



April 23, 2018

California Environmental Protection Agency
Air Resources Board (ARB) – Stationary Source Division
LCFS Program Planning and Management Branch – Verification

RE: Comments on the Proposed LCFS Verification Program

Murex LLC is a leading marketer and distributor of ethanol in the United States and worldwide, moving more than one billion gallons annually. As a top exporter of ethanol from the United States, Murex's reach increases daily as the world consumes more and more renewable fuels. In addition to buying, selling, and moving ethanol from suppliers to customers, our company provides storage, risk management, and compliance solutions, which are critical to the success of the facilities we represent. As such, maintaining expertise on global carbon initiatives and a clear understanding of legislation and compliance requirements across the globe is of utmost priority to Murex. As an importer into the California market, Murex is an active and well-versed participant in the LCFS program. We applaud CARB for all the hard work that has gone into maintaining the integrity of the LCFS program and appreciate this opportunity to provide insight gleaned from decades of experience with global renewable fuel and carbon initiatives.

Growing pains, those that come with years of developing solutions to meet the ever-evolving requirements under the U.S. EPA's Renewable Fuel Standard (RFS), Environment Canada's Renewable Fuels Regulations (RFR), the Renewable Energy Directive (RED) in Europe, and the International Sustainability and Carbon Certification (ISCC) scheme, have made us painfully aware of the fact that there exists a very limited number of people and firms that are truly knowledgeable enough to provide specialized audit, verification, and support services in this arena. As Murex seeks to take proactive measures to ensure the readiness of all our LCFS approved facilities once this proposed rule goes into effect, our level of concern grows over a few of the proposed requirements of verification bodies under the LCFS program. Specifically, we do not feel that there are enough parties with the expertise and qualifications necessary to properly conduct the sought-after verification services while also complying with the firm rotation and conflict of interest provisions within the rule as currently written. Fortunately, there are alternative remedies that would protect the original intent of the program while preventing the potential for egregious errors and inadvertent non-compliance resulting from engaging the services of individuals or firms lacking adequate experience in renewable energy initiatives.

On the topic of firm rotation, because the number of firms specializing in renewable energy services are limited, long standing business relationships with the clients to whom they provide services is a natural and positive result. Engaging the services of the same firm on an ongoing basis results in beneficial efficiencies and cost savings. Not only is the firm already well-educated on the renewables front, but its comprehensive understanding of the client's business models, processes and procedures, and systems provides for highly effective and timely engagements less prone to error due to differences in interpretation and methodology or a general lack of understanding of the business in question. Further, in many cases, auditors have already collected, analyzed, and stored the applicable data, documents and

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records for clients that are subject to multiple regulations across the country and the world. Instead of rotating firms, a more practical approach would be to rotate audit staff and/or team leads within the firm. Beyond the aforementioned potential for errors, switching firms every two years would cost more money and consume much more time and human resources, adding several more months to the engagement, and possibly missed deadlines.

Regarding conflicts of interest, we find that specialized renewable energy audit firms, provide a variety of services unique to our industry and that are a natural progression and extension of the firms' service offerings. While a non-specialized audit or CPA firm may not have enough experience to conduct an appropriate renewable energy engagement, that is not the case in reverse. These firms have been committed to gaining their renewables expertise over years of education and industry interaction. For practical reasons, many stakeholders would rather keep their financial and regulatory audit requirements all within the same firm that has already established independence, largely due to the synergies created when overlapping data can be applied to multiple engagements. A reassessment and clarification on what accounting or bookkeeping services are in conflict and at what level should be taken under consideration. Several accounting, engineering, and verification firms in our industry have gone so far as to develop proprietary software solutions to assist clients with accounting and/or regulatory requirements. We do not see how this creates a high conflict of interest since these services are provided by different departments within the firm, and in most cases, only the licensee has regular access to their individual systems/databases. Finally, given their in-depth understanding of the regulations, most accounting and engineering firms provide information, updates and/or consultative services to regulated parties. We turn to them for expert advice when dealing with constantly changing regulations. If the firm already knows precisely how things are to be done, it simply makes sense to be able to talk to them about how to maintain strict adherence to the program. Again, this need is usually served by a different department or team within the firm. Murex is ready to move forward with our plants on scoring, modeling, and establishing the new pathways but we do not wish to eliminate any of our already limited options due to the potential for conflicts of interest. Any additional guidance in these areas would be greatly appreciated.

In closing, since CARB will already be auditing the verification bodies, it should be easy enough to conduct procedures that establish auditor independence, as well as an absence of bias and/or conflict of interest. Thank you again for taking the time to review our comments and concerns. We look forward to seeing your feedback.

Respectfully,



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Director of Compliance
Murex LLC