

December 14, 2011

Dear Member of the Air Resources Board,

We are investors, advisors and business people in the low-carbon fuel industry. We are writing to express our support for the Low Carbon Fuel Standard emission reduction targets as they stand.

Our business plans and our investments allow us to sell competitively priced fuel with reduced carbon intensity, assuming there is a California market that provides a monetary incentive for those reductions. In order for our businesses to continue to scale, we depend on the certainty that the current compliance targets provide.

Market certainty provides investors with the signals they need to put capital to work. The Board should consider two mechanisms that can enhance certainty: an expansion to the credit trading market and a Flexible Compliance Mechanism (FCM).

An expansion to the credit trading market should take two forms:

1. An electronic trading platform for LCFS credits providing electronic, real-time credit trades and cash flows to our businesses.
2. An expansion of the companies that can participate in the market.

The transparency and volume of trades will create clear credit prices, providing a way for us to understand the market value of carbon reductions. Such a credit trading system would facilitate our capacity to provide increasing quantities of low carbon fuels into California, and help achieve the LCFS targets.

A FCM would provide certainty as to how ARB would react to potential market shortfalls. As a result, it would provide greater confidence for investors to make near-term decisions to expand the availability of low carbon fuels in later years, when greater volumes will be needed to enable compliance. A FCM would provide flexibility should a regulated party be unable to meet the compliance target in a given compliance period due to limited supplies of low carbon fuels or LCFS credits in the market.

Both of these policies will provide transparent carbon prices and bolster activity in low-carbon fuels. The additional market certainty provided by these policies will help us meet California's carbon reduction goals.

Thank you for your leadership on this first-of-kind regulation, and for considering our shared recommendations.

Sincerely,

Dan Adler, President
California Clean Energy Fund

Stephanie Batchelor, Manager of State and International Policy
Biotechnology Industry Organization (BIO)

Eric Bowen
Executive Director, Corporate Business Development and Legal Affairs
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Harrison F. Dillon, Ph.D., President and Chief Technology Officer
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