BRAZILIAN SUGARCANE INDUSTRY ASSOCIATION

ETHANOL • SUGAR • ELECTRICITY

September 8, 2017

Anil Prabhu
Manager, Fuels Division
California Air resources Board
Sacramento, CA

VIA ELECTRONIC MAIL

RE: UNICA's Comments on California Air Resources Board's (CARB) August 7th, 2017 Workshop material on Potential Low Carbon Fuel Standard Rulemaking Itens.

Dear Mr. Prabhu:

The Brazilian Sugarcane Industry Association ("UNICA") appreciates the opportunity to provide comments on the potential LCFS rulemaking itens presented by CARB staff during the August 7th workshop and also during our videoconference on August 23rd.

UNICA is the largest representative of Brazil's sugar, ethanol and bioelectricity producers. Its members were responsible for more than 50 percent of Brazil's ethanol production and 53 percent of Brazil's sugar production in 2016/2017 harvest season.
UNICA serves as a source for credible scientific and economic data about the competitiveness of sugarcane biofuels. UNICA also works to encourage the continuous advancement of sustainability throughout the sugarcane industry and to promote ethanol as a clean, reliable alternative to fossil fuels.

UNICA's comments below are focused on two specific itens: 1) third-party verification, and 2) draft T1 sugarcane ethanol calculator, and they reflect the position of our member companies who are active and interested parties in the LCFS program, working to provide California with one of the lowest carbon intensive ethanol in the market, helping the state achieve its climate change targets. We hope that this input is helpful to you, and we reaffirm our commitment with this process and our eagerness to maintain sugarcane ethanol as one of the best commercially available fuels for Californian drivers.

**1) Third-Party Verification**

UNICA values CARB's concern with the integrity of the LCFS program and we acknowledge CARB's efforts to simplify the process and we are pleased to see that CARB has

decided to verify pathways on a yearly basis rather than a quarterly basis as initially proposed. However, there are still some concerns for Brazilian mills that we would like to request that you take into consideration before finalizing your rulemaking. As stated in UNICA's previous comments, the options of qualified auditors suppliers in Brazil are much more limited than in the United States, and in some cases these businesses provide different services for the mills, having a long-standing business relationship. We are concerned that your conflict of interest requirements make it extremely difficult (and/or costly) for mills to hire qualified auditors. CARB is proposing a look-back period of three years during 2019-2020 and five years after 2020 where verifiers and verification bodies can not provide services that CARB considers high risk of potential conflict. We believe this look-back period should be shorter, given that such services may have been provided since 2015, when such verification program and its rule were not known yet to mills and businesses. We would also like to explore with CARB the possibility of rotation of auditors, where are mill can have a standing contract with an auditing firm and the firm rotates auditors to the mills, so the auditor that visits the mill is not the same one who prepares the reports. This is already a practice used by other certification schemes and we would be glad to discuss it further with CARB.

We strongly encourage CARB to be in contact with such verifiers that provide services for Brazilian mills in order to ensure that CARB's proposed verification rules and look-back periods are feasible for compliance by Brazilian mills. as we have said to CARB before, we believe there are programs already in place for fuel producers and exportes, like the Bonsucro certification and the EPA's Renewable Fuel Standard's Quality Assurance Program, that can and should be used to address CARB's concerns with validation and verification of the LCFS. CARB should, as much as possible, use the information from these programs already in place as a highway to validate and verify CI pathways and LCFS transactions.

We would also request clarification regarding the procedure of nonconformance and material misstatement. Given that CI verification is based on the past 24 months, producers will only get their verified CI after they complete their sales for a given harvest. In case of a CI number after verification has an error greater than 5%, what would happen to the credits generated by the fuel that was sold during that harvest? Also, would the higher CI be automatically considered as the new CI for that producer, or a new pathway application will necessary? Will the credits related to that sale become invalid retroactively? We are concern that a 5% variation is a very tight percentage, given the many uncertainties during the harvesting season, for example, weather conditions, change of shipping ports, etc.

We know that CARB is working hard to create a verification process that is efficient but we encourage staff to take the particularities of the different markets that supply fuel to California into consideration when crafting the details of such program. We want to ensure that Brazilian sugarcane producers will be able to comply with the program, and this can only be done if the rules of the program can be applied to our reality in Brazil.

2) D**raft T1 Sugarcane Ethanol Calculator**

We are glad to see CARB's attempt to simplify the pathway application process with the creation of the CI calculator. We are pleased to offer a few inputs that we believe are crucial to ensure that the calculator correctly captures the practices of an ethanol producing mill in Brazil.

In order to simplify our comments we have numbered the different aspects of the calculator/ data where we have comments:

1) Molasses x Sugarcane CI: UNICA and its members agree that CARB should combine the molasses and sugarcane juice CIs since the different among them is irrelevant and keeping origin control is onerous. However it is important that the combined CI be valid for 100% of the mill's production, regardless if it is from molasses or cane juice.

2) GK parameters: We understand that GK parameters are use to allocate emission when there is combined production of sugar and ethanol. We would like to be able to input real data for all the GK parameters that can be verified. Alternatively we suggest CARB evaluates the possibility to allocate emissions in an simpler way without the need for GK parameters, instead using the mill's efficiency parameters. Our team of experts are available to discuss other methods, should CARB welcome this suggestion.

3) Data Segregation: We agree with the 24 moth data segregation proposed by CARB, however we request that CARB utilizes harvest year, which mean s from April through March. It is also important to remind CARB that for mills in the Center-South region of Brazil from December through March there is no production information, given that it is their inter-crop season.

4) Shipment Route Definition: We would like to request that CARB adds rail and pipelines as an option for transporting ethanol from the mills to the port. Truck transportation should continue to be an option as well, and the same mill should be able to utilize for than one option of transportation.

5) Electricity exports: We would suggest that CARB does not apply a default value for electricity export for Brazilian ethanol. We believe that the Electrical Energy Commercialization Chamber (CCEE), the body responsible for the operation of the electric energy market of Brazil, makes available in their website information, that can be verified, of electricity exports of all mills in Brazil. This information is official and public. For mills that utilize external co-product for energy generation, this volume would be disconsidered from the co-generation, proportionally reducing energy generation so it would not be characterized as "gearing", as per CARB's definition. We also believe that the model used by CARB should allow companies to apply for credits from electricity generation from sugarcane straw. Today, only bagasse is considered for electricity generation. Should CARB decide to adopt a default value for electricity exports, it should only do so if it allows mills the alternative to provide their individual information, that would be subject for verification.

6) Percentage of mechanization for Center-South: We understand that CARB would like to propose a default value for mechanized harvesting for mills in the Center-South (CS) of Brazil, so mills who adopt this default values would not have to verify this input in their CI verification process. We can only support such proposal if the minimum percentage adopted as default for CS mills is 80% **and** if mills are given the option to use their own

percentage of mechanization and go through the verification process. In this case mills could evidence their information on the PIMS system which covers one hundred percent of all cane crushed in their mills. As CARB is aware, many exporting mills are located in the State of Sao Paulo, where mechanization levels reach near 100%, given their commitment of no burning, the Green Protocol. For this reason, and because many mills have invested heavily in mechanization and can prove their practices and gain a competitive advantage in terms of carbon intensity of their fuel. For this reason we can only support CARB's proposal if this alternative is given to the producers that opt to go thru verification. It is not clear to us, and we would like to request clarification from staff what would be the default value, if any, for the other regions of Brazil.

Finally, we would request CARB to give mills enough time to get familiar with the new regulations and, most importantly, have time to go through the re-certification process. Given that January 2019 is fast approaching, we urge ARB staff to work on a realistic schedule of implementation of regulation so our members will have enough time to go through the re-certification process.

We appreciate the opportunity to submit these comments, and as we have done in the past, will continue to engage with CARB staff to provide additional input and feedback on the LCFS. We are pleased to see CARB continuing to improve the LCFS and we are glad to be part of this process by cooperating with the agency and serving as a credible source of information about the Brazilian biofuels industry. We remain committed to continue our collaboration with CARB and we look forward to the opportunity to discuss these comments in detail with you.

Sincerely,

Leticia Phillips
Representative – North America