



Wade Randlett
Co-Founder
NextFuels, Inc.

California Air Resources Board
Headquarters Building
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

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DATE _____
RECD. <u>JAN 26 2008</u>

Dear Chairperson Mary Nichols:

NextFuels would like to offer initial comment on the Draft California Low Carbon Fuel Standard Regulations.

NextFuels is one of the largest biodiesel suppliers in California, and considers itself to be an industry leader and innovator for the development of bio-diesel using sustainably planted and harvested palm oil to help achieve the maximum reduction of carbon intensity in currently available biofuels.

Sustainable palm biodiesel provides positive energy output and substantial GHG emission benefits. It is an important feedstock that can help California achieve its Low-Carbon Fuel Standards (LCFS) and meet the goals of AB 32. When production is managed in a truly sustainable manner, sustainable palm's concentrated bioenergy yields the smallest life-cycle carbon footprint of all other currently available feedstocks to produce an equivalent amount of energy.

Oil-palm trees grow naturally in tropical areas, which can include ecologically sensitive habitat. Unsustainable palm plantations are associated with deforestation of tropical forests, emissions from GHG-rich soils, and habitat loss to a number of important species. California public policy should not create a regulatory environment that allows companies to reap economic benefits from deforestation or recently deforested lands.

California regulation should ensure that palm-based biodiesel is produced from previously deforested lands using sustainable planting, harvesting, and processing techniques. Under no circumstance should palm-based biodiesel failing to satisfy meaningful sustainability criteria be eligible for the benefits of California's GHG reduction programs.

NextFuels supports the development and use of specific sustainability criteria for palm-based biodiesel production and transportation. The key is to ensure that palm oil grown for California biodiesel is grown on land that was not virgin forests at least as recently as January 1, 2004, the date on which biodiesel was effectively made a commercial market.

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NextFuels supports robust third-party certification and meaningful product tracking verification to guarantee that palm oil feedstock for California biodiesel be produced solely on lands that were growing oil palm before 2004.

Certified sustainable palm plantations will help California achieve the sustainability goals to produce fuels that are 1) more environmentally efficient, 2) less environmentally damaging, 3) respect local, regional, and global carrying capacities, and 4) produce dramatic greenhouse gas (GHG) reduction benefits.

We would like the opportunity to submit detailed input and clarifications after ARB releases palm-based biodiesel numbers. Specifically, we need to see more details on:

1. What carbon intensity default values are being considered for the Diesel Lookup Table,
2. The process and expected timeline to use the Customized Lookup Table approach, and
3. The process to differentiate sustainable palm from other feedstocks, especially differential land use effects.

NextFuels is available to provide real world data to help refine and implement the LCFS and to provide information relating to the production, transportation, and use of sustainable palm-based biodiesel in order to further our understanding of the substantial GHG reduction benefits obtainable from good palm.

We look forward to working with the California Air Resources Board to achieve the goals of the Low-Carbon Fuel Standard and AB 32. Again, we recognize the hard work and staff effort devoted to developing the proposed regulations.

Sincerely,



Wade Randlett
Co-Founder
NextFuels, Inc.

CC: Board Members, CARB
Jackalyne Pfannenstiel, Chairman, CEC
Jim Boyd, Vice Chair, CEC
James Goldstene, Executive Officer