

## DOCKETED

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*Comment Received From: Joe Gershen*

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**Vice President California Biodiesel Alliance**

*Additional submitted attachment is included below.*



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

November 7, 2016

Re: Docket No. 16-ALT-02 - **2017-2018 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.

We thank Commissioner Scott and Commission staff for their hard work on this Investment Plan Update. Your dedication to this program and process is very much appreciated by all of us on the committee. We have the following comments and recommendations:

At the very beginning of Chapter 1: Introduction, on page 7 in the last sentence of the second paragraph it states, "The State will need to continue to reduce petroleum fuel use to meet GHG reduction targets." I think it's important to point out that while we reduce the use of petroleum fuel, the State should support technologies that can reduce the carbon intensity of both the biodiesel production and petroleum refining processes so that the remaining petroleum fuels and blends being consumed have a lower net GHG impact on the environment. The biofuels sector has been successful in its efforts in this regard. There are a number of technologies that can achieve these goals now and in the near term.

In Chapter 2, Table 2: ARFVTP Awards by Fuel Type as of September 1, 2016, & Table 3: Previous ARFVTP Awards as of September 1, 2016 (on pages 18 & 19 respectively), we note that roughly 9% of ARFVTP funding went to alternative diesel fuel (ADF) projects while providing over 40% of all GHG reductions in the LCFS program. We think that these benefits alone make a very strong case to increase the funding level for this category.

Also in Chapter 2 on pages 32 – 33, we ask why at least some of the Volkswagen settlement money was not directed toward biofuels investments including upstream storage and distribution infrastructure? CBA strongly recommends that funding should be allotted more proportionately to ADFs and other biofuels that are expected to continue to provide the overwhelming majority of LCFS benefits for years to come.

In Chapter 3 on page 35, Biofuel Production and Supply, in the second paragraph, the assumption of blend limits up to 5 percent without vehicle engine modification may be incorrect. Many markets around the US and around the world already mandate higher than 5% blends of biodiesel, which indicates that OEMs are required to adjust to this reality.



Also on page 35 it states that three 3 California biodiesel plants were funded by ARFVTP grants, and an additional five received funding but are not operational. This is inaccurate. CBA notes that Crimson Renewable Energy, New Leaf Biofuel, Community Fuel, Biodico and Springboard have all received grant funding under the ARFVT Program. Only Buster, Eslinger and Viridis have received funding and are not operational as of this date.

In Chapter 3, page 40, second paragraph it states: *"The need for production incentives stems largely from extended volatility in the price of petroleum fuels. Biofuels are linked in price to that of gasoline, diesel fuel, and conventional natural gas because they are substitutes for those fuels. During times of low petroleum prices or high feedstock prices, biofuel producers may have no choice but to sell at a loss. Energy Commission staff has considered biofuel production incentives as a remedy for these problems. Staff determined, however, that the amount of funding necessary for these incentives far exceeds the limited amount available under the ARFVTP, when accounting for funding needs from other fuel types and technologies. As such, biofuel production incentives are not viable under the ARFVTP."*

CBA would like to point out that the main reason incentives are needed is because imported biodiesel undermines California in-state production which is much more expensive. Producers in China, Korea, South America and India enjoy much lower costs of production, labor, energy and raw materials and are further incentivized to send their product to California where they enjoy RIN and LCFS credits, as well as a generous dollar-per-gallon blenders credit. In-state production incentives would simply level the playing field and are supported throughout the state legislature.

And finally, on pages 21 – 24, ARFVTP Benefits and Evaluation, we feel we would be remiss to not point out that "expected benefits" should not be mistaken for actual benefits. While we understand that there must be some additional investment in transformational technologies to ultimately achieve deep and meaningful GHG reductions, we must continue to point out that the biofuels sector has been achieving over 90% of the GHG reductions in the LCFS program and there are immediate reductions that can take place with some additional funding allocations through the ARFVTP.

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 line extending to the right.

Joe Gershen