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June 14, 2024

Mark Sippola  
Branch Chief, Cap-and-Trade Program  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**RE: RFA Comments on May 31 Cap-and-Trade Program Workshop**

Dear Mr. Sippola,

The Renewable Fuels Association (RFA) appreciates the opportunity to comment on the Cap-and-Trade Program workshop held on May 31, 2024. RFA is the leading national trade association representing U.S. fuel ethanol and biobased chemical producers. Its mission is to drive growth in sustainable renewable fuels and bioproducts for a better future by strengthening America's agricultural industry and raising awareness about the benefits of home-grown low carbon fuel alternatives and chemicals. RFA's 300-plus members are working daily to help America become cleaner, safer, more energy secure, and economically vibrant.

These comments are specifically focused on the discussion of fuel ethanol denaturants presented on Slide 40 of the staff presentation.

RFA understands the rationale for obligating the small fraction of fossil fuel denaturant portion of ethanol under the Cap-and-Trade program while continuing to exempt biogenic ethanol and other biofuels from the program. In implementing this change, RFA suggest the following 2-tiered approach.

For standard ethanol, a 2 percent denaturant level should be assumed and applied across the supply chain. The staff presentation suggests a 2.5 percent denaturant level, but the federal Alcohol and Tobacco Tax, and Trade Bureau (TTB) which regulates ethanol production denaturing, requires that 2 gallons of denaturant be added to 100 gallons of pure 200 proof ethanol for a 1.96 percent level. Given the difficulty in accurately measuring this level, the TTB does allow for a testing margin of error of up 2.5 percent, but the legal requirement is just below 2 percent.<sup>1</sup>

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<sup>1</sup> <https://www.irs.gov/pub/irs-drop/n-09-06.pdf>

Secondly, ethanol producers can denature their ethanol with a renewable hydrocarbon denaturant such as renewable naphtha that is being increasingly produced in conjunction with Renewable Diesel and Sustainable Aviation Fuel production. Given the ethanol industry's ongoing efforts to decarbonize, we expect this practice to become more common.

For ethanol that is denatured with a renewable hydrocarbon, the entire gallon of ethanol should continue to be exempt under the Cap-and-Trade program as a 100 percent biogenic source of transportation fuel.

We are happy to follow up with staff to discuss this topic further and provide any additional technical support.

Thanks,

Tad Hepner  
VP, Strategy and Innovation