



March 11, 2011

Michelle Buffington
Stationary Source Division
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Re: Request for Low Carbon Fuel Standard (LCFS) Advisory Panel Member's Priorities

Dear Ms. Buffington,

Thank you for inviting Environmental Entrepreneurs (E2) to participate in the LCFS Advisory Panel, and provide our top priorities in response to California Air Resources Board (CARB)'s solicitation. We note that in the first meeting, the CARB staff identified and clarified thirteen (13) priorities areas already required by §95489 for the Advisory Panel to be reviewed. E2 has aligned our priorities with these required review areas.

Broadly, E2's goal of participating in the Advisory Panel is to expand the number of fuel suppliers supporting the LCFS, and to track and predict the fuel availability for diesel and gas low carbon alternatives. We have developed our priorities stemming from these high-level goals. We note and reinforce the recommendation of Simon Mui from NRDC to "focus on mechanisms to improve the LCFS while avoiding becoming a forum to reargue major policy decisions or structural design elements of the LCFS that were already considered during the multi-year rulemaking process and voted on by the Board."

E2's main priorities for the LCFS Advisory Panel include (in no particular order):

- Significant economic issues; fuel adequacy, reliability, and supply issues; and environmental issues that have arisen
As identified by CARB, this priority feeds into our broad goal to track the fuel availability for diesel and gas low carbon alternatives. To ensure successful program implementation, adequate fuel supply must be available to meet incremental carbon intensity reduction targets, or programmatic changes will be necessary.
- The LCFS program's impact on state revenues, consumers, and economic growth
This priority will help CARB identify positive economic benefits of the LCFS program, and garner public and business support. As the LCFS gains notoriety around the country, additional states or regions will consider adopting an LCFS based on the success of the California regulation.
- Advances in full, fuel-lifecycle assessments and the advisability of harmonizing with international, federal, regional, and state LCFS and lifecycle assessments
As a particularly contentious area of the CARB research, we want to again emphasize that this should not be an additional opportunity to debate lifecycle accounting, as this area has already been researched, debated and vetted exhaustively. Rather, as fuels are a unique and developing application of lifecycle assessments, the Advisory Board should be advised of any advances made by researchers and economists, ensuring that CARB is using the best possible modeling. This process of perpetual improvement assures that California's rule is relevant and replicable in other regions. E2 would like to see the LCFS adopted at a federal level, and the likelihood of this scenario increases as the various regional programs adopt parallel carbon accounting systems and rules.

- The availability and use of ultralow carbon fuels to achieve the LCFS standards and advisability of establishing additional mechanisms to incentivize higher volumes of these fuels to be used;
An area of concern for many advanced biofuel companies with whom E2 has spoken is attracting strategic investments to reach commercialization. An area of consensus between many companies is that additional regulations are needed to provide adequate market guarantees, and therefore needed investments. CARB should consider the advisability of additional mechanisms to provide this guaranteed market, as this will facilitate industry support of the LCFS.
- Identification of hurdles or barriers (e.g., permitting issues, infrastructure adequacy, research funds) and recommendations for addressing such hurdles or barriers;
To make the LCFS successful, the Advisory Board should troubleshoot any program barriers in advance. If programmatic changes are needed, then these suggestions will have more time to come under review. Looking at any hurdles in California proactively will help other regions adopt analogous rules.

Thank you for your consideration of these priorities. We look forward to continuing work with CARB staff and the Advisory Board.

Sincerely,

Dr. Bob Epstein
Co-Founder, E2