

June 16, 2016

Dear Ursula,

Please see below some additional comments and questions regarding the material presented during the June 2, 2016 workshop on the Verification Program that CARB is trying to implement as part of the Low Carbon Fuels Standard. It was not clear to me from the materials if this Verification Program would be mandatory or optional. Could you please clarify?

The Brazilian Sugarcane Industry Association (UNICA) appreciates CARB's continuing efforts to optimize and improve the LCFS, but we have a few concerns regarding some of the amendments and new programs being considered. We are afraid that some of the changes being proposed could ultimately hurt California's ability to receive low carbon fuels like sugarcane ethanol from Brazil and accomplish the goals of the LCFS program. In addition to my comments during the workshop on June 2, 2016, I would like to request that staff consider the comments/ questions below.

As usual, UNICA is at CARB's disposal to respond and clarify any question staff may have regarding how the sugarcane industry works in Brazil, as we believe such understanding is crucial for the continuing development of the policies that govern the LCFS.

Please feel free to reach out to me at any time, via phone at 202-506-5299 or via email. I hope these comments are helpful to you and your team and I appreciate the opportunity to submit them to you.

Sincerely,
Leticia

Preliminary Draft of Proposed Regulatory Amendments

- 1) §95483.2. Establishing a LCFS Reporting Tool Account
 - (e) Know your customer requirement: UNICA is concerned that some of the requirements being proposed here can not be met by foreign nationals who are the responsible parties reporting under the LCFS Reporting tool. We also question how this information will be used and who will have access to it, as protecting one's privacy and identity information is a major concern for anyone nowadays. We ask that CARB consider these concerns as it plans to move forward with such requirements.
 - Primary Address: Brazilian-issue identification cards, for example, do not list applicant's address. Passports, ID cards, Social Security cards, drivers license, none of these documents provide address information of the applicant
 - Open Bank Account in the United States: we can not imagine this requirement being applied to any applicants outside the United States, as the majority of these companies' employees (if not the totally of them) live and conduct their finances in their country of origin.

- Criminal conviction: contrary to the U.S., Brazil for example does not have a central (federal) crime database; this data is governed by each individual state. If you adopt this requirement, an individual will have to go to the police authority for every state s/he has lived in the past five years to request this document. In many cases the distances and the cost associated with such travel could be an impediment for an individual.

Regulatory Amendments Presentation

- 2) Amendments for all Reporting Parties – Credit Transactions
 - Propose to shorten number of days to report credit transfers: like others have expressed during the workshop on June 2, we feel that three (3) days are not sufficient for reporting such important operation. It is not clear to us how this deadline would be followed if the transaction occurs on a Friday, for example. Would the responsible parties have to report it by Monday? Also, what if Monday or any one of the three given days is a Federal holiday in the U.S. or in the country where the credit was generated/traded? We appreciate CARB's intention to make the system as up-to-date as possible, but we are still concerned that three days is not enough time for such important operation.

Verification Presentation

- 3) Bond Requirement for foreign producer: as per Mr. Aquilla's comments during the workshop, UNICA understands that bond requirement for foreign producer is not being considered by CARB. We are glad CARB has decided not to consider it, as we view that such requirement as discriminatory and unnecessary. Bonds would impose significant financial burdens on mills and most likely make exports from Brazil unlikely. We urge CARB to remain away from such requirement for foreign producers.
- 4) Verification Overview: Although we value CARB's concern with the integrity of the program, we believe there has never been any suspect of fraud in the LCFS that would justify the creation of a verification program specifically designed for California. 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 use the information from these programs already in place as a highway to validate and verify CI pathways and LCFS transactions. CARB should not try to reinvent the wheel and force obligated parties expend precious human and capital resources with a whole new program. If CARB moves forward with approval of such verification program, UNICA urges the agency to use Bonsucro's and QAP's audit information to satisfy some of the scope

items CARB presented for this program. This way time and financial resources for both the mills and CARB would be optimized.

- 5) Parties Required to Undergo LCFS Verification: In the case of Brazil, not all mills registered under the LCFS will necessarily export ethanol to California in a given year. In this case, would the mill still be subjected to such verification?
- 6) Fuel Pathway Verification – Quarterly: It is still not clear why CARB would like to make such audits in a quarterly basis. We believe that most, if not all, of the Verification Scope CARB would like to verify quarterly can indeed be verified less frequently. Mills could record the information on a yearly basis and break it up by quarters to present it to the verifying body/ CARB. We would also like to remind CARB that mills in Brazil shut down during the inter harvest period, so we would like to ask the agency to consider such factors when planning its program.
- 7) Verifying Body/ Auditors: As expressed during the conference, UNICA is concerned that the requirement for third-party verifiers are only taking into consideration the abundance of specialists/companies in the United States that could meet accreditation requirements. Brazil's market does not present the same abundance in terms of numbers of specialists/companies like the U.S. Also CARB seems to exclude companies who already provide consultation on pathway application from the pool of potential verifiers given concerns of conflict of interest. The availability of specialists/ companies apt to be accredited in the markets that supply CA with renewable fuels need to be considered by ARB before moving forward with any verification program. We urge CARB to take this point of concern into consideration.
- 8) ARB Oversight of Verification: We believe it is very important for ARB staff to be able to travel overseas and see first hand how renewable fuels are being produced outside the U.S. However, we are concerned that what CARB is proposing here would be too onerous to the government of California and require a lot of manpower from CARB and coordination from regulated parties. If CARB wants to observe most of the site visits, CARB would have to take into consideration, in the case of Brazil, the distances between mills and the cost of travel, translators, etc. Is this cost/ time spent being calculated? Could the agency make these calculations public?
- 9) Economic Analysis: We are particularly concerned with the cost impacts of the verification amendments CARB is proposing. Staff mentioned that this cost is being calculated, UNICA would like to urge CARB to survey our member companies to really have a grasp of such costs if the program is implemented as suggested. We also believe such calculations such be made public for all to review and comment.