



**Growth Energy™**  
Expanding America's Bioeconomy

June 21, 2024

Mark Sippola  
Branch Chief, Cap-and-Trade Program  
California Air Resources Board  
Sacramento, CA 95812

Via online submission

RE: May 31 Workshop on Potential Amendments to California's Cap-and-Trade Program

Dear Mr. Sippola:

Thank you for the opportunity to comment on the Air Resources Board's (ARB) recent workshop on potential amendments to the state's Cap-and-Trade regulation. Growth Energy is the world's largest association of biofuel producers, representing 97 U.S. plants that each year produce more than 9.5 billion gallons of renewable fuel; 120 businesses associated with the production process; and tens of thousands of biofuel supporters around the country. Together, we are working to bring better and more affordable choices at the fuel pump to consumers, improve air quality, and protect the environment for future generations. We remain committed to helping our country diversify our energy portfolio in order to grow more green energy jobs, decarbonize our nation's energy mix, sustain family farms, and drive down the costs of transportation fuels for consumers.

We appreciate ARB's continued interest in reducing greenhouse gas (GHG) emissions in the state. Our industry represents the largest volume of accessible, low-carbon biofuels that can achieve the GHG reduction objectives of the Board and the state of California.

### **Federal Regulations on Denaturants**

During the May 31 workshop, ARB staff requested feedback on "whether fuel ethanol should be reported as 2.5% fossil denaturant by default" or "should more specific reporting on denaturant content be required." The presentation suggested it is consistent with U.S. federal limits on denaturants and denatured.

As ARB knows, denaturant is required in all bioethanol sold as fuel for tax purposes under 40 CFR 80.2: "Any volume of ethanol denaturant added to the undenatured ethanol by a producer or importer in excess of 2 volume percent must not be included in the volume of ethanol for purposes of determining compliance with the requirements of this part."<sup>1</sup>

The U.S. Department of Treasury's Alcohol and Tobacco Tax and Trade Bureau "requires that a minimum of 1.96% to a maximum of 2.5% denaturant be added to make ethanol

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<sup>1</sup> 40 CFR 80.2 "Renewable fuel"

unfit for human consumption.”<sup>2</sup> Additionally, due to how the U.S. Environmental Protection Agency (EPA) treats significant digits and rounding, the maximum allowable percentage of denaturant is 2.49 percent.<sup>3</sup>

Therefore, were ARB to assume all bioethanol contains 2.5% denaturant, said bioethanol would be outside the tolerances of the EPA, and thus in violation of federal regulations.

### **Maintain Bioethanol’s Exemption in Cap-and-Trade**

As the workshop noted, bioethanol is appropriately exempt from the Cap-and-Trade program. Today’s bioethanol represents a nearly 50 percent reduction in GHG emissions compared to gasoline and can continue to advance toward net zero with readily available technologies such as carbon sequestration and climate-smart agriculture practices.

As ARB knows, bioethanol and other exempt biofuels make up the bulk of the credits generated under the state’s Low Carbon Fuel Standard (LCFS) and have been pillars on which the program’s GHG emissions reductions have been built. California has the potential to further reduce GHG emissions by 1.9M tons per year with the approval of E15 alongside the continued growth in the use of E85.<sup>4,5</sup>

We believe the appropriate regulatory authority for bioethanol remains the LCFS, and ARB should maintain bioethanol’s exemption in the Cap-and-Trade program. This allows California to continue maximizing bioethanol as driver of GHG reductions. Additionally, we encourage ARB to consider the use of higher bioethanol blends such as E15 to reduce greenhouse gas emissions.

We are happy to discuss the role of higher bioethanol blends in further GHG reductions. Thank you for the opportunity to comment and for your consideration.

Sincerely,



Chris Bliley  
Senior Vice President of Regulatory Affairs  
Growth Energy

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<sup>2</sup> [https://afdc.energy.gov/files/u/publication/ethanol\\_handbook.pdf](https://afdc.energy.gov/files/u/publication/ethanol_handbook.pdf)

<sup>3</sup> <https://www.epa.gov/fuels-registration-reporting-and-compliance-help/what-operational-tolerance-denaturant-ethanol-meet>

<sup>4</sup> Air Improvement Resources, “GHG Benefits of E15 Fuel in the United States”, Nov. 30, 2020, [National E15 Analysis Final \(airimprovement.com\)](#)

<sup>5</sup> CARB Annual E85 Volumes: [Alternative Fuels: Annual E85 Volumes | California Air Resources Board](#)