April 11, 2014

Wes Ingram
Manager, Fuels Evaluation Section
California Air Resources Board
1001 “I” Street
Sacramento, CA 95812

Dear Mr. Ingram,

The Renewable Fuels Association (RFA) appreciates the opportunity to provide comment on the California Air Resources Board’s (CARB) proposed changes to fuel pathway and producer registration provisions under the Low Carbon Fuel Standard (LCFS). These proposed changes were the subject of stakeholder workshops held on March 11 and April 4, 2014.

RFA understands and appreciates the goals of streamlining the pathway petition process and reducing CARB staff’s administrative burden. However, we are greatly concerned by several aspects of the proposed revisions to the pathway petition process and producer registration provisions. We believe some of the concepts proposed by CARB staff could undermine the GHG reduction objectives of the LCFS, discourage innovation and investment, and economically disadvantage biofuel producers who secured unique pathways through the petition process. Thus, the ethanol industry is strongly opposed to the concept of developing two tiers for fuel pathways and assigning “Tier 1” fuels to arbitrary carbon intensity (CI) “bins.”

The Method 2A/2B pathway petition process was expressly developed to allow fuel producers to secure individualized CI scores based on the unique characteristics of their processes and facilities. The process has resulted in approval of numerous unique pathways with CI scores based on increments of 0.01 gram of CO2-equivalent per megajoule (g/MJ). While we have always doubted that CARB’s lifecycle analysis framework is precise enough to assign CI scores based on such small and exact increments, the California fuel market and LCFS credit market have nonetheless responded to this CI scoring convention. Indeed, compliance plans, fuel supply contracts, and pricing practices have been designed and executed around the 0.01 g/MJ CI scoring convention. Further, investments have been made based on the expectation that the current CI scoring practice and Method 2A/2B process would remain in place.

Now, CARB is proposing to change the rules of the game. CARB’s proposal to establish CI bins represents a dramatic reversal from its current approach. Transitioning to a bin approach would remove the incentive for producers to invest in incremental improvements that reduce the CI score of their fuel. In concept, bins are essentially the same as broader default (Method 1) pathways, which already exist in the regulation and for which Method 2A/2B was established as an alternative.
We urge CARB to reconsider its “binning” proposal. While RFA supports a simplified Method 2A/2B process for conventional biofuels from processes and technologies that are well understood, we are strongly opposed to placing pathways in broad bins that may badly misrepresent the actual CI of individual fuel pathways. CARB should maintain the practice of allowing individual producers to secure unique CI values.

The binning approach could result in substantial undercounting of actual CI reductions, thereby misrepresenting the actual overall carbon reduction achieved under the LCFS program. For example, if ethanol from a particular facility has an actual CI score of 81.5 g/MJ, it would be placed in the proposed 81-90 g/MJ bin and given a CI score of 85.5 g/MJ. This means 4 g/MJ of actual CI reduction benefit would be foregone, making compliance more challenging for regulated parties and simultaneously penalizing the producer of the 81.5 g/MJ fuel. Neglecting to account for all CI reductions for all fuel sources is counterintuitive to the goals of the program. CARB must also remember that conventional ethanol has been the single largest source of credit generation under the LCFS to date, and binning could significantly undermine the ability of the lower-CI conventional ethanol sources to meaningfully contribute credits to the program. The widest bins proposed by CARB are the bins in which the highest-volume biofuels used in California (conventional ethanol and biodiesel) would be placed. Thus the potential for undercounting actual CI reductions is greatly magnified. Meanwhile, CARB is proposing much narrower bins for extremely low-volume fuels (or fuels that have not yet entered the marketplace). It seems entirely incongruous to place the highest level of CI precision on the fuels that exist in the lowest volumes, or don't yet exist at all, and therefore have very little potential to meaningfully contribute emissions reductions in the short term.

At a minimum, CARB should “grandfather” existing pathways and allow fuel producers and regulated parties to continue to use all previously-approved pathways and CI values. For new registrations/new entrants to the LCFS program, if CARB insists on adopting a new approach to pathway approval for conventional biofuels, it should adopt “Alternative 1” as discussed at the April 4 workshop. Under this alternative, CARB would adopt a broad range of Method 1 pathway options (i.e., potentially dozens) that more accurately reflect current practices and technologies than the current Method 1 pathways. Still, “Alternative 1” is much less preferable than continuing to allow producers to secure unique CI values through the Method 2A/2B process.

We appreciate CARB’s consideration of these comments and welcome further dialog on this subject. RFA will continue to review the information provided by CARB and respond with additional comments as appropriate.

Sincerely,

Geoff Cooper
Senior Vice President