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April 27, 2017

Samuel Wade
Branch Chief, Transportation Fuels
Air Resources Board
1001 I Street
Sacramento, CA 95814

(Comment submitted via email to LCFSWorkshop@arb.ca.gov)

RE: Input Regarding Alternative Jet Fuel

Dear Mr. Wade:

The alternative jet fuel producers that I represent (the “AJF Producers”) appreciate the opportunity to provide comments regarding the Low Carbon Fuel Standard (“LCFS”) regulations under consideration by the Air Resources Board (“ARB”), pertaining to the inclusion of alternative jet fuel (“AJF”) in the LCFS on an opt-in basis. This comment is supplemental to the comment we submitted to this rulemaking on March 1, 2017.

The AJF Producers joining this letter are Neste, Red Rock Biofuels, AltAir Fuels, Velocys, and Fulcrum BioEnergy. Neste is the largest existing producer of renewable diesel for the California market and has the capability to produce alternative jet fuel. Red Rock is developing a production facility capable of producing alternative jet fuel in Lakeview, Oregon and plans to supply AJF into the California market. AltAir Fuels is currently supplying alternative jet fuel to United Airlines at Los Angeles International Airport from its production facility in Paramount, California. Velocys provides small-scale modular Fischer-Tropsch technology to alternative jet fuel producers, and is itself developing production facilities. Fulcrum BioEnergy is developing a facility in Reno, Nevada, and plans to supply AJF into the California market.

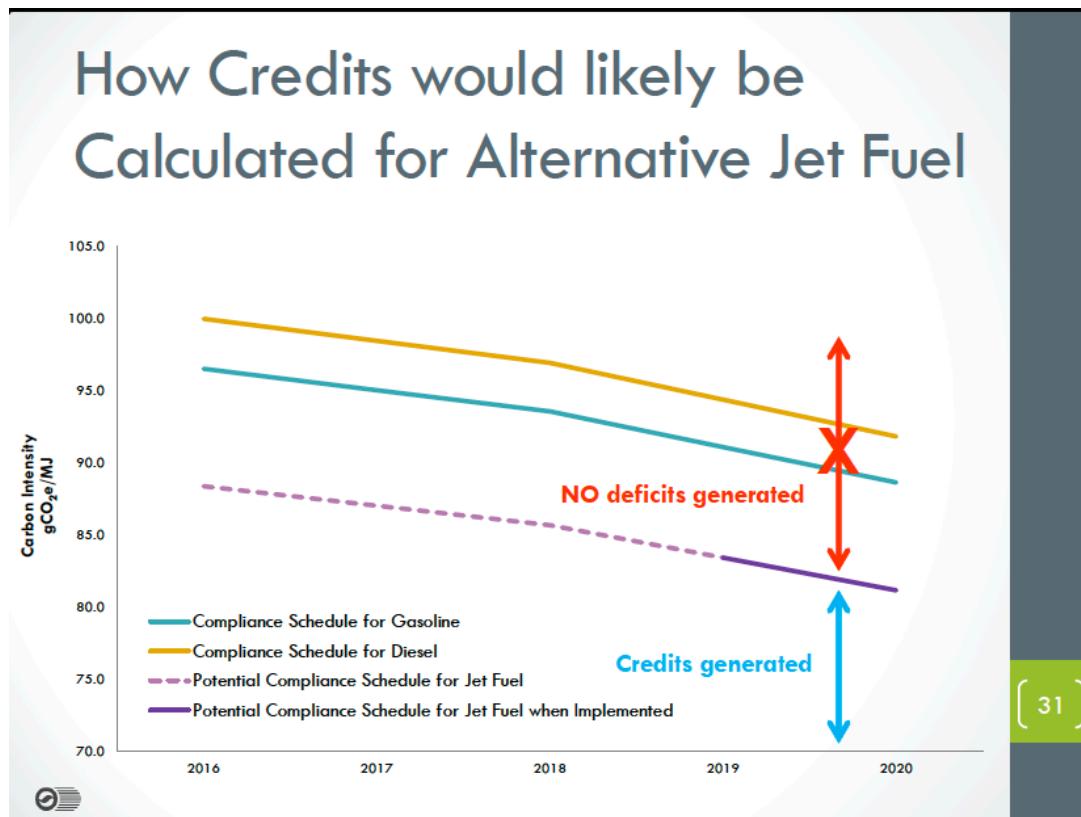
The AJF Producers are highly supportive of the LCFS program and of ARB’s proposal to facilitate LCFS credit generation through opt-in participation for AJF uplifted in California. The LCFS has proven to be an effective, market-based program that has driven the development and expanded the supply of low carbon fuels in California. By including low carbon alternative jet fuels in the program, ARB will further expand the supply of less carbon-intense fuels and facilitate attainment of California’s greenhouse gas (“GHG”) reduction policies.

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Regarding the workshop that ARB conducted on March 17, 2017, the AJF Producers are generally very supportive of the proposed approach to crediting alternative jet fuel on an opt-in basis that ARB described at the workshop and in the corresponding materials. This proposed approach is reflected by the ARB presentation, entitled “Low Carbon Fuel Standard: evaluation of alternative jet fuel inclusion.” (“AJF Workshop Presentation”).

Compliance Schedules

There is one issue relating to LCFS compliance schedules that was discussed at the workshop that we think warrants further evaluation. Specifically, slide 31 of the AJF Workshop Presentation depicts the issue of how LCFS credits would likely be generated by AJF uplifted in California as follows.



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The underlying legal authority for the LCFS and the existing LCFS regulatory structure provide the appropriate basis for determining how best to calculate CI credits from AJF. The authority for the LCFS was originally provided to ARB by the Global Warming Solutions Act of 2006 (“AB 32”), and further established by Executive Order S-01-07 issued by then Governor Arnold Schwarzenegger in January 2007. For transportation fuels used in ground transportation such as gasoline and diesel fuel, the LCFS provides ARB with authority to mandate reductions in the overall carbon intensity of these fuels on annual basis. Therefore, ARB has established gasoline and diesel compliance schedules with declining annual carbon intensity (“CI”) levels as reflected by the Tables 1 and 2 to Section 95494 of the LCFS. These annual CI requirements are illustrated in slide 31 of the AJF Workshop Presentation and are referenced as the “Compliance Schedule for Gasoline” and the “Compliance Schedule for Diesel.”

In contrast, it is our understanding that ARB is not asserting jurisdiction to similarly mandate a declining CI for jet fuels uplifted in California. Therefore, we would request that ARB reconsider whether it is appropriate to establish a “Compliance Schedule for Jet Fuel” approach to calculating credit generation for AJF. We would instead recommend ARB adopt a baseline for credit generation purposes that reflects the 2010 average CI of conventional fossil jet fuels uplifted in California. AJF uplifted in California subsequent to the effective date of AJF credit eligibility should be deemed to be providing CI reductions as compared to the fossil jet baseline in the same way that renewable diesel provides CI reductions as compared to fossil diesel. However, since the LCFS legal mandate of CI reduction does not extend to jet fuels, ARB should not establish a Compliance Schedule for Jet Fuel and the baseline for AJF credit calculation purposes should not decline annually at the rate of the mandated fuels’ compliance schedules. We would welcome further discussion on the details and benefits of this recommendation.

Conclusion

Thank you for your consideration of our input. Please contact us if any further input would be helpful. We look forward to participating in workshops and continuing to provide input to this proceeding.

Sincerely,



Graham Noyes