

# Securing the West Coast supply chain

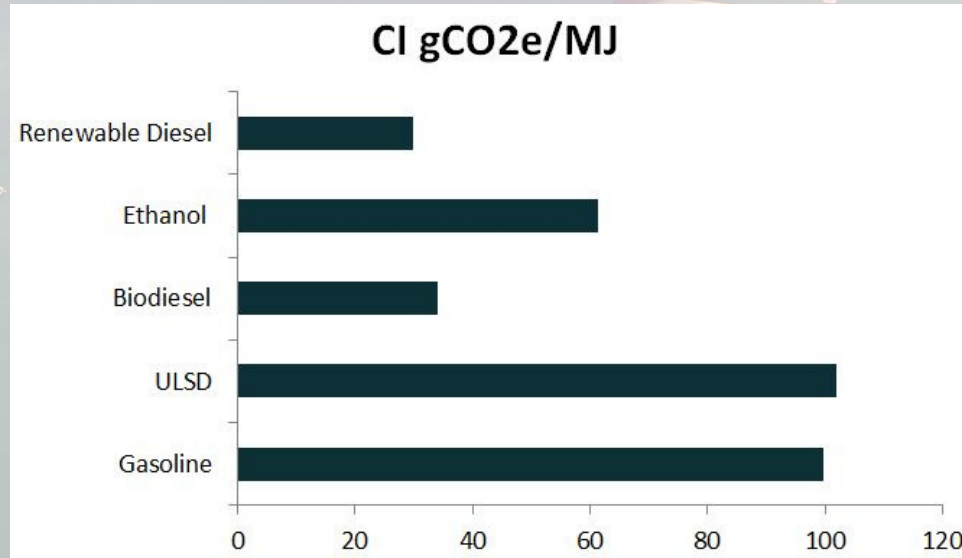
## *California's fight for low carbon fuel*



**Demand for low carbon fuels is set to surge as international policymakers recalibrate their mandates towards greenhouse gas saving and away from volume counting systems. California's Low Carbon Fuel Standard (LCFS) is already shifting thinking on securing and maintaining low carbon fuel supply chains after the program's 2015 reconfirmation sent compliance ticket prices spiralling higher.**

With California's most aggressive carbon cuts waiting in the wings and other US states and Canadian provinces following California's emissions lead, West Coast feedstock procurement efforts will stretch, bringing the region's low carbon fuel economics head to head with expanding resourcing requirements in other geographies.

"We shall see much more action picking up from 2017 as [California] remains determined to achieve its original aggressive goal of a 10% carbon cut between 2010 and 2020," Graham Noyes, Executive Director of California's Low Carbon Fuels Coalition tells PRIMA.



CARB-registered pathways into California's state mandate illustrate the complexity underpinning the market's supply economics, which ultimately affect equilibrium in the state's compliance ticket market. The state has registered 58 different biodiesel supply pathways at differing carbon intensity (CI) ratings which affect physical product economics. Ethanol

producers meanwhile have registered a staggering 168 different pathways, putting the LCFS arbitrage firmly in the sights of Brazilian sugar cane ethanol producers struggling to access the corn dominated Federal mandate.

Surging California renewable diesel import inflows illustrate the LCFS market's already considerable international pull across a relatively limited array of registered renewable diesel CI pathways. California imported 1.3bn gal of renewable diesel last year, up 51% YoY, impacting the availability of low carbon renewable diesel to Europe. And while California's advent as a scale renewable diesel buyer poses questions for European low

CARB's proposed verification system will rely heavily on recognized third party auditors to satisfy the scheme's checks. CARB at the same time is reviewing ISCC's existing sustainability auditing scheme to avoid unnecessarily doubling up on supply chain standards which already effectively police international biofuel and food supply chains. The verification program will need to work with external parties to ensure that gallons of waste supply

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carbon fuel importers, it also presents sales opportunities for the slew of new renewable diesel facilities in the US and European development pipeline.

The expanding geographical reach of California's supply chains are concentrating state regulators on the need to maintain integrity on product provenance.

Full biofuel supply chain auditing and stricter legal definitions surrounding eligible feedstocks are set to become key requirements for LCFS credit generation alongside current carbon intensity and technical checks.

The introduction of full traceability on supply chains stretching back to waste collection points through production facilities and wholesale market trade documentation are all fast heading down the track.

aren't "double counted" into California as well as overseas obligations, according to CARB's Jim Aguila.

*Join PRIMA and ISCC to explore the implications of "Plugging the West Coast Carbon Short"*

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