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Climate Innovation Program - AJW Comment Letter

Additional submitted attachment is included below.



December 1, 2022

Anthony Ng
Manager, Energy Deployment and Market Facilitation Branch
Energy Research and Development Division
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: CEC Climate Innovation Program

Dear Mr. Ng,

Thank you for the informative workshop and presentation introducing the Climate Innovation Program (CIP). We greatly appreciate the CEC's efforts in seeking feedback and information from stakeholders through the process of developing the program requirements and criteria of the CIP.

AJW is a strategic advisory firm with offices in Sacramento, CA, Washington, DC, and New York, NY. AJW's clients are focused on developing solutions navigating the transition to clean energy, decarbonizing transportation, and promoting ultra-low carbon fuels. Given our clients' expertise and focus on creating innovative approaches to decarbonization, AJW is interested in the CIP's potential as a catalyst to encourage the accelerated development of pioneering technologies and projects to address the complexities of decarbonization.

AJW would like to express its support and second the comments made by other stakeholders during the workshop in keeping the technology and projects considered for the CIP broad and flexible. By including a wide range of technologies and projects eligible for the CIP, the program has the potential to encourage innovations in even the hardest-to-abate sectors which can significantly contribute to reaching California's decarbonization goals. Specifically, expanding eligible transportation projects from zero-emission to ultra-low carbon fuels can include solutions which can be immediately implemented to start addressing emissions in the near-term.

We urge the CEC to include technologies and projects in the CIP which can help the following areas: decreasing embodied carbon—such as reducing the emissions from concrete and building materials, increasing green hydrogen and its applications at full range, hard-to-decarbonize transportation—like aviation, rail, and maritime, Direct Air Capture, waste biomass utilization, and more. Technologies and projects which work to improve these areas follow the criteria proposed in the CIP, such as alignment with existing frameworks established in SB100 and the CARB Scoping Plan. The noted technologies and projects also hold benefits such as reliability and ability to scale. As these technologies aim to decarbonize the most highly emitting sectors, they will undoubtedly bring positive impacts to the health of frontline communities who experience the largest impacts of greenhouse gas emissions.

Ultra-low carbon fuels like sustainable aviation fuel (SAF) have proven to be scalable and easily deployed. Our client, World Energy, is committed to scaling their SAF to over 500 million gallons by 2025 and 1 billion gallons by 2030. World Energy produces drop-in SAF which is compatible with existing jet engines. World Energy's SAF is completely sustainable and made of renewable resources, containing no fossil-based feedstocks. Currently, its lifecycle carbon emissions are up to 85% lower than conventional jet fuel. With the inclusion of technologies and projects related to SAF included in



CIP eligibility considerations, even the hardest-to-decarbonize transportation sectors like aviation, rail, and maritime can see significant, immediate reductions in their emissions. Addressing these heavily emitting sectors with innovations like SAF can help California reach its reduction goals. SAF fits into the broad scope proposed in the CIP of GHG reductions and increasing climate resiliency by providing an immediate, ultra-low carbon solution to highly emitting transportation sectors.

In terms of the funding design, we ask that the CEC consider structures that will help leverage private capital to expand the reach of the CIP through a loan guarantee or pay-for-performance such as Contracts for Difference or a production incentive. While grants are useful for up-and-coming technologies, this structure limits the scale of impact and puts government in the role of venture capitalist. In addition, since grants reach companies early in the development cycle, it can take much longer for technologies to achieve market penetration and provide associated emission reduction benefits. Instead, by offering loan guarantees or incentive programs, the state will yield at least two benefits: earlier commercialization of technologies to help reduce carbon as quickly as possible, and significantly increasing the reach and scale of its dollars across technology sectors.

We are motivated by the potential of the CIP and see it as another example of California's climate leadership in encouraging technological innovations to reach statewide carbon reduction goals more efficiently. To foster this innovation, we urge the CEC to consider a broad range for eligible technologies and projects which qualify for the CIP. Thank you again for the opportunity to contribute feedback during the CEC's process of developing the CIP. We are committed to providing any support we can throughout this process.

Sincerely,

Mary Solecki
Partner, AJW