30 September 2020

Kathleen Theoharides
Chair, TCI Leadership and Workgroup
Sent via TCI Input Portal

Re: September 2020 Webinar

Dear Chair Theoharides:

We at Neste congratulate the TCI staff and government partners for your excellent work to propose a strong regional solution to address climate change through greenhouse gas emissions from transportation. Neste supports the laudable goals of accelerating the transition to a cleaner, more efficient transportation sector that will improve public health, create new economic opportunities, and reduce net new carbon emissions.

Neste is a global fuel producer specializing in premium-quality, lower-emission transportation fuels. We are the world's largest producer of renewable diesel and Sustainable Aviation Fuel, both of which are refined from waste and residues.

Neste is deeply committed to sustainability, and has committed to carbon-neutrality in its fuel production by 2035. We are proud that our efforts have ranked us in the top 3 on the Global 100 list of the most sustainable companies for two years in a row. In California, we have supplied more than 1 billion gallons of renewable diesel which has helped our customers reduce their carbon emissions by more than 7 million metric tons.

We appreciate the opportunity to submit feedback on the TCI updates. We look forward to partnering with, and being a resource for TCI's efforts as they continue. At this stage, we offer these comments.

1. Neste supports the adoption of a regional Cap-and-Invest program for the TCI region. We have previously supported similar efforts in California, Oregon, Washington, and New York. Cap-and-invest-type programs have shown to be effective at encouraging sector-wide

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reductions in greenhouse gas emissions and the transition of transportation solutions away from fossil gasoline and fossil diesel.

The success of these programs, where implemented, has been amplified by the adoption of complementary programs, such as a Low Carbon Fuel Standard (LCFS). In California, the LCFS supports the state's path to an overall reduction of 40 percent of climate-changing gases by 2030. As an example, the California LCFS has resulted in a reduction of more than 47 million metric tons of climate-changing gases.[1]

2. Neste urges TCI to include recommendations to address the urgency of the need to decarbonize liquid fuels, such as fossil gasoline and diesel. Decarbonizing these fuels will be critical to reaching carbon reduction goals for the region in 2030 and 2050. Even if we reach the ambitious electrification goals for the medium- and heavy-duty sectors that are contained in the recent multi-state MOU on zero-emission vehicles, most trucks and buses in use in the TCI region will still operate on diesel fuel in 2050.

3. As suggested by the California example above, Neste believes that complementary programs will be necessary to meet the TCI region's carbon goals. Programs that decarbonize diesel fuel will be critical, and will complement longer-term commitments to electrification of these vehicles. This is especially true for those transportation sectors that will be difficult to electrify, such as nonroad engines, marine engines, aviation, and significant segments of the long-haul transportation market.

   Thus, to the extent possible, the MOU and Model Rule should encourage the use of complementary measures and programs (such as low carbon fuel standards, fleet purchase requirements, and other programs to ensure the use of low-carbon or renewable fuels at scale) to be utilized as a partner solution to cap-and-invest. [2]

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[1] https://ww2.arb.ca.gov/news/cleaner-fuels-have-now-replaced-more-3-billion-gallons-diesel-fuel-under-low-carbon-fuel

[2] Several Pacific Coast Collaborative member jurisdictions recognize the benefits of complementary measures to address emissions from transportation. California has both an LCFS and cap and trade that address transportation emissions and has been effective at aiding the transition of the fleet as well as making strides in reducing carbon emissions ahead of state targets. British Columbia has a carbon tax and a low carbon fuel standard. Legislators in Washington State are preparing a joint cap-and-trade/LCFS bill to be considered in the 2021 legislative session.

4. Neste supports reducing the emissions from fossil gasoline and fossil diesel as stated in the draft MOU. In particular, we strongly support the exemption of renewable diesel and other biofuels and low-carbon fuels from regulation under the cap. We agree with the acknowledgement in the draft MOU and model scenarios of the already incumbent life-cycle carbon reductions they provide.[3] We believe that this exemption will ensure the proper alignment of economic incentives and policy signals in the marketplace. As an example from California, renewable diesel is able to compete in the market with fossil diesel partially because of the difference in the carbon credit costs associated with the fuel. Use of biofuels like renewable diesel by regulated parties and fuel consumers displaces high-carbon fossil diesel. Excluding renewable diesel and other lower-carbon fuels from the cap allows for wider carbon reduction options. It also provides clear economic incentives.

5. Neste supports the inclusion of provisions that will address equity and related environmental justice issues. Specifically, we support the proposal to allocate 35% of the revenues into overburdened and underserved communities. It is worth noting that converting a fossil diesel bus fleet to run on renewable diesel will provide significant particulate emission reductions, which adds a significant human health co-benefit that will aid the goals of the transportation policy.[4]

Once again, congratulations on your leadership in this important area of addressing transportation emissions. Thank you very much for your consideration of these comments. Please do not hesitate to contact me at 281.788.1662 or Dayne.Delahoussaye@Neste.com if you would like to discuss in more detail.

Respectfully submitted,

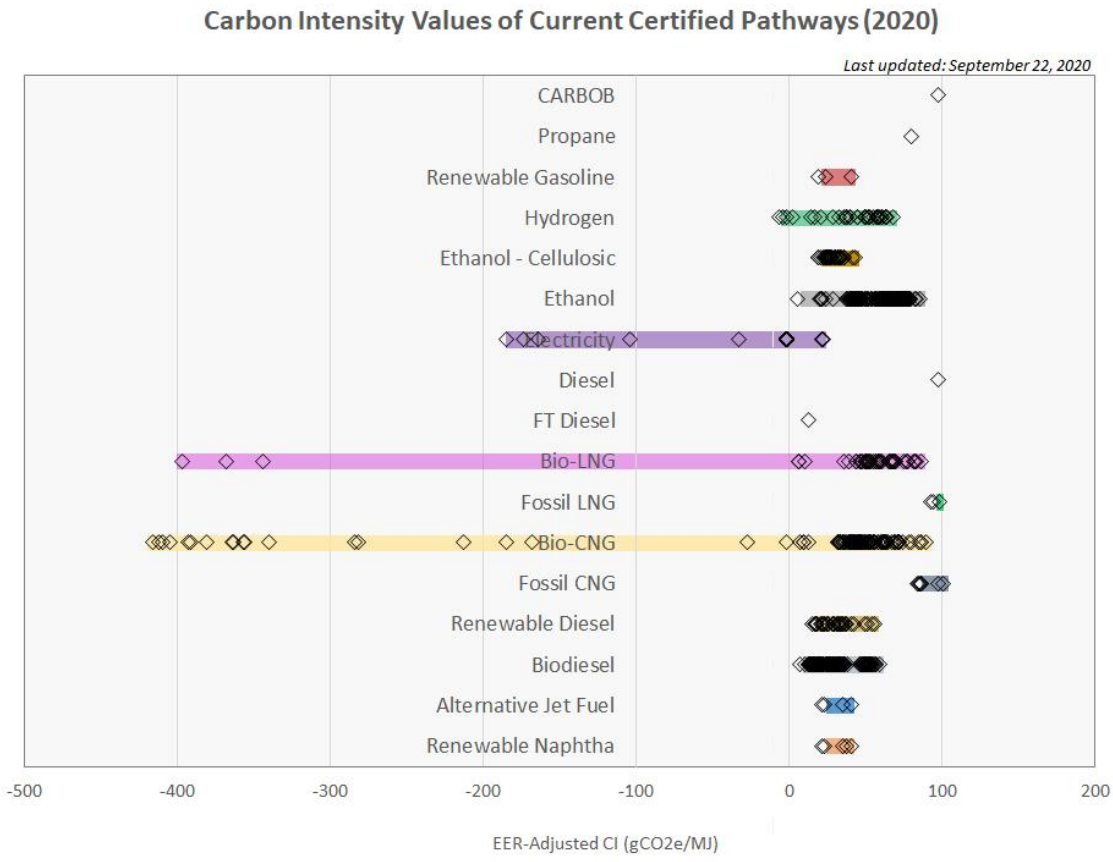
Neste US, Inc.

Dayne Delahoussaye
Senior Advisor, Public Affairs

[3] See Exhibit 1 – Chart of Certified Pathways and CarbonIntensity Values .
[4] See Exhibit 2 – Summary of emission reductions from renewable diesel compared to fossil diesel.

Exhibit 1

California LCFS Pathway Certified Carbon Intensities



source: https://ww2.arb.ca.gov/resources/documents/lcfs-pathway-certified-carbon-intensities

Exhibit 2

By reducing engine-out emissions, Renewable Diesel improves air quality

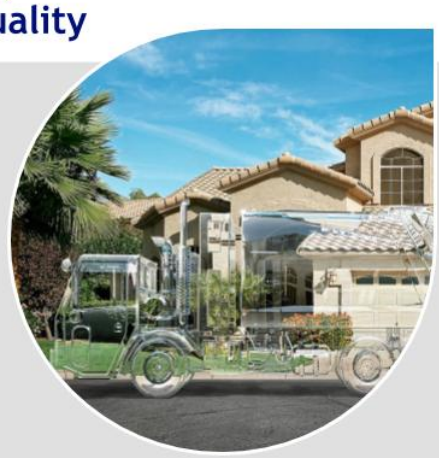
33% lower fine particulates that aggravate asthma

30% lower hydrocarbons (HC), which can cause eye and lung irritation

24% lower carbon monoxide (CO)

9% lower nitrogen oxides (NOx), which can lead to respiratory issues

Near-zero polyaromatic hydrocarbons (PAH), which cause health problems



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