

May 10, 2024

Hon. Liane M. Randolph, Chair
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Proposed Low Carbon Fuel Standard Amendments

Dear Chair Randolph:

Thank you for the opportunity to comment in response to the April 10, 2024 Public Workshop that the California Air Resources Board ("CARB") held to discuss the proposed Low Carbon Fuel Standard ("LCFS") amendments.

Bunge supports the comments submitted by the National Oilseed Processors Association ("NOPA"); NOPA is the leading industry group for the oilseed processing sector, and Bunge supports the positions NOPA has expressed to CARB in its submission to CARB. In addition, Bunge writes to share four recommendations to improve the proposed sustainability certification requirement for crop-based fuels and address CARB's land-use change concerns. First, CARB should adopt a risk-based approach to sustainability certifications. Second, CARB should not require segregation of certified and uncertified feedstocks. Third, a mass balance approach to chain of custody should be accepted. And fourth, the compliance timeline should be extended. Each recommendation is discussed in more detail in Part II.

I. Background

Bunge is the world's largest oilseed processor by crush volume capacity. Bunge buys and processes agricultural commodities, turning them into products used in the food industry, animal feed, and the renewable diesel industry. Bunge is also an industry leader in sustainability, embracing climate-focused decision making and setting ambitious goals. For instance, we are well on our way to meeting our commitment to eliminate deforestation and native vegetation conversion from our supply chain in 2025. We are also helping accelerate industry-wide progress through sector initiatives that seek to create common alignment and scalability on deforestation goals. Bunge's robust traceability and monitoring systems give us unprecedented insight into our supply chain. We achieved 97.7 percent traceability in our indirect supply of soy in Brazil's high-risk areas in 2023. Further, we have already achieved 100 percent traceability in our direct supply of soy in priority areas in South America. We are leveraging our experience working with farmers and incentivizing sustainable practices using technology and data to scale

our efforts across the wider agribusiness sector in many geographies where deforestation is a higher risk.

Bunge supports the LCFS, and we are proud of the role that we have played in the program's success. CARB's implementation of the LCFS has increased volumes of low-carbon fuels—including the biofuels that Bunge helps produce through supplying oilseed feedstocks to biofuel producers—such that California's overall petroleum fuel use has fallen by 1.3 billion gallons since 2019. Meanwhile, the carbon intensity ("CI") of the state's transportation fuels has declined 12.63 percent from 2010 levels.

With the LCFS's success in mind, we supported CARB's decision to reject an arbitrary cap on crop-based fuels in the December 2023 45-day package, as we expressed in our February 2024 comment letter. At the public workshop in April 2024, we were encouraged to hear CARB staff recognize that a cap would encourage continued fossil fuel use and conflict with CARB's mandate as a public health and environmental agency. An arbitrary cap on crop-based fuels would also undermine the science-based approach that is fundamental to the LCFS's success.

II. Four Recommendations to Improve CARB's Sustainability Certification Proposal

As a leader in renewable fuel feedstocks and sustainable practices, Bunge is concerned about aspects of CARB's proposed requirement that crop- and forestry-based feedstocks "maintain continuous third-party sustainability certification" to demonstrate they were not "sourced on land that was forested after January 1, 2008." See Proposed Regulation Order at § 95488.9(g).

We have expressed our concerns while meeting with CARB staff and in our February 2024 comment letter on the 45-day package. We follow up in today's comments with more detail on four specific recommendations that would address our concerns and achieve CARB's goals.

A. A Risk-Based Approach Should Be Adopted

We recommend that CARB adopt a risk-based approach to sustainability, which would tailor measures to regions based on the real-world deforestation risk in specific geographies.

Bunge has substantial experience implementing sustainability certifications to meet our voluntary commitments and comply with the European Union's Renewable Energy Directive ("RED"). For example, Bunge has certified products using systems from the Round Table on Responsible Soy ("RTRS"), Biomass Biofuel Sustainability Voluntary Scheme ("2BSvs"), and International Sustainability and Carbon Certification ("ISCC").

Our experience with these certifications confirms that required traceability and monitoring can be important tools in certain environments. Our approach focuses on addressing areas where the risk of land-use change is highest, such as South America. In keeping with this approach, our traceability and monitoring systems track soy to the farm level in the Gran Chaco in Argentina

and Paraguay and the Cerrado in Brazil. Full traceability in these contexts is a logical solution, and one commensurate with the identified risk of deforestation. Bunge views certification schemes, such as ISCC RED, as appropriate and useful in these high-risk environments.

However, agricultural expansion pressure is far lower in the United States and Canada. In fact, U.S. farmers today produce higher crop volumes on the same amount of land (or slightly less) than 40 years ago, according to U.S. Department of Agriculture data. In this context, implementing a full-traceability system like ISCC RED would be a complicated endeavor with little upside. Certifications devised for high-risk regions are a poor fit for these low-risk growers.

The best solution is a risk-based approach. A risk-based approach would set certification measures for particular regions based on their real-world deforestation risk. Full traceability and monitoring could be implemented in high-risk regions, such as South America. Less onerous approaches would be applied in North America, where experience and data demonstrate that the risk of deforestation is so low that ISCC RED-level certifications would have little benefit. For further details on implementing a risk-based approach, Bunge refers CARB to the NOPA comment letter.

B. Physical Segregation Should Not Be Required

Bunge recommends that CARB make clear in its final regulations that physical feedstock segregation is not required to comply with the LCFS sustainability certification requirements.

Bunge is concerned that the proposed regulation and its sustainability certifications could require full physical segregation of certified crops from uncertified crops. The U.S. agricultural supply chain is not set up to segregate soy and other commodities in this way. As NOPA notes in its comments, the U.S. grain system operates at a level of complexity not seen in other countries. For instance, more than 300,000 U.S. farmers deliver grain to more than 8,000 storage points in the domestic supply chain. In contrast, most other countries have less elaborate supply chains and fewer delivery points, making segregation far more feasible in those countries. Indeed, segregated supply chains are more common in those countries in part because of those countries' higher deforestation risk. The lower deforestation risk in the United States and Canada is another reason that segregation should not be required in North America.

In sum, requiring full physical segregation of certified crops from uncertified crops in North America would be extremely difficult. Nor would North American segregation achieve the deforestation goals it seeks to accomplish in South America, because deforestation risk is low to nonexistent in North America. We recommend that CARB clarify in its final rule that segregation is not required to satisfy the sustainability certification requirements in the United States and Canada.

C. Mass Balance Should Be Accepted for Chain of Custody

We recommend that CARB accept a mass balance approach to chain of custody, rather than requiring full physical segregation.

Mass balance allows entities to track the amount and sustainability characteristics of certified feedstocks through the value change, and to attribute those characteristics based on verifiable bookkeeping. As explained in Part II.B, segregation would be a huge logistical hurdle in the United States. A mass balance approach to chain of custody would be an effective, commonsense alternative to physical segregation. Moreover, mass balance would accomplish CARB's sustainability goals more practically than segregation. The rigorous ISCC standard accepts a mass balance approach, reinforcing that this approach should also be accepted in the LCFS context. See, e.g., ISCC EU 203 Traceability and Chain of Custody, § 4.4.

Bunge encourages CARB to clarify and confirm that a mass balance approach to chain of custody will be acceptable under the final LCFS regulation.

D. The Compliance Timeline Should Be Extended Beyond 2028

Bunge recommends that CARB extend the sustainability certification implementation timeline beyond 2028 to provide sufficient time for the rules to be implemented among growers in regions like the U.S. and Canada.

CARB's proposal requires crop-based feedstocks be certified at the point of origin by January 1, 2028. For a certification system to be approved, it must have been recognized by a government for at least 24 months. In other words, market participants have less than four years to implement certifications, and any certification scheme used must be recognized by a government now or in the very near future due to the 24-month criterion. But today, almost no North American growers have sustainability certifications in place. The initial response from North American growers may be one of skepticism due to the low risk of deforestation in the region, so it may take time to implement a system that growers feel comfortable with. U.S. and Canada compliance will thus be complex.

In light of this U.S. and Canada implementation challenge and the other unresolved concerns addressed in Part II, we encourage CARB to adopt an extended compliance timeline that gives North American growers sufficient time to implement sustainability certifications.

III. Conclusion

Bunge commends CARB's commitment to improving the LCFS in the 2024 amendments, including its decision to maintain a role for low-carbon biofuels.

Bunge has unique insight into sustainability certifications as an industry leader that has implemented these schemes to meet voluntary goals and comply with EU regulations. This first-hand experience means that Bunge appreciates and understands CARB's concerns about land-

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use change. It is because we share CARB's concerns that we have committed to eliminate deforestation and native vegetation conversion from our supply chain in 2025. We believe that the recommendations that we have offered in this comment letter can help CARB address its concerns, while avoiding the pitfalls and implementation issues that Bunge has identified.

We appreciate the opportunity to share Bunge's perspective and to advance our common goal of a deforestation-free fuel supply.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Coviello". The signature is fluid and cursive, with the first name "Robert" and last name "Coviello" clearly distinguishable.

Robert Coviello

Chief Sustainability Officer and Government Affairs