



California LCFS: Upping the transport carbon cutting game

PRIMA interview with Graham Noyes, Executive Director of the Low Carbon Fuel Coalition

California's LCFS program for the transportation fuel sector has built a reputation as a best practices beacon for other states and countries, cutting over 16 MMT of greenhouse gas (GHG) emissions in the most populous US state in its first five years of life, Graham Noyes, Executive Director of the Low Carbon Fuel Coalition (LCFC) told PRIMA in a recent interview. But the scheme's results to date represent only the foothills of the carbon cutting mountain which California has set itself to climb as the state enforces its current schedule and pursues much more aggressive carbon cutting targets between 2020 and 2030.

“We have made good but limited progress in reducing carbon intensity to date due to the litigation delay that slowed the LCFS program in its first 5 years,” Noyes said.

“We shall see much more action picking up from 2017 as the state remains determined to achieve its original aggressive goal of a 10% carbon cut between 2010 and 2020,” Noyes added.



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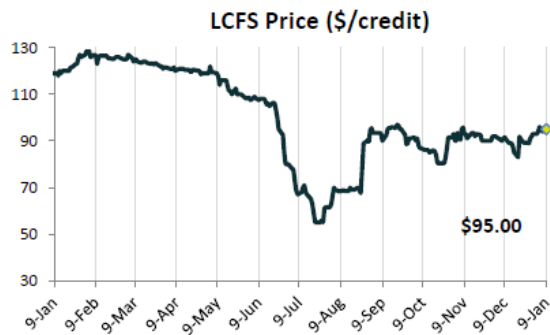
While the LCFS has already been a success from a GHG reduction perspective, the program has also delivered a major economic boost for the local low carbon fuel market, Noyes said, including a major uplift in venture capital investments aimed at clean transportation companies in California. The LCFS has attracted significant volumes of very low carbon biodiesel and renewable diesel to California, while recent carbon intensity recertifications are now luring some of the lowest carbon intensity ethanol in the world into the state and providing economic signals for all renewable fuel producers to be as efficient as possible.

Why LCFS?

The LCFS provides an irreplaceable strategy to tackle California's transport GHG emissions, notoriously the toughest sector of the economy to decarbonize, Noyes said.

Unlike the utility sector where carbon emissions can be achieved by switching to renewable power and by efficiency improvements, transport carbon emissions have to be gained within the diverse and disaggregated vehicle

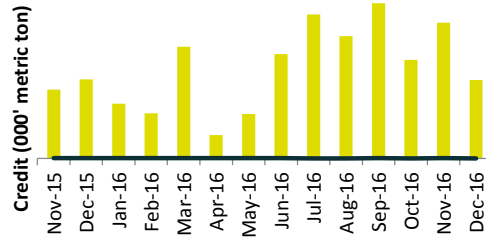
fleet. The LCFS program quantifies the carbon performance of each fuel type and drives the substitution of high carbon fossil fuels by less carbon intense and cleaner alternatives. California Air Resources Board's (CARB) comprehensive LCFS program for the transportation sector requires regulated parties to report their carbon performance, to obtain sufficient credits to meet compliance requirements and to constantly evaluate the various fuels' exact carbon intensity along with current LCFS credit market prices. PRIMA's Daily California LCFS Report provides visibility on the trade prices and volumes of tickets which change hands in the secondary market as regulated parties manage their compliance position books in this highly complex and valuable market.



While the LCFS was under attack from some stakeholders this past summer in the state legislature, the attempted program roll-back ultimately stimulated a groundswell of support from the low carbon fuel industry, the clean technology sector, environmental groups, and a diverse range of other crucial supporters. The LCFC worked with its business members, other leading businesses, and a broad and vibrant coalition of trade associations and NGOs to emphasize the value and the importance of the LCFS program to the California Legislature. The subsequent passage of state bills SB 32 and AB 197 demonstrated the Legislature's strong support for climate change policy, the LCFS, and

a healthy environment and environmental justice for all Californians, Noyes said.

LCFS Trading Volume



“Throughout the drama of the legislative process this summer, it was very reassuring to see that the CARB itself was very strongly supportive of the program,” Noyes said.

Spreading the low carbon word

The success of California’s LCFS program has already aroused wider attention from other regions planning similar schemes. Oregon has closely watched California's pioneering efforts while developing its own Clean Fuel Program. While Oregon's program methodology closely follows the structure of California’s LCFS, the big difference between the two programs is the baseline year which each have selected to measure carbon cutting efforts from. California has chosen 2010 as its year zero for emissions reduction benchmarking, while Oregon is pursuing a 10% cut over the ten years from a 2015 baseline.

California and Oregon near neighbor Washington State has stalled in its own efforts pursue a comparable program, described as a state Clean Fuel Standard. While the plan was backed by Governor Jay Inslee, other legislators proved harder to persuade and Washington is currently without such a program.

Further North on the West Coast of Canada, British Columbia is pursuing its own variant of

California's more aggressive carbon cutting targets, along with a carbon tax program.

Further East, Ontario is taking its own baby steps towards a potential LCFS-style program, while Quebec is preparing for further debate over the advancement of clean fuel program plans.



RFS policy post the 2022 cutoff for the existing program remains unclear



Noyes is less optimistic that LCFS will serve as a near term template for an overhaul of the wider federal RFS2 biofuels mandate given president-elect Donald Trump's pick of climate skeptic Scott Pruitt to head the EPA. But he acknowledges RFS' achievement in cementing a renewable fuels producing economy across Midwestern states which provided the bedrock of Trump's victory in the Electoral College. RFS policy post the 2022 cutoff for the existing program remains unclear, offering an opening for LCFS to help inform future Federal policy thinking on carbon emissions reduction plans. This prospect will largely depend on the future make-up of Congress.

Aggressive by necessity

California's battles with air quality, rising sea levels and spreading drought have intensified public and legislative support for decisive emissions cuts as state climate policy. CARB's draft scoping plan outlines a planned 40% reduction in carbon emissions between 2020 and 2030. A successfully executed plan would slash 2020's projected 430MMT in emissions to just 260MMT by 2030, Noyes said.

As part of the Scoping Plan process, CARB is currently evaluating alternative scenarios to meet these aggressive GHG reduction requirements. The LCFS program is CARB's best performing market based program in the transportation sector, and one of the top five GHG reducing programs in the state on a performance basis. In recent workshops, CARB has emphasized the importance of achieving the 10% CI reduction by 2020, then achieving an additional 8-15% reduction between 2021 and 2030.

The state's plans for stimulating growth in the uptake of zero emission vehicles (ZEVs) are even more aggressive than the LCFS goals outlined in the scoping plan. The ZEV fleet is expected to hit 3mn vehicles according to the state's baseline scenario for 2030, with two other scenarios adding another 1.2mn to 1.7mn vehicles to the total.

Advocating for an LCFS world

The LCFC meanwhile will continue its efforts to drive low-carbon fuel policies forward, offering policy resources to inform new interested stakeholders including state and provincial governments and local communities to draw attention the economic, climate, and health benefits of emissions reductions and fuel diversification achieved under the LCFS banner.



Battles with air quality, rising sea levels and spreading drought have intensified public support for emissions cuts



"We see plenty of opportunities at the national level here in states like California and Oregon,

and the provinces such as BC, Ontario and Quebec,” Noyes said.

LCFC has also partnered with international organizations to further the development of low carbon fuel programs overseas. The organization has been working with Advanced Biofuels Canada and the World Business Council on Sustainable Development (WBCSD), and is looking for ways to raise awareness of the benefits of low carbon fuel programs.

“We are a young organization that is rapidly expanding but can offer resources and practical advice to groups that are interested in learning from California’s experiences and considering similar policy structures,” Noyes said.

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Graham’s Biography



Graham serves as Executive Director of the Low Carbon Fuels Coalition, a technology neutral trade association located in Sacramento, California. The LCFC is dedicated to supporting and expanding sound low carbon fuel policies. Graham is also the managing attorney of Noyes Law Corporation. Graham is nationally recognized for his work before EPA and CARB on fuel and carbon regulations including the Renewable Fuel Standard, Low Carbon Fuel Standard, and California’s climate policies and incentive programs. He is the author of [The Carbon Rush: America’s Path to Fire and Gold](#), a book examining America’s energy history. Graham is licensed to practice law in California,

and Washington D.C. Prior to establishing his biofuel practice, Graham was a leading sales executive in the biofuel industry and Secretary of the National Biodiesel Board.