



October 15, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814
VIA Electronic submittal through CARB portal

Re: Valero Renewable Fuels Company, LLC Comments on Second 15-Day Low Carbon Fuel Standard Amendments Package

Dear Sir/Madam:

Valero Renewable Fuels Company, LLC ("VRF") appreciates the opportunity to provide comments on the proposed California Air Resources Board ("CARB") Second 15-Day Changes to the Proposed Low Carbon Fuel Standard ("LCFS") Amendments (the "Second Change"). VRF is the owner and operator of 12 ethanol plants in the United States with an annual production capacity of approximately 1.6 billion gallons of ethanol. VRF sells its ethanol into California, as well as other low carbon markets in the U.S. and around the world. As one of the nation's largest producers of ethanol, and with its experience both in California and globally, VRF offers the following comments for CARB's consideration.

Second Change Proposed Section 95488.9(g)(4)

In Section 95488.9(g) of the proposed Low Carbon Fuel Standard Amendment ("LCFS Amendment"), CARB lists several sustainability requirements that ethanol producers holding a pathway must meet (referred to herein as the "Sustainability Criteria"). In Section 95488.9(g)(4) of the Second Change, CARB proposed to assign to ethanol the same carbon intensity ("CI") value assigned to California Reformulated Gasoline Blendstock for Oxygenate Blending ("CARBOB") for any volume failing to meet the Sustainability Criteria. Under the LCFS Amendment, the first of the Sustainability Criteria requirements begins with the 2026 data year and, by the year of 2031, all Sustainable Criteria requirements must be met.¹ In VRF's experience, only a small subset of farmers currently engage in audited sustainability programs, which means that there is a small amount of qualifying U.S. corn ethanol available to meet California's Sustainability Criteria. Note that this small subset is also used to meet several international low-carbon programs, leaving yet a smaller pool of ethanol to send to California. As a result, the majority of ethanol would remain unable to meet the Sustainability Criteria and, with a deficit-generating CI value, this requirement would drastically reduce the amount of ethanol available in California. This proposed provision appears to be in conflict with CARB's baseline assumption under the proposed LCFS Amendment that ethanol will continue to be used at a 10% level in California gasoline through 2046.²

¹ CARB, Second 15-Day Changes to the Proposed Low Carbon Fuel Standard Amendments, §95488.9(g)(5)-(7).

² CARB, LCFS Amendments Initial Statement of Reasons, "Appendix C-3, Summary and Response to Department of Finance Comments on the Standardized Regulatory Impact Assessment" (Dec. 19, 2023), at 1.

In addition, CARB's economic assumptions in drafting the proposed LCFS Amendment, as described in the Standardized Regulatory Impact Assessment ("SRIA"), anticipated that the costs of CARBOB producers would be passed along to consumers. CARB did not anticipate that this would occur with ethanol producers, reasoning that ethanol is a credit generator constituting 10% of each volume of gasoline.³ However, if the majority of ethanol now generates a CARBOB CI value under the Second Change, ethanol will be a deficit generator whose costs may be passed on to the consumer.

In addition, CARB's economic analysis assumed local tax revenue from ethanol sales, even noting that declining gasoline excise taxes would be partially offset by higher volumes of ethanol.⁴ However, by assigning a CARBOB CI value to the majority of ethanol, it is far more likely that ethanol volumes into the state will significantly decline well before 2046 and the local tax revenues will not be offset as anticipated. CARB's economic analysis for the LCFS Amendment does not reflect the effects of the Second Change on ethanol in the state.

We 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,

A handwritten signature in black ink, appearing to read "Michael Harrison", written over a horizontal line.

Michael Harrison

Attachments

³ CARB, LCFS Amendments Initial Statement of Reasons, "Appendix C-1, Standardized Regulatory Impact Assessment" (Sept. 9. 2023), at 57, 58.

⁴ CARB, LCFS Amendments Initial Statement of Reasons, "Appendix C-1, Standardized Regulatory Impact Assessment" (Sept. 9. 2023), at 63.