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By Electronic Mail

Jim Cahill
Senior Budget Assistant to the Governor
Office of Financial Management
P.O. Box 43113
Olympia, WA 98504

Dear Jim:

Growth Energy, representing 85 American ethanol producers, 91 associate members, and more than 25,000 ethanol supporters, is pleased to submit initial comments on the draft report entitled “A Clean Fuel Standard in Washington State”.

The ethanol industry is critical to our nation’s efforts to achieve energy independence, national security, and economic growth. Last year the ethanol industry added \$44 billion to U.S. Gross Domestic Product, saved American consumers billions of dollars at the pump, reduced greenhouse gas emissions, and provided for nearly 400,000 direct and indirect jobs in the United States. Argonne National Laboratory estimates that today’s ethanol reduces greenhouse gas emissions by as much as 59 percent when compared to gasoline, and under the federal Renewable Fuels Standard (RFS), when fully implemented, the U.S. EPA estimates that biofuels will reduce greenhouse gas emissions by 138 million metric tons – the equivalent of taking 27 million cars off the road.

With the success of a national biofuels program in mind, Washington’s draft report raises a number of issues related to the potential adoption of a low carbon fuel standard (LCFS) in Washington. One of the most controversial features of a potential state-level LCFS regulation is the belief that by regulating the carbon intensity of alternative fuels somehow value is added separate and apart from other efforts to reduce transportation sector greenhouse gas emissions by causing changes in biofuel production methods. It is particularly controversial in that it aims to regulate conduct outside a given’ state’s borders: an LCFS on the West Coast, for example, would be trying to change the way a biorefinery located in Nebraska produces ethanol. It is clear from California’s experience with its own LCFS program that the state-level carbon-intensity regulations have served little environmental purpose. Ethanol to which California has assigned a high carbon-intensity score may not be sold in California, but it is sold elsewhere. To date there has been no net reduction in GHG emissions nationwide; the only impact has been “fuel shuffling,” a resulting phenomenon which itself is likely to increase GHG emissions by requiring the transport of ethanol and other fuels further distances than if states did not try to regulate the carbon intensity of the ethanol sold or used within their borders. Additionally there are other national policy implications. Often

times domestically-produced corn ethanol is excluded from a particular state market, while gallons of cane ethanol primarily produced in Brazil are exported thousands of miles away to reach an LCFS state.

Washington's draft report also discusses inclusion of the theory of indirect land use change. Based on the theory of indirect land use change, the carbon-intensity value assigned to Midwest corn ethanol is significantly higher than if ethanol (like gasoline) were assumed to have no indirect land-use change impacts. The indirect land-use change (ILUC) emission factor assigned to corn-starch ethanol is one of the most controversial aspects of the current California LCFS regulation. This report discusses two different ILUC values assigned to corn ethanol: 1) the 30 gCO₂eq/MJ value which was adopted as part of California's current LCFS program; and 2) the 23 gCO₂eq/MJ that was merely discussed at a workshop in California nearly 9 months ago. In either case, these values are fixed for any ethanol producer seeking to sell ethanol into the LCFS market – in many cases this penalty represents 40 percent of a particular plant's corn ethanol pathway. So, any potential LCFS regulation that includes ILUC essentially makes the regulation ineffective in stimulating reductions in GHG emissions in the production of corn ethanol.

As Washington considers its approach to the reduction of greenhouse gas emissions, it should take these issues into very careful consideration before proposing a clean fuel standard. We appreciate this opportunity for initial input, and welcome further discussion about these issues and the production of ethanol. If you have any questions, please feel free to contact me and thank you in advance for your consideration.

Sincerely,



Christopher P. Bliley
Director of Regulatory Affairs, Growth Energy