Clean Fuels ALLIANCE AMERICA

CALIFORNIA ADVANCED BIOFUELS ALLIANCE

June 6, 2023

Cheryl Laskowski, Chief
Transportation Fuels Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Dr. Laskowski:

The Clean Fuels Alliance America (Clean Fuels)[1] and California Advanced Biofuels Alliance (CABA)[2] appreciate the opportunity to provide comments on the May 23rd Low Carbon Fuel Standard (LCFS) workshop focused on a stepdown and auto-acceleration mechanism for the LCFS. Clean Fuels and CABA have been longtime supporters of the state's overall climate and air quality improvement goals and have collaborated frequently with CARB staff toward achieving those goals. We continue to support California's efforts to decarbonize its economy, especially in the transportation sector, with a comprehensive all-of-the-above suite of measures.

Our California member producers and marketers support over 3,900 well-paying jobs in the state and about $960 million in economic activity each year. Further, the biodiesel, renewable diesel, and sustainable aviation fuel supplied to the state by our California and national members are collectively the single largest source of GHG reductions in the LCFS, providing nearly half[3] (about 45%) of the carbon reductions since 2017, more than any other fuel including electricity, and 42% since the start of the LCFS. Our fuels have grown to the point where nearly half (46%) of each gallon on average of diesel fuel consumed in the state in 2022 consisted of our industry's low-carbon fossil diesel replacement fuels.[4] Our sustainable replacements for petroleum diesel have been a major factor in driving California's continuing

[1] Clean Fuels (formerly the National Biodiesel Board) is the U.S. trade association representing the entire supply chain for biodiesel, renewable diesel, and sustainable aviation fuel. The name change reflects our embrace of all the products Clean Fuels members and the U.S. industry are producing, which include biodiesel, renewable diesel, sustainable aviation fuel, and Bioheat® fuel for thermal space heating. Our membership includes over 100 farmers, producers, marketers, distributors, and technology providers, and many are members of environmental organizations supportive of state and local initiatives to achieve a sustainable energy future.

[2] California Advanced Biofuels Alliance is a not-for-profit trade association promoting the increased use and production of advanced biofuels in California. CABA represents biomass-based diesel (BMBD) feedstock suppliers, producers, distributors, retailers, and fleets on state and federal legislative and regulatory issues.

[3] Biodiesel and Renewable Diesel provided 45% of the LCFS credits in Q1-Q4 2022. See LCFS Quarterly Data Spreadsheet (dated April 28, 2023).

[4] Ibid.

large-scale transformation of transportation from petroleum based diesel toward a carbon neutral system. In short, the LCFS would not be the success it is today, and one the state is looking to export to other jurisdictions, without the key role our diesel replacements have played. More to the point, our liquid petroleum replacement fuels remain the only viable, large-scale alternatives for the next several decades to decarbonizing the most difficult-to-electrify sectors: heavy duty on- and off-road, marine, rail, and aviation.

Step-Down

Support for 30% Carbon Intensity (CI) Reduction Target by 2030 with a 2% Stepdown in 2024-2025. We commend CARB staff for maintaining a focus on strengthening the CI reduction targets through 2030, especially in the near-term to shore up LCFS credit prices. As noted in our prior comments, we continue to support the 30% and 35% CI reduction targets through 2030, with the important caveat that we continue to strongly oppose a cap on plant lipids-derived credits for either target (as discussed in our March 15, 2023 comment letter[5], incorporated herein by reference). We believe such a cap is not supported by best available data, is contrary to a science- and market-based program like the LCFS, and is counterproductive to the overarching goal of reducing greenhouse gas (GHG) emissions as quickly as possible. At a time when California is seeking more carbon reductions, CARB should not be proposing to limit any low carbon feedstocks, especially when such limits are not supported by meaningful data and science and the feedstocks being considered to be capped arbitrarily can provide the decarbonization in the most difficult to electrify transportation sectors California needs to meet its climate objectives.

We recommend a 2% stepdown in 2024 as an immediate way to reduce the surplus credit bank and firm up credit prices conservatively and thoughtfully. We believe starting with a 2% stepdown is the most prudent step that balances the need for addressing credit prices in the near term with concerns about unforeseen consequences with an initial stepdown that may be too aggressive. CARB can always take further action in 2025 to establish a deeper stepdown as appropriate and supported by the market's response to the initial stepdown. But it will be very difficult to claw back an overly aggressive stepdown and any negative impacts it may have once that has had time to adversely affect the LCFS market.

2045 Target. While we understand CARB's desire to establish long-term certainty, it is virtually impossible to project at this time and with any certainty the viability of a 90% CI reduction target by 2045. We therefore continue to reserve comment on that proposal and strongly encourage CARB staff to continue working collaboratively with the alternative fuels industry post-2030 to monitor the developments in the national and California fuels markets and revisit this target as we get closer to 2045. With that said, we would also strongly oppose any linkage of a 2045 target to a plant lipids cap.

[5] See https://www.arb.ca.gov/lists/com-attach/144-lcfs-wkshp-feb23-ws-WzhdN1QwWGpWPgRb.pdf.

Self-Adjusting CI Target Mechanism

We generally support the proposal to establish a self-adjusting mechanism as discussed in the workshop to address transient market conditions (e.g., short term credit surpluses, another pandemic, regional conflicts, etc.). However, having now heard both CARB's and some stakeholders' perspectives on the self-adjusting mechanism, we recommend the following:

Support for a 1-Yr Acceleration of the Next Year's CI Target, Followed by 1 Year at the Same Target, and Resumption of the New CI Compliance Schedule Afterward. We support a 1-year acceleration via the self-adjustment mechanism, followed by a year at that target, then resumption of CI target schedule. This would result in two years at the accelerated target once the mechanism is triggered, then a return to the established CI reduction schedule.

We do not support a permanent acceleration of the entire compliance schedule for a number of reasons. As Colin Murphy of UC Davis-ITS cautioned in his remarks, such a permanent acceleration can have substantial and unintended adverse consequences. More fundamentally, we believe a permanent acceleration should not be done through a mechanism that is intended for and best applied to transient conditions. Rather, if the market conditions warrant a permanent acceleration, that is a decision that must be made by the Board and vetted through the regular rulemaking process, where the Board can consider stakeholder input on whether such a permanent shift is appropriate. Such a fundamental change to the compliance schedule is exactly what the public rulemaking process is intended for. Through a rulemaking, CARB can take other necessary steps that are a pre-requisite to such a fundamental change in the targets, such as updating the underlying CI scores embedded in the regulation. An auto-adjusting mechanism provides no ability to do that.

For similar reasons to the above, we also support the suggestion by Mary Solecki of AJW for allowing up to two consecutive 1-year adjustments, but any additional adjustment in the third year should be made through a Board rulemaking. Two years may indicate a transient condition, but three consecutive years or more suggest an ongoing condition, which would be best addressed through Board consideration via a public rulemaking process.

We are neutral as to the specific criteria on which to trigger a self-adjustment. The options discussed by CARB staff have pros and cons. But we agree it is important to lay out clearly what that trigger will be so all market participants can plan accordingly.

Conclusion

We strongly support a 30% 2030 target with a near term stepdown of 2%. We also support a self-adjustment mechanism that applies a temporary, 1-yr acceleration of the CI targets for the next two consecutive years, followed by a resumption of the CI targets on schedule. As noted above, we do not support a permanent acceleration of the compliance schedule through the self-adjustment mechanism; rather, if such a permanent and well-supported adjustment is needed to reflect a permanent change in the market, that adjustment is appropriately done via

Board consideration of stakeholder input and updating of all underlying data and assumptions (e.g., CI scores) through the regular rulemaking public process.

We remain deeply concerned with and are strongly opposed to any CI reduction targets or associated provisions premised on a cap on plant-based lipid feedstocks. We view any such action as unwarranted, not based in sound science, chilling of ongoing and future investments, and counterproductive to California's climate and carbon neutrality objectives.

Finally, we endorse and incorporate by reference the comments filed by members and affiliates of Clean Fuels and CABA.

Thank you for your consideration of these comments. We look forward to continuing our strong collaboration with CARB and staff.

Sincerely,

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Clean Fuels Alliance America

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