power and increasingly sustainable renewable fuels. It is essential that we work together to find a common path that leads us toward this future and away from high-carbon fossil fuels.

Sincerely,



Chester J. Culver
Governor of Iowa