May 10, 2024

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Opposition to California Air Resources Board Proposal to Regulate Jet Fuel

Dear Chair Randolph,

In response to the workshop held April 10th, 2024, we are writing to share and restate our serious concern and opposition to the recent California Air Resources Board (CARB) proposal to regulate jet fuel under its Low Carb Fuel Standard (LCFS) Program. We believe the CARB proposal will raise the cost of conventional jet fuel without inducing additional Sustainable Aviation Fuels (SAF) production or use in California, an objective the aviation industry shares with CARB. And further, the proposal to regulate jet fuel is pre-empted by federal authority. We encourage CARB to withdraw the proposal to regulate jet fuel and instead establish a joint CARB-industry working group to explore alternative solutions to increase SAF production and use.

American Airlines is committed to reducing its climate impact and achieving net zero carbon emissions by 2050, and transitioning to SAF is core to this commitment. We have long recognized that scaling up the supply of SAF and achieving net-zero carbon emissions by 2050 can only happen by working collaboratively with governments and other stakeholders across sectors. Achieving this ambition for SAF will require new and additional policy incentives, streamlined permitting processes, and close collaboration among governments, the aviation industry, the fuels industry, environmental organizations, and others.

Aviation accounts for 2.6% of the U.S. greenhouse gas emissions but 5% of U.S. Gross Domestic Product (GDP) and 4.1% of California's GDP, thus exerting outsize economic impact relative to its share of emissions. U.S. civil aviation firms employ more than 380,000 California-based employees, with an overall economic impact of $194 billion.[1] Aviation is critical to driving California's economy and its rank as the 5th largest economy in the world, enabling $114 billion in annual trade flows and underpinning many of California's other significant economic drivers such as agriculture, tourism, manufacturing, banking, technology, and small business.

California has established itself as an early leader in attracting investment, production, and use of SAF through the existing LCFS Program, which provides an opt-in credit for SAF that helps reduce the price difference between SAF and conventional jet fuel. Ensuring a healthy and vibrant aviation industry is essential to California's future, and leveraging CARB's early leadership on SAF can enable California leadership in the emerging SAF production industry, creating new jobs and economic development opportunities.

[1] The Economic Impact of Civil Aviation on the U.S. Economy, State Supplement, US Department of Transportation, November 2020

In its April 10th, 2024 workshop, CARB re-stated that a principle objective of its regulatory proposal is to "Increase the use of alternative jet fuel in the State". We share that objective as reflected in our company commitment to American Airlines and our US airline industry support for the US government SAF Grand Challenge. American Airlines and our fellow airlines have clearly demonstrated a strong, enduring market signal for affordable SAF. The challenge remains supply of affordable SAF, not the absence of a market signal by airlines.

With this context, we express our serious concern with the proposal by CARB to regulate jet fuel used for flights within California as an obligated fuel under the LCFS Program. The proposal to eliminate the exemption for jet fuel used on intrastate flights would not result in significantly increased SAF production, availability, or use in California, but would lead to higher jet fuel prices and slow down, rather than accelerate, efforts to increase the state's SAF production and use. The primary impediment to increased SAF production and availability in California remains the higher cost of SAF for producers and buyers relative to conventional jet fuel and renewable diesel. Whether or not jet fuel becomes a deficit generating fuel has no direct impact on whether SAF is produced or used. As the proposal does not provide a mechanism to reduce the economic disadvantage of alternative jet fuel, it will have no material impact on the availability or use of alternative jet fuel in California.

In addition to not being an effective policy tool to increase SAF production, the proposal seeks to regulate jet fuel and reduce emissions from aviation, both of which are preempted under federal law, a fact that CARB recognized when it exempted jet fuel from the LCFS in 2018.[2] Aviation, unlike many other industries, is uniquely situated in that other factors such as the safe operation and maintenance of aircraft are of great importance, which the federal government has recognized in the jurisdiction of the FAA and the EPA's Clean Air Act.

Our mutual interest is to increase SAF production, availability, and use, and the most effective way to accomplish this is to continue the positive, collaborative approach represented by the existing "opt-in" mechanism developed by CARB and the aviation community. Only actual SAF use – not merely the creation of jet fuel deficits – will provide the benefits of SAF desired by CARB, airport communities, SAF producers, and airlines. We urge CARB to reconsider and withdraw the proposal to remove the exemption for jet fuel for intrastate flights, preserve the existing opt-in approach for SAF, and establish a joint CARB-industry working group with stakeholders across the emerging SAF ecosystem to explore alternative policy and voluntary proposals to rapidly increase SAF production, availability and use in California. We look forward to working with CARB on such measures to accelerate SAF deployment.

Yours truly,

Eduardo A. Angeles
Director, State & Local Government Affairs

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[2] CARB stated that "[s]ubjecting aircraft fuels to annual carbon intensity standards would raise federal preemption issues" *available at* https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2018/lcfs18/isor.pdf?_ga=2.259407882.1202437490.1641231788-253234234.1573227006