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**Docket No 18-ALT-01 - CABA Comments - 2019â€²2020 Investment Plan
Update - ARFVTP**

Additional submitted attachment is included below.



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

February 21, 2019

Re: Docket No. 18-ALT-01 - **2019-2020 Investment Plan Update for the ARFVTP**

California Advanced Biofuels Alliance Comments

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

I am writing on behalf of the California Advanced Biofuels Alliance (CABA), California's not-for-profit advanced biofuels industry trade association, representing a broad range of stakeholders, including all of the state's major advanced biofuels producers.

We thank Commissioner Scott and Commission staff for their work on the Investment Plan Update, but question why Low-Carbon Fuel Production and Supply has only been budgeted \$20 million. This is a decrease of \$5 million from previous budgets. This is alarming especially since biofuels, which is the overwhelming portion of the low-carbon fuels category, provides the best, most proven carbon reduction potential – close to 90% overall – in the ARFVTP, as measured in the very successful and robust California Low Carbon Fuel Standard (LCFS). Based on that metric alone it seems that reducing rather than increasing this portion of the budget is at best counter-intuitive.

We continue to question where the metrics are that support claims made in Table 6 and Table 7 on pages 27 and 28 of this Investment Plan Update? “Expected Annual Petroleum Fuel and GHG Emission Reduction Benefits”, and “Expected Annual Market Transformation Benefits in 2030”, are by definition “expected” and not supported by any real-world investment analytics. A few years ago the Commission contracted with the Rand Corporation to do an analysis of benefits. We are curious what ever happened to that study. Our industry is extremely supportive of this program and other climate policies and programs in California. We agree with the intent when they were established that they use an “all-of-the-above” strategy in determining project eligibility. Since it is taxpayer money being invested we ask that there is a more even-handed and pragmatic investment approach to considering “actual” benefits. As we have said repeatedly in the past, we are not asking for an equivalent portion of funding to be given to biofuels commensurate with our almost 90% performance metric. But to *reduce* our budget completely ignores the realities of the contributions we have been making and will continue to make going forward, especially if we have robust support from this and other programs.

On page 1 of this Investment Plan Update it states the Purpose of the ARFVTP goals are to reduce GHG emissions to 1990 levels by 2020 and 40 percent below 1990 levels by 2030; to reduce short-lived climate pollutant emissions, such as methane, to 40-50 percent below 2013 levels by 2030; and to achieving a carbon-neutral economy by 2045. It would be enlightening if staff could elaborate on the status of progress we are making towards those goals.

Similarly, on page 6 the Plan states, “past projects also provide direct feedback on how the

ARFVTP can maximize value in supporting the transformation of the California transportation sector toward fuels and technologies that can meet the more aggressive emission reductions required by 2030 and 2050.” We would be very interested in learning more about the results of past projects’ feedback and how effective they have actually been. To be clear, we are looking for actual benefits rather than expected benefits.

Another area we’d like to highlight and ask for clarification is on page 71. It says, “staff may consider funding opportunities for these types of infrastructure,” referring to upstream bulk fuel storage and blending racks and blending terminals. That does not seem committal in any way. We would ask that you firm up your intentions so we are clear. We would also like to understand why that number does not increase over time to 2030?

While we are pleased to see that the entire \$20 million for Low-Carbon Fuel Production and Supply is in the ARFVTP budget and not arbitrarily allocated to GGRF, which is an insecure un-guaranteed source, at best, we are not happy that the overall funding level was reduced from \$25 million, as we’ve mentioned.

We also understand that in Table 6 the Plan indicates that diesel substitutes production in California resulting from ARFVTP investments will displace 81.5 million gallons per year (Mgpy) of petroleum diesel in 2020, and will flatten out to 111.3 Mgpy in 2025 and beyond (to 2030). But we feel strongly that it should be clarified that the private and other outside investments that result from ARFVTP-funded projects will result in almost a 4x increase in production over the next few years. If we add up existing plant capacity including biodiesel and renewable diesel production from New Leaf Biofuel, Imperial Western Products, Crimson Renewable Energy, Community Fuels, Agron Bioenergy, Biodico, and AltAir, our current in-state (nameplate) production capacity is actually 122 Mgpy. That’s already a 50% improvement that can be attributed to private investment resulting from the signal sent by ARFVTP funding. By 2020, with current expansions underway and scheduled for completion, in-state production capacity of diesel substitutes will be at about 150 Mgpy, an 84% increase that can be attributed to private sector investments. With LCFS credits approaching \$200/MT, it is likely that most production in California will be at full utilization. If we add AltAir’s recent announcement of plans to expand to 306 Mgpy that will add another 260 Mgpy of capacity, which puts California’s total production of diesel substitutes at 410 Mgpy. That is close to 4 times the growth from ARFVTP-funded projects that can be attributed to private and other outside investments. We think it’s important that this Investment Plan Update reflect this outstanding secondary effect of ARFVTP investments, and the message that they send, in just the diesel substitutes section of Low-Carbon Fuel Production and Supply. We know that this was part of the initial rationale for creating the program so think it’s important to point out where it is working as planned. Keeping this sector well funded reflects that attention is being paid to real-world metrics and actual benefits that we believe was the intention of AB 118 and AB 109.

CABA recently published a report entitled, “[A Roadmap for Eliminating Petroleum Diesel in California by 2030](#)”, that outlines our industry’s plan to displace petroleum diesel use in California by 2030.

Since 2010 the renewable portion of California's diesel use has increased from less than 1% to approximately 15%, thanks in part to support from the ARFVTP. But the job is not done. California can realistically achieve Governor Newsom's goal to eliminate the use of petroleum diesel by 2030 through a combination of efficiency improvements, further electrification of vehicles currently using diesel, an increased use of renewable natural gas vehicles, and continued growth in the use of sustainable diesel fuels (renewable diesel and biodiesel). These low-carbon diesel replacement fuels are currently contributing almost half of all credits generated under the LCFS and, with continued robust support from the ARFVTP and other state programs and policies, will continue to demonstrate this real world contribution to state goals.

CABA and its members value the open dialog and relationship our industry has with the Commission and staff and look forward to continuing this level of communication. We are focused on technology neutrality and lowering carbon emissions using the most cost effective means possible to help California not only find solutions to our global climate crisis, but to lead by example.

Respectfully submitted,

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

Joe Gershen
Vice Chair
California Advanced Biofuels Alliance