



March 30, 2009

Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento CA 95814



CALIFORNIA
FORESTRY
ASSOCIATION

Re: Low Carbon Fuel Standard

Dear Chairman Nichols:

We are writing to express our serious concern about the California Air Resources Board's intent to proceed to a rulemaking hearing on the Low Carbon Fuel Standard (LCFS) without an adequate economic analysis that answers the question of whether sufficient low carbon fuels will be available, what it will cost drivers at the pump, and without first fully understanding the environmental impacts of this rule.

LCFS is the first major greenhouse gas emission reduction measure to be adopted under the AB 32 Scoping Plan. We are quite concerned to see that the economic analysis of this rule is playing out as a repeat of the Scoping Plan analysis: after-the-fact justification of decisions that have already been made, instead of front-loaded analysis that informs the Board and public of significant impacts of different program design options.

The CARB staff report is seriously deficient on both economic and environmental grounds. According to the Health and Safety code, CARB staff is required to conduct a thorough economic analysis. Although the staff conducted an economic analysis, it is grossly deficient and does not include a supply and demand analysis. It fails to consider increased vehicle costs for plug-in hybrids, electric and hydrogen cars and offers no analysis on the impact on small business. Finally, it does not consider whether vehicles and other equipment will be able to operate without problems using these new fuels.

In addition, with respect to biodiesel, the CARB staff has not completed a multi-media environmental analysis reviewed by the California Environmental Council as required under the Health and Safety Code. The Legislature required such environmental reviews specifically to avoid unanticipated environmental problems resulting from major fuel formulation changes such as occurred with MTBE. It is quite alarming that CARB is considering adopting a new carbon intensity specification for diesel fuel that is intended to result in increased blending of biodiesel without completing a legally required multi-media analysis.

The LCFS is an unprecedented effort to reformulate California's diesel and gasoline supplies in order to reduce their carbon intensity. In order to avoid unnecessary supply and cost impacts resulting from the rule, CARB must take the following steps before proceeding to a hearing on the rule:

AB 32 Implementation Group





1. Complete all incomplete life cycle analyses (LCA), so that the carbon intensity (CI) of all applicable fuels is known, and the feasibility and supply and cost impacts of the rule can be adequately considered. The LCFS staff report states that the CI values “represent the currency on which the LCFS is based.” The staff report does not include any CI values for biodiesel or renewable diesel products, and lists several additional CI values that have yet to be calculated. These CI values should be established by Board action and included in the LCFS regulation, rather than left for the staff to fill in the blanks later.
2. Consider and respond publicly to the ongoing peer review of CARB’s LCFS economic analysis, and publicly identify how the LCFS economic analysis addresses the requirements of AB 32, California Health and Safety Code section 43013, the Scoping Plan adoption resolution, and the recommendations of the California Legislative Analyst and CARB’s own peer reviewers in their assessment of the Scoping Plan economic analysis. Given the shortcomings in CARB’s Scoping Plan economic analysis, this is a good opportunity for the agency to demonstrate improvement on this front.
3. Demonstrate the availability and cost-effectiveness of sufficient lower carbon fuels to meet standard through 2020 using existing technologies, based upon publicly available information, and identify the degree to which achieving the standard will require development and commercialization of materials and technologies that are not now commercially available.
4. Complete a multi-media environmental evaluation of the diesel carbon intensity specification in the Low Carbon Fuel Standard with review by the California Environmental Council as required by Section 43830.8 of the California Health and Safety Code.
5. Receive, consider, and respond to public comment on these analyses and identify regulatory alternatives that the Board can consider in its action on LCFS. As noted above, the purpose of these steps is to inform the design of the program, not to justify design decisions that have already been made.
6. Complete the unfinished work related to the diesel portion of the program before adopting a diesel carbon intensity standard. The staff report states that there are no proposed CI values for biodiesel or renewable diesel, that the economic analysis of the proposed diesel specification is based upon preliminary CI estimates that the staff thinks are significantly wrong, that a multi-media analysis for biodiesel is not complete, and that the fuel specification for biodiesel will likely be revised in the near future. Under these circumstances, the Board should finish the homework before adopting a diesel CI specification.
7. Further, in order to address the inherent uncertainty in any future projections of low carbon fuel availability and cost, especially those which anticipate the commercialization of new technologies, the LCFS must include regulatory provisions for a regular periodic program review every three years. This review should be reflected in the regulation itself; should be conducted in

conjunction with CEC and other key agencies; should be a public process that involves fuel providers, consumers, engine and vehicle manufacturers, and other key stakeholders; and should include review of:

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- The program's progress toward its targets
- Necessary adjustments to the compliance schedule
- Any technology advances
- An assessment of the supply and rate of commercialization of fuels and vehicles
- The program's impact on the state's fuel suppliers
- The program's impact on state revenues and on consumers
- Identification of hurdles or barriers (e.g. permitting issues, research funds, etc.) and recommendations for appropriate remedies
- Any economic and environmental issues that have arisen



WSPA

We would be happy to discuss this matter further with you at your convenience. Please contact Shelly Sullivan, AB 32 Implementation at 916 858-8686 or at ssullivan@onemain.com with any questions you may have about this letter.



Sincerely,

Dorothy Rothrock
Senior Vice President, Gov't. Relations
California Manufacturers and
Technology Association

Amisha Patel
Policy Advocate
California Chamber of Commerce



Julie Sauls
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cc: Cindy Tuck
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