DIAMOND GREEN DIESEL

May 10, 2024

Ms. Rajinder Sahota
Deputy Executive Officer – Climate Change and Research
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically through CARB Portal

RE: Comments of Diamond Green Diesel, LLC on CARB's Low Carbon Fuel Standard Public Workshop, April 10, 2024

Dear Ms. Sahota:

Diamond Green Diesel, LLC ("DGD"), a joint venture between subsidiaries of Darling Ingredients Inc. and Valero Energy Corporation, submits these comments regarding the Low Carbon Fuel Standard Public Workshop on April 10, 2024. DGD is a leading producer of renewable diesel in the United States, with a total production capacity of approximately 1.2 billion gallons annually. We are also well underway on a project to upgrade approximately half of the new Port Arthur facility's production capacity to produce sustainable aviation fuel ("SAF"). Upon commissioning of this project, currently planned for early 2025, we are poised to become one of the largest SAF producers in the world.

As one of the nation's leading producers of renewable diesel and as a trailblazer in SAF production, we are proud to have played a leading role in helping California achieve the LCFS goal of reducing the carbon intensity of the transportation fuel pool. Our growth owes much to the strong market signals created by the LCFS, and we look forward to helping CARB continue to improve the program so that it can remain the premiere market-based regulatory program supporting innovation in low-carbon fuels. With that goal in mind, we offer the following comments. DGD has previously commented on the proposed amendments to LCFS and hereby incorporates those comments.[1]

Sustainability "Guardrails"

DGD reiterates that a cap on biofuels made from so-called "crop-based" feedstocks would be detrimental to the overall program and problematic for producers. Likewise, DGD again requests clarity on the feedstocks that would fall under the definition of "crop-based" and "forestry-based". Despite previously asking for clarification on this point, staff did not address the ambiguity as it exists in the 45-day package language at the most recent workshop. DGD processes a variety of feedstocks and it is currently unclear how DGD would comply with any additional requirements related to "crop-based" or "forestry-based" feedstocks.

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[1] *See*, Attachment A, Diamond Green Diesel Comments on 2024 Proposed LCFS Amendments, February 19, 2024.

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Increasing Stringency of Annual Carbon Intensity Benchmarks

DGD agrees with increasing the carbon intensity benchmarks in the near term through the implementation of a one-time step-down. In fact, DGD believes that the market would support a greater step-down than the proposed 5% step-down. This would serve to not only reinforce ongoing investment, such as that being pursued by DGD, but also send a clear message that CARB is committed to using the LCFS to promote transportation decarbonization.

As the modeling suggests, the 5% option is likely insufficient to trigger rebalancing of the market, so any real credit price relief would be delayed until the first AAM trigger, presumably in 2028. Given the current state of the LCFS market, DGD believes a step-down of 9% would more effectively encourage investment in the near term to meet California's ambitious goals.

Tailpipe Emission Factors

DGD is concerned that CARB's proposal to increase tailpipe emission factors for renewable diesel in order to avoid additional crediting for diesel replacements could have unintended consequences for alternative jet fuel and renewable naphtha. The proposed HEFA Tier 1 Calculator applies the renewable diesel tailpipe emission factor to all HEFA fuels, including alternative jet fuel and renewable naphtha. However, the fossil jet fuel and gasoline baselines have not been increased by the same magnitude as the diesel baseline. Incorrectly applying an increased tailpipe emission factor that is based on an updated ULSD baseline to alternative jet fuel and renewable naphtha would unfairly reduce the credit generation potential of these fuels when compared to their respective benchmarks. DGD recommends that CARB does not apply an increased tailpipe emission factor to alternative jet fuel and renewable naphtha.

DGD also encourages CARB to ensure that all revisions to carbon intensity data, including tailpipe emissions, are based on sound and documented technical justification. If CARB intends to increase the tailpipe emission factor for renewable diesel and biodiesel to reflect the increase to ULSD, it should provide justification that the increased emissions are similarly applicable to the combustion of renewable diesel and biodiesel. It is not a sufficient technical justification that staff is merely attempting to hold constant the carbon intensity delta between diesel replacements and ULSD. To this end, DGD looks forward to reviewing the updated lifecycle models and supporting documentation that reflect CARB's latest proposal, and defers further comments on updated tailpipe emission factors until it has a chance to review these documents.

We greatly appreciate your consideration of our comments. If you have any questions or would like to discuss any of the points discussed in this letter, please do not hesitate to contact us.

Sincerely,

Sandra Dudley
Chairman and President

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