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Comment Received From: Joe Gershen

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2016-2017 Investment Plan Update - California Biodiesel Alliance Comments

Additional submitted attachment is included below.



November 6, 2015

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket No. 15-ALT-01 - **2016-2017 Investment Plan Update**

California Biodiesel Alliance Comments

Dear Commissioners, Staff and Members of the ARFVTP Advisory Committee,

I am writing on behalf of the California Biodiesel Alliance (CBA), California's not-for-profit biodiesel industry trade association, representing over 40 businesses and stakeholders. CBA appreciates the work that staff has put into preparing this Investment Plan Update. We do have a few concerns that we think need to be mentioned.

CBA remains concerned that the *2016-2017 Investment Plan Update* does not contain appropriately robust and objective metrics for evaluating budget allocations. There were several other committee members that also noted the lack of good metrics being utilized. In a previous letter dated June 26, 2014, three committee members and a number of other stakeholders recommended that a special advisory panel be formed to create a metrics methodology that can be presented to the CEC Commissioners, staff and AB 118 Advisory Committee for consideration in evaluating programs and guiding future ARFVTP budget allocations to meet the requirements set forth in AB 109. We've asked several times, officially and unofficially, to meet with staff about establishing this panel and would very much like to discuss its establishment as soon as possible. We have yet to get a response.

CBA is also concerned that the 2016-2017 Investment Plan Update might be overly focused on potentially transformative technologies and not enough on biodiesel and other biofuels that have been providing close to 90% of the carbon reduction benefits to the ARFVTP to date. We continue to propose separating the "biofuels" category into separate silos, one for diesel substitutes, one for gasoline substitutes and one for bio-methane. We also think that each of these biofuel categories should receive funding allocations more commensurate with the benefits they are providing and will continue to provide for many years. While we support the pursuit of transformative technologies and the benefits we hope they will provide, we know for a fact that biofuels are actually providing real benefits today, and will continue to do so into the future, so ARFVT Program funding support for them should be increased.

Additionally, CBA feels that future biofuels solicitations and awards should focus on innovative technologies and the development of low carbon purpose grown energy crops and other feedstocks, as well as helping other existing production facilities expand their capacity.

In the *2016-2017 Investment Plan Update* it appears that the diesel substitutes category has once again received approximately 10% of ARFVT Program funding since its inception, but we want to point out that this category, and biodiesel in particular, has been providing significantly more than 10% of the program benefits. We know, for example, that since inception of the LCFS, biofuels have provided 90% of all credits generated, according to ARB figures – http://www.arb.ca.gov/fuels/lcfs/media_request_092215.xlsx - alternative diesel fuels have provided 32% while electricity has provided just 2%. More funding should be allocated for alternative fuel and vehicle strategies that are realistically going to contribute to achieving the 10% GHG reduction goals by 2020.

The *2016-2017 Investment Plan Update* has two Tables, ES-1 and 2, which illustrate the amount of funds spent



and budgeted. To avoid misleading conclusions these tables should be supplemented with additional tables, which show the breakdown of all expenditures by fuel type. At first glance looking at ES-1, it appears that diesel substitutes received a fair proportion of funds, however, if all of the categories into which other fuel types were separated were added together, it would give a much more transparent basis for comparison. When this is done it becomes apparent that diesel alternatives actually received much less than electricity or natural gas.

In Chapter 3, Alternative Fuel Production and Supply, we also note that once again no funding has been allocated for biodiesel infrastructure. While we certainly appreciate past funding for new and expanded production projects, we'd like to point out that only about 16% of major fuel terminal and rack locations around the state offer storage and blending of biodiesel. No matter how much production capacity we have in the state, we need to be able to blend biodiesel in a majority of the distribution locations in order to increase overall consumption. This will complete the distribution cycle and get fuel into the widest market available. We feel that biofuels funding allocations should be increased overall, and that some portion of the extra funding for Biofuels should be allocated to expand biodiesel blending and storage infrastructure at major fuel terminals and racks around California.

At current in-state biodiesel production capacity of 59 million gallons per year (Mgpy), California biodiesel producers have created hundreds of high paying green jobs in some of the most disadvantaged communities in the state, while reducing over 610,000 metric tons (MT) of carbon emissions from our atmosphere. This production capacity is also equivalent to removing almost 140,000 cars from California roads.

Preliminary estimates are showing that biodiesel plants will contribute approximately \$350 million in economic activity to California's economy in 2015. With consistent support, our industry can quickly increase in-state capacity to 200 Mgpy, which would generate \$2 billion in economic impact annually.

For every \$1000 invested from this program, the biodiesel industry can deliver close to 1350 gallons of ultra-low carbon biodiesel production per year, which in turn would reduce 14 tons of climate changing carbon emissions from our atmosphere. That's like taking over 3 cars off the road for every \$1000 spent! Additionally, based on current market economics this \$1000 investment would generate recurring economic contributions of \$5,400 per year.

And if we bring our in-state production capacity up to 200 Mgpy it would be equivalent to taking an additional 332,000 cars off the road – and taking an additional 1.4 million MT of carbon emissions out of our atmosphere every year. All while creating hundreds of high paying permanent jobs and contributing \$2 billion to the state's economy.

One final comment we have is a question regarding the regularity of solicitations (PONs) for biofuels. We have noticed that these solicitations are not being published regularly and ask why not?

We value the open dialog and relationship that our industry has developed with the Energy Commission and look forward to continuing to communicate with staff. We hope this will lead to even more meaningful funding allocations for the biodiesel industry in the near future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joe Gershen", with a long horizontal flourish extending to the right.

Joe Gershen
CBA Vice-Chair