Figure 1 shows the total Q1, Q2, and Q3 credits and deficits reported by regulated parties. In Q3, 350,000 MTs of credits were generated, relative to about 135,000 MTs of deficits, which is a significant increasing trend in credits relative to Q1. Deficits remained flat from Q1. All quarterly data are subject to change.

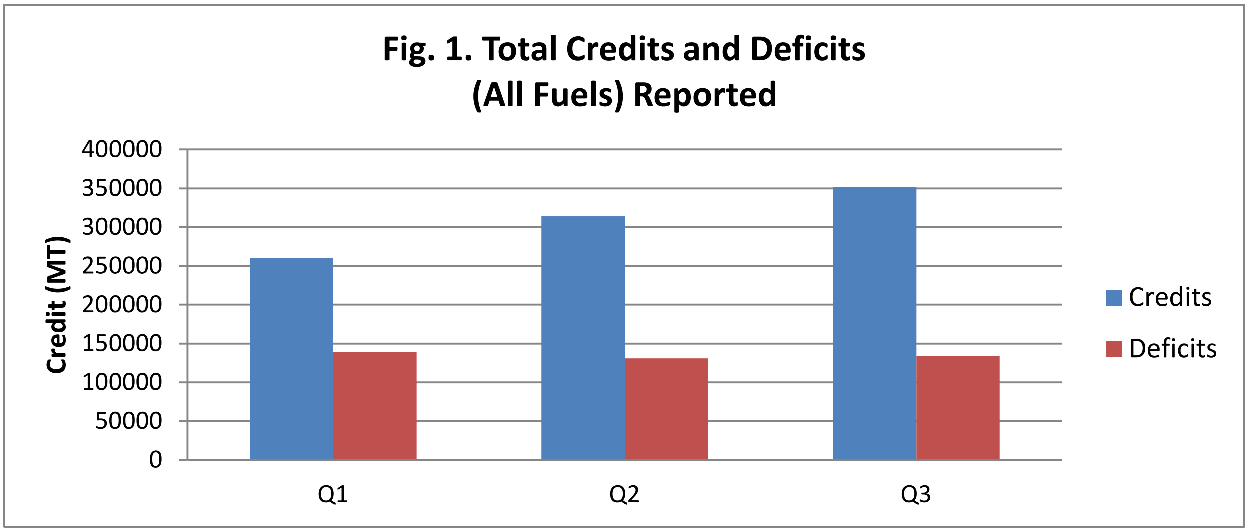
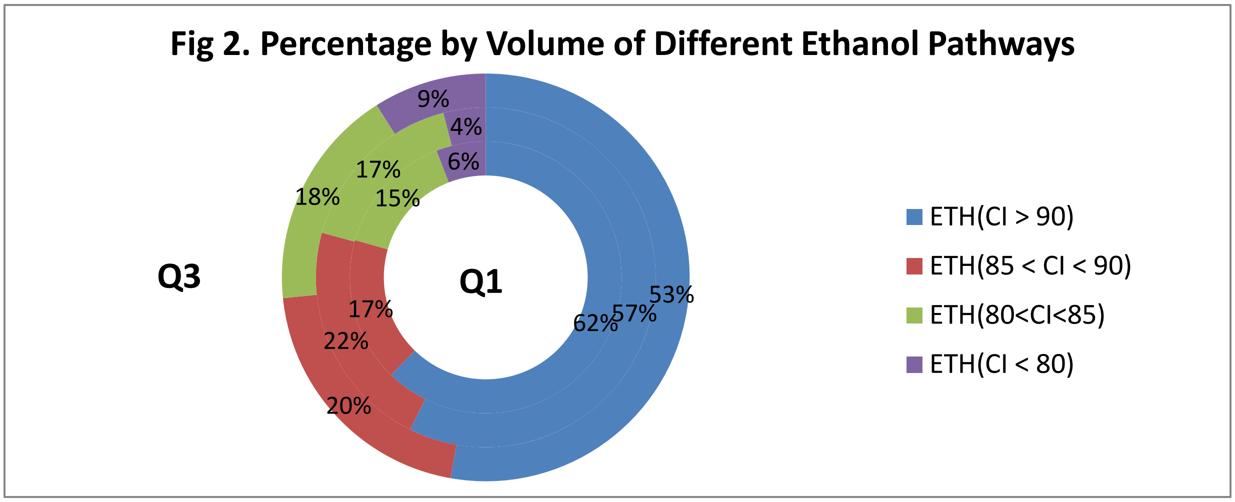
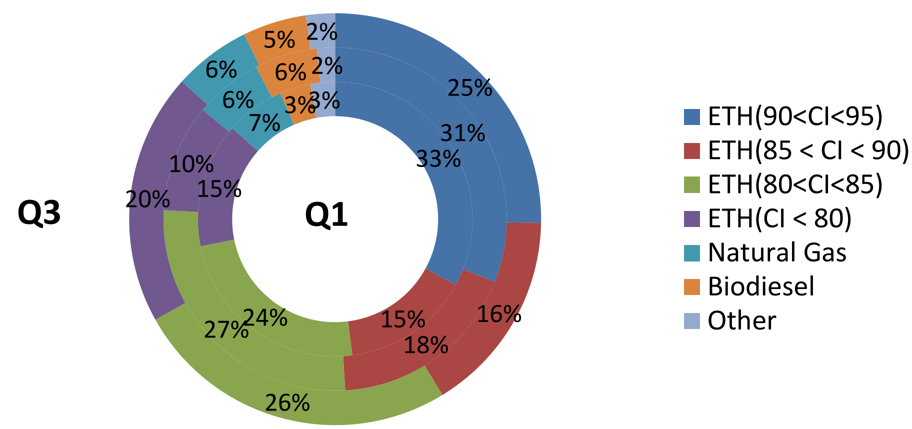


Figure 2 shows that the portion of ethanol used in California comprised of higher-carbon-intensity ethanol (>90) has decreased since Q1, while the lower-CI ethanol fraction has grown commensurately. As the standards become more stringent, the higher-CI ethanol fraction is expected to continue to decline, along with a commensurate increase in the portion comprised of lower-CI ethanol.



As Figure 3 shows, non-ethanol alternative fuels make up about 12 percent of the Q3 credits, which is slightly less than in Q1 and Q2. We expect that credits from such alternative fuels will continue to increase significantly as program implementation continues. Also, the amendments proposed at the December 2011 hearing may facilitate an increase in credits from such fuels by increasing the potential number of credit generators and capturing credits that might otherwise be left out of the program.

Fig 3. Total Fuel by Credit Pecentage



The number of reporting parties uploading data into the system has remained constant through the first three quarters, with approximately 70 parties reporting their transactional data. These reflect not only those entities that are fuel producers and importers, but it also includes entities to which the LCFS compliance obligation has been transferred.

Finally, Figure 4 breaks down the total amount of credits generated in Q1-Q3 by fuel type. As noted earlier, credits from lower-CI ethanol, natural gas, biodiesel, and other transportation fuels (e.g., hydrogen, electricity) are expected to rise as the lower CI standards come into effect.

Fig. 4. Credits by Fuel Type