

March 11, 2011

Richard Corey
Michelle Buffington
Co-Chairs, LCFS Program Review Advisory Panel
California Air Resources Board
1001 "I" Street
Sacramento, California 95814

Dear Mr. Corey and Ms. Buffington,

As requested, this letter identifies RFA's top five priority issues for discussion by the California LCFS Program Review Advisory Panel. I have listed the priorities in order of their importance.

1. Lifecycle Analysis and Carbon Intensity Scoring

*This priority corresponds with item #3 of the regulation review scope as established in §95489 of the LCFS regulation. **Rationale:** The carbon intensity (CI) values assigned to individual fuel pathways serve as the very foundation of the LCFS regulation. Lifecycle analysis methods and input data are rapidly evolving and improving. Thus, it is very important for the advisory panel to be apprised of new developments in this area and to have the opportunity to discuss CARB's efforts to integrate new science and data as it becomes available. CARB staff should also update the advisory panel on its efforts to integrate the recommendations of its Expert Work Group (EWG), including the recommendation to study indirect GHG effects of other fuels. I am concerned that CARB's scheduling of topical discussions does not allow sufficient time to discuss developments in lifecycle assessment (i.e., a brief discussion on CARB's LCA efforts took place at the February meeting, and the issue will not be discussed again until the final meeting in October). RFA recommends that CARB schedule an interim update to the advisory panel on LCA issues, CI scoring, and progress on EWG recommendations during the June or August meeting. RFA also recommends CARB schedule a technical workshop on these issues this spring.*

2. Availability of Low Carbon Fuels and Advanced Vehicle Technologies

*This priority corresponds with items #4, 5, 6 and 12 of the scope as established in §95489. **Rationale:** Aside from currently available low carbon fuels such as ethanol, there is much uncertainty surrounding the future deployment and availability of other low carbon and "ultralow" carbon fuels and vehicle technologies. Long-term compliance with the LCFS depends significantly on the commercialization and availability of new low carbon fuels and alternative vehicle technologies. Thus, RFA recommends that CARB, with input from the advisory committee and other pertinent stakeholders, conduct a robust analysis to determine reasonable expectations about deployment timelines and availability of new low carbon fuels and vehicle technologies.*

3. LCFS Compliance, Credit/Deficit Generation, and Progress Against Targets

*This priority corresponds with items #1 and #2 of the scope as established in §95489. **Rationale:** In order to measure current progress against LCFS targets, an open and*

transparent process should be established to regularly (e.g., quarterly) publish aggregate credit/deficit generation, aggregate low carbon fuel use by pathway, and other pertinent information. This process could be similar to EPA's monthly publication of RIN data and information relevant to compliance with the RFS2 regulation.¹

Further, it should also be a priority of the advisory panel to discuss methods for estimating future LCFS compliance and progress against targets. Based on the findings of the study recommended above in priority #2, CARB should, with input from the advisory committee and other pertinent stakeholders, conduct new analysis of potential "compliance scenarios" through 2020. The compliance scenarios conducted by CARB for the ISOR do not appear to be based on reasonable consensus-based assumptions on deployment timelines and availability of new low carbon fuels and vehicle technologies. A re-examination of possible compliance scenarios based on the results of the study recommended in priority #2 would shed light on whether adjustments to the LCFS compliance schedule are needed.

4. Regulatory Barriers to LCFS Compliance

*This priority corresponds with item #11 of the scope as established in §95489. **Rationale:** A number of state and Federal regulatory barriers and inconsistencies may impede the growth in low carbon fuel availability in California. It is important that CARB identify these potential barriers and regulatory conflicts and discuss steps to address them. For example, long-term compliance with the LCFS likely will require the use of ethanol blends higher than E10. Yet, CARB regulations effectively limit ethanol blends for conventional vehicles to E10 and CARB emissions standards significantly restrain California sales of FFVs capable of consuming up to E85. Further, CARB's pending biorefinery "siting guidance" and state permitting requirements may impede development of low carbon fuel production facilities in the state. RFA recommends that CARB conduct a thorough analysis of regulatory conflicts, inconsistencies and barriers that may impede compliance with the LCFS.*

5. Economic Impacts

*This priority corresponds with items #8 and 12 of the regulation review scope as established in §95489 of the LCFS regulation. **Rationale:** It is imperative that the potential economic impacts of the LCFS are assessed based on reasonable assumptions about the deployment timelines, availability and cost of new low carbon fuels and vehicle technologies. The economic impact assessment conducted by CARB for the ISOR was based on compliance scenarios that may not have been properly informed by robust analysis of commercialization timelines, availability and cost of new fuels and vehicle technologies. RFA recommends that CARB commission a new economic impact analysis based on the results of the study recommended under priority #2.*

Thank you for the opportunity to share our priorities for the advisory panel. I look forward to discussing these issues at future panel meetings.

Sincerely,



Geoff Cooper
Vice President, Research & Analysis

¹ see <http://www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/rfsdata.htm>