

## DOCKETED

<b>Docket Number:</b>	16-ALT-02
<b>Project Title:</b>	2017-2018 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program
<b>TN #:</b>	216082
<b>Document Title:</b>	California Biodiesel Alliance Comments: 2017-2018 Investment Plan Update for the ARFVTP
<b>Description:</b>	N/A
<b>Filer:</b>	System
<b>Organization:</b>	California Biodiesel Alliance
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	2/17/2017 8:03:49 AM
<b>Docketed Date:</b>	2/17/2017

*Comment Received From: Joe Gershen*

*Submitted On: 2/17/2017*

*Docket Number: 16-ALT-02*

**2017-2018 Investment Plan Update for the ARFVTP - California Biodiesel Alliance  
Comments**

*Additional submitted attachment is included below.*



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

February 16, 2017

Re: Docket No. 16-ALT-02 - **2017-2018 Investment Plan Update for the ARFVTP**

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 a broad range of stakeholders, including all of the state's major biodiesel producers.

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:

In Chapter 2, Table 2: ARFVTP Awards by Fuel Type as of December 15, 2016, & Table 3: Previous ARFVTP Awards as of December 15, 2016 (on pages 19 & 20 respectively), we note that roughly 9.5% 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.

*We note that roughly 9.5% of ARFVTP funding went to alternative diesel fuel (ADF) projects while providing over 40% of all GHG reductions in the LCFS program.*

Also in Chapter 2 on page 33, we ask again 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.

*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.*



We must also stress that funding for storage and blending infrastructure of biodiesel has been missing from the Investment Plans for several years. There are roughly 75 bulk fuel terminals and racks in California but fewer than 25% of them are capable of blending biodiesel. With the 2020 LCFS GHG reduction targets looming ever closer each year, once the state finally realizes that it must blend biodiesel ubiquitously it will need to transition the remaining infrastructure, and short of a mandate, modest funding through ARFVTP could accomplish this in the next few years.

*We must also stress that funding for storage and blending infrastructure of biodiesel has been missing from the Investment Plans for several years.*

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, in addition to the significant economic development benefits to be gained by new production capacity made possible by an in-state production incentive, this incentive is needed because imported biodiesel from places like Singapore, China, Korea, South America and India, undermines California in-state production. California biodiesel is more costly than imported biodiesel because biodiesel produced outside of California enjoys lower costs for labor, energy, materials and regulatory compliance, and also typically receives tax and/or other incentives. Additionally, foreign ADF producers are further incentivized to send their product to California where they enjoy RIN and LCFS credits as well as US Federal tax credits for ADF blending. In-state production incentives would simply level the playing field and is supported in the state legislature. By increasing ARFVTP funding for biofuels to more fairly reflect their commensurate contribution to actual GHG reductions (as evidenced in roughly 90% of all LCFS credits generated thus far), there would be enough resources to adequately fund a state biofuels incentive. This is especially true if it is combined with funding from the California Air Resources Board (ARB) for this purpose.

*The amount of ARFVTP for biofuels is adequate for providing in-state production incentives, would level the playing field and is supported in the state legislature.*



And once again, on pages 22 – 25, ARFVTP Benefits and Evaluation, we continue to 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 roughly 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.

*“Expected benefits” should not be mistaken for actual benefits.*

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 dark ink, appearing to read "Joe Gershen", is written over a light gray rectangular background.

Joe Gershen  
Vice President  
California Biodiesel Alliance