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Biodiesel Essential to the LCFS

CARB published scenarios of how the credit market is going to be able to meet obligations and ensure the LCFS programâ€™s health. The scenarios clearly show that Biodiesel & Renewable Diesel are critical to the health of the program, having the ability to supply high volumes of low CI fuels. Biodiesel sales growth has been very slow, averaging around 10 million GPY over the last couple of years, far short of what CARB anticipated in its scenarios. This can be directly correlated to a lack of storage and distribution infrastructure throughout the state. This slow growth puts the LCFS credit market, and therefore the stated climate goals of the government, in peril of failure by 2023. If we dont do something to support these critical fuels, the program is in trouble.

Clearly market forces are not driving the buildout of BD storage and distribution infrastructure, possibly because of the strong vertical integration of petroleum companies and their vested interests in California. However, we do note some exceptions with certain refiners upstream and retailers downstream that have invested in installing proprietary blending infrastructure, driven by profits available from high LCFS credit prices. Unfortunately, this value is not allowed to trickle down to fuel producers who donâ€™t have financing available to build their own infrastructure. This is a direct function of the profit motivated market and is not expected to change on its own.

Providing funding for ubiquitous state-wide distribution infrastructure for BD and renewable fuels in general, and to shift the balance of market control, must be a key part of the CECâ€™s policy strategy. This will help facilitate a successful LCFS program, resulting in lowering CI in transportation fuels.

The California Advanced Biofuels Alliance (CABA) estimates that a $30 million investment in biodiesel infrastructure in California would facilitate biodiesel consumption growth to 500 million GPY, and at an average CI of 31 that would equate to roughly 2.5 million MT of credits annually. Over 10 years that investment would effectively cost $1.20/MT of LCFS credits. This provides a very attractive cost benefit result unequaled by anything else contemplated in the market.

Specifically, CABA estimates a need for between 25-40 projects ranging from bulk fuel terminal retrofitting to dedicated renewable fuels distribution racks offering blends of RD & BD as a 100% renewable solution. These projects have been estimated to cost between $500,000 - $1 million each. We are asking CEC to cover some of those costs that will not be borne by the LCFS credits values since they are in fact not available to producers.
If we examine statewide GHG inventory reduction target of 40 percent below 1990 levels by 2030, and further review the expected total GHG inventory of 429 MMT, we observe the needed reduction would be 171.6 MMT. Transportation is responsible for 40 percent of the total which means LCFS targets almost 69 MMT GHG reduction by 2030.

Biodieselâ€™s growth to 500 million GPY would contribute 6.5 percent of that total, and at 700 million GPY it would be over 8 percent. When combined with RD, BMBD could account for almost 26 percent of the stateâ€™s GHG reduction targets in 2030 for transportation. Compared to all other programs the return on investments, as measured by GHG reduction, is unparalleled. This approach also maintains the legal intention and credibility of technology neutrality as originally contemplated by, and written into, the regulation.