April 25, 2022

**Submitted Via e-mail and upload to:** https://aq.ecology.commentinput.com/?id=DpgZ3

Ms. Rachel Assink
Rulemaking Lead
Washington State Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

Re: Diamond Alternative Energy Informal Comments on Washington CFP Draft Regulations

Dear Ms. Assink:

Diamond Alternative Energy, LLC, an affiliate of Valero Energy Corporation, submits these comments on behalf of Valero Renewable Fuels ("VRF") and as the operator and part owner of Diamond Green Diesel ("DGD"), a joint venture with Darling Ingredients. The DGD renewable diesel plant in Norco, Louisiana is currently the largest renewable diesel producer in the U.S. and the world's second largest renewable diesel producer, with current annual capacity of 700 million gallons which will expand to 1.2 billion gallons in 2023 as a result of our $700MM investment in expanded renewable fuel production capacity.

As a significant supplier of low-carbon renewable diesel to the California market, we have played a key role in helping that state meet its ambitious goals under the California Low Carbon Fuel Standard. Presented below are comments regarding the draft rule language and key concepts we believe Washington should keep in mind as the state works to finalize and implement a clean fuels program that is equitable to all fuels which will be needed to meet the state's emission reduction targets.[1]

**Funding and Timing**

The Washington Department of Ecology has stated that program fees will be established for deficit generators and program participants in order to provide the same degree of administrative support and oversight as the California LCFS program. It is likely, however, that the burden of fully supporting such a resource-intensive program among a relatively small pool of providers and credit generators will result in substantial fees. These costs ultimately will be borne by consumers, and to the extent these costs cannot be passed through, they may disincentivize supply of renewable fuel to the Washington market. At the same time, failing to staff the program adequately could create regulatory impediments to supply and fuel shortages. To balance these competing considerations, WDE should design the program to take full advantage of the research and review that has been done by entities such as Argonne National Laboratories and should prioritize administrative efficiency measures to minimize the staffing burden. Even so, Washington may need to consider alternative funding to support the significant administrative burden necessary to assure a robust Clean Fuels Program without further increasing costs or jeopardizing the successful implementation of the program.

[1] https://ecology.wa.gov/DOE/files/69/6948522a-3c2d-49d1-8736-2c955029bffe.pdf.

**Use of existing CI pathways for advanced biofuels in order to allow for early generation of program credits**

We understand that WDE currently proposes to roll out implementation of the CFP gradually by establishing a 0.5% target for 2023 that must be met on the basis of conservative temporary pathways, with more ambitious targets established in later years to provide time for review and approval of pathways that more accurately reflect the carbon intensities of various fuels. The potential problem with this approach is that it may result in delays for contracted sales of renewable fuels into Washington. Because there are already existing low carbon markets that fully recognize the carbon intensity of renewable fuels, renewable fuels with approved pathways are more likely to be supplied into markets where the fuels are priced based on their approved carbon intensities.

In order to compete with other low-carbon jurisdictions to attract supply of low-carbon fuels into the state, it would be preferable to design the program to fully credit the CI value of low-carbon fuels immediately upon program implementation. Specifically, we recommend that the CFP rely on a reciprocity approach to allow use of validated carbon intensity values and pathways from other markets, such as the California LCFS or British Columbia, pending approval of CFP specific pathway CIs. WDE also should allow pathway applications to be submitted and complete the CFP verification process as soon as possible once CFP rules are finalized. To the extent temporary pathways are required or allowed, they should not be limited to six months as currently proposed, as our experience indicates that advanced pathway applications may take longer than 12 months to be approved. Finally, rather than establishing a low CI reduction target for 2023 that may only be met on the basis of unrealistically conservative temporary pathways, the CFP should incentivize supply into the state by allowing for early credit generation in 2023 based on reciprocally approved CI pathways and making 2024 the first year reductions are required.

**Argonne GREET ILUC values should be applied consistently to all feedstocks.**

We strongly support the recommendation of the International Council on Clean Technology (ICCT) that the Department of Ecology consider updated ILUC analysis. Argonne National Laboratory's data is widely accepted and is updated on a frequent schedule so as to best represent the current environment and scientific data. Consistent with our recommendation that WDE should maximize efficiency in developing and implementing the CFP, we recommend that WDE consistently apply Argonne GREET ILUC values for all feedstocks, including soy as well as corn. The current proposal to use outdated ILUC for soy is unnecessarily conservative.

**Technology-Neutral Lifecycle Evaluation**

We agree that low carbon liquid transportation fuels must be part of the path to reduce greenhouse gas emissions in the State of Washington. Washington's CFP should establish a level playing field for all fuel and vehicle technologies to contribute to reducing carbon emissions by evaluating GHG reductions associated with the full energy production lifecycle, regardless whether vehicles are fueled by electricity or by liquid fuels combusted in an internal combustion engine. Credits and other incentives awarded to electric vehicles and charging infrastructure without consideration of the lifecycle emissions associated with electricity generation and battery production will underestimate the carbon contribution of electric vehicles; failure to recognize low-carbon measures in the production of low-carbon renewable fuels will overstate the carbon emissions associated with those fuels.

For example, the proposed rule would allow credits for use of low-CI electricity through the grid to charging stations; however, there is currently no mechanism proposed to recognize use of low-CI electricity in the production of low-carbon fuels. The CFP should recognize carbon reductions from low-carbon electricity used in production of low-carbon liquid fuels as well as EVs. Similarly, ultra-low carbon ethanol produced with CCS and emerging technologies such as Direct Air Capture and other carbon mitigation systems associated with traditional oil production can obtain comparable or even lower carbon intensity than electric vehicles. The Washington CFP should include provisions for quantifying and appropriately crediting such reductions.

We appreciate the opportunity to provide these comments. If you have any questions or would like to discuss any of the points we have raised, we would welcome an opportunity to provide any additional information that may be helpful.

Sincerely,

Lori Taylor

Lori Taylor
Director Fuels Regulatory Affairs
Valero Services Inc.