

Richard Corey, Chair
LCFS Advisory Committee
Air Resources Board
1001 I Street. PO Box 2815
Sacramento, CA 95812

February 28, 2011

Dear Mr Corey,

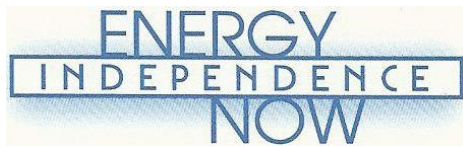
As member of the LCFS Advisory Panel, I thank you for the opportunity to provide feedback on the top five priorities that I believe the panel should be focused on in its review of the LCFS this year. I would like to note a few general points first:

- I support a more front-weighted work load for the panel's efforts, with a 2 day session in June rather than August.
- To maintain focus, I believe it would be helpful to re-emphasize to our panel that reviewing the *objective* of the LCFS is not a topic of discussion. That objective has been clearly set as reducing the carbon intensity of transport fuels by 10% by 2020.

The top 5 priorities as I view them are as follows:

1. **The need for a Transparent LCFS Credit Trading Market. As acknowledged in the original ISOR, a platform for transparent trading of LCFS credits is a key component of the LCFS, yet it remains notably absent even as the program enters into force.** It is needed to provide:
 - a. Price discovery of the value of carbon reductions in the fuels sector, a key signal for regulated parties managing their compliance, for CARB to monitor the stringency of the program, and for outside investors to be drawn to this sector.
 - b. A financial incentive to those regulated parties that are able to over-comply.
 - c. A cost control mechanism for regulated parties struggling to meet the standard.
 - d. A necessary platform for non-liquid alternative fuels (natural gas, electricity, hydrogen) to monetize their credits.

I urge you to organize a specific discussion around this topic, drawing on the full range of representation available in the advisory panel. I believe that this may be topic around which there is a strong degree of consensus, but that CARB staff may need more resources and outside expertise to make it possible. I view this as an appropriate, high-level topic to address in this forum . It is a subject that needs a dedicated discussion, which will help inform the panel's assessment of Topics (1),(5), (11) and (12).



2. **Ultra-low Carbon Fuel Development.** As has been noted among panel members, there are a range of unique barriers and needs relating to the commercialization of ultra-low carbon (ULC) fuels. I therefore support your proposal to specifically address this as a discrete topic (Topic 5) for discussion. I would recommend that you arrange the discussion to:
 - a. Identify unique barriers: The panel has already noted that the barriers facing ULC fuels are quite different than the challenges of incremental improvements to the current fuel supply, especially for *non-liquid* ULC fuels.
 - b. Assess the adequacy of the incentives. Input from the panel is needed on whether the current LCFS credit system provides a sufficient incentive for investors and developers of ULC fuels. This could be done alongside assessing the progress on the physical supply of such fuels, and technology progress. (Topic 6)

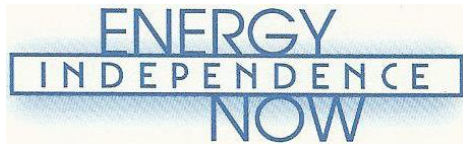
3. **Environmental and Health Protection.** The environmental and health implications of the LCFS signal are critical, and the question of whether the LCFS design is adequately protecting against negative unintended consequences is a high-level question that this panel should address. As such, I support your proposal to specifically discuss:
 - a. Air Quality Assessment (Topic 10)
 - b. Public Health Impacts (Topic 9)

4. **Progress and Adjustments.** The 2011 Q1 LCFS compliance data will provide CARB with a wealth of relevant information and the first opportunity for panel members to see the impact of the LCFS. I urge you to structure one of the panel meetings around this information, to inform a range of questions that relate to the situation on the ground.
 - a. Progress against Targets (Topic 1)
 - b. Adjustment to the compliance schedule (Topic 2)
 - c. Supply availabilities (Topic 6)
 - d. Impact on State fuels (Topic 7)
 - e. Transparency: I believe such a session focused on the quarterly report is also needed to firmly establish a precedent for public transparency surrounding LCFS compliance (the volumes, pathways and sources of the fuels), as well as transparency on the quarterly credit status, and banked credit balances of regulated parties.

5. **Harmonization**

I support the need for the panel to provide a high level assessment on how the LCFS appears to be aligned with other efforts (Topic 12). This discussion should address:

 - a. Interaction of LCFS with other state programs, namely the AB32 Cap and Trade, as it relates to credit trading, LCA, treatment of emissions.
 - b. Interaction of LCFS with other emerging state LCFS programs, as well as federal fuel mandates.



I thank you for noting these priorities, and look forward to participating in the subsequent Advisory Panel meetings.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Garderet".

Remy Garderet

Energy Independence Now.