

**DOCKETED**

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*Comment Received From: Pearson Fuels  
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## **Pearson Fuels comments on Transportation Fuels Assessment**

*Additional submitted attachment is included below.*

May 16, 2024

California Energy Commission  
Docket No. 23-SB-02  
715 P Street  
Sacramento, CA 95814

RE: Pearson Fuels comments on the California Energy Commission's Transportation Fuels Assessment

RTC Fuels, LLC, dba Pearson Fuels ("Pearson Fuels"), appreciates the opportunity to provide comments on CEC's May 3<sup>rd</sup> workshop regarding the Transportation Fuels Assessment. Pearson Fuels is the largest distributor of E85 in California, supplying more than 370 fueling locations across the state with an additional 100 sites expected to open within the next 12-24 months. Pearson Fuels is providing an innovative, low-carbon E85 by replacing the gasoline component of E85 with renewable naphtha wherever possible. Paired with cellulosic ethanol, this E85 is fully renewable and low aromatic with greenhouse gas reductions approaching 80% compared to CARB unleaded gasoline.

Our comments focus on an additional option targeting gasoline demand. As stated in verbal remarks during the May 3<sup>rd</sup> workshop, we believe CEC should utilize Clean Transportation Program funding<sup>1</sup> for conversion technology that allows conventional, internal combustion engines to operate on E85. This option would lower gasoline usage, address California's need for higher volumes of gasoline substitutes, and be a cost-effective opportunity in rural and low-income communities.

For background, an E85 conversion kit is a hardware device that would allow ICE vehicles to fill with and use E85, an alternative fuel that historically has been composed of 85% ethanol and 15% gasoline. These units are approved for use and popular in France.<sup>2</sup> E85 conversion kits in California would first need to be approved for use by the California Air Resources Board.<sup>3</sup> These conversion kits offer a unique opportunity to intervene in the lifetime emissions of the millions of ICE vehicles just beginning their useful life, and which will potentially exist on California roads for another 15 to 20 years.

E85 can, just as electric vehicles do, dramatically reduce gasoline consumption. The volume of E85 supplied to California drivers in 2023 reached a record-high 118.5 million gallons, continuing a remarkable 15-year trend of significant year-on-year growth.<sup>4</sup> Pearson Fuels distributes an E85 made with renewable naphtha instead of gasoline, resulting in a blend that is 98% renewable. It is the only light-duty liquid fuel that is both commercially available and

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<sup>1</sup> California Energy Commission's Clean Transportation Program, Biofuels: Gasoline Substitutes, retrieved from <https://www.energy.ca.gov/programs-and-topics/programs/clean-transportation-program/clean-transportation-funding-areas-2-2>

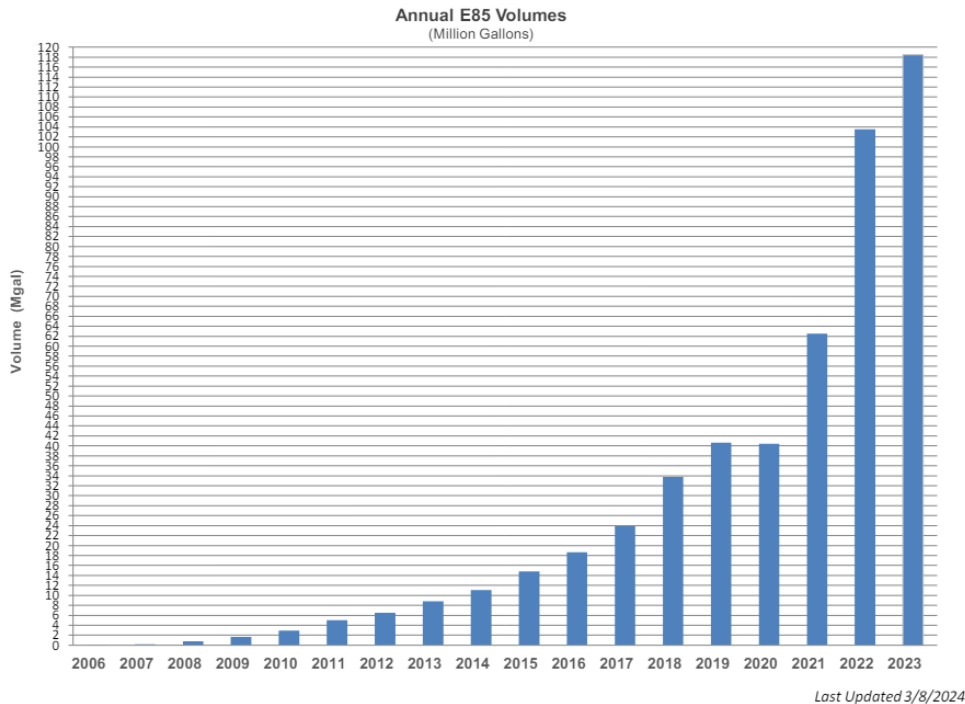
<sup>2</sup> French bioethanol sector website, retrieved from <https://www.bioethanolcarburant.com/reglementation-des-boitiers-bioethanol/>

<sup>3</sup> California Air Resources Board, Alternative Fuel Retrofit Systems (Aftermarket), retrieved from <https://ww2.arb.ca.gov/alternative-fuel-retrofit-systems-aftermarket>

<sup>4</sup> California Air Resources Board, Alternative Fuels: Annual E85 Volumes, retrieved from <https://ww2.arb.ca.gov/resources/documents/alternative-fuels-annual-e85-volumes>

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capable of helping California achieve its goal of a 94% reduction in fossil fuel consumption by 2045, as called for in CARB’s 2022 Final Scoping Plan.



This chart shows annual E85 volumes in California and is based on reported Test Program Exemption data. Click [here](#) to download the Excel spreadsheet of this graph.

As noted in the Transportation Fuels Assessment, California used about 800 thousand barrels per day (TBD) of gasoline in 2022, and that volume will remain above 200 TBD for at least the next decade. The increase of E85 use and availability at retail gasoline stations can continue to reduce millions of gallons of gasoline cumulatively as the fleet electrifies.

We believe CEC needs to quickly address California’s need for higher volumes of gasoline substitutes. As UC Davis has noted previously, California will need two billion gallons of gasoline alternatives by 2040, even under the most ambitious ZEV deployment scenarios.<sup>5</sup> The state used 1.4 billion gallons of gasoline alternatives (ethanol and renewable gasoline blendstocks) in 2023 based on CARB quarterly data.<sup>6</sup> Unless a massive amount of renewable gasoline begins displacing fossil gasoline – which we do not expect based on blending and feedstock limitations and economics – E85 will be the only option to close this massive gap. The CEC could leverage E85 conversion kits with a small fraction of the Clean Transportation Program’s annual \$100 million funding to help achieve this.

The most advantageous aspect of using this option to target gasoline demand is its cost effectiveness in rural and low-income communities. The Transportation Fuels Assessment notes in multiple sections how affected lower income individuals and families will continue to be with

<sup>5</sup> Brown, A. L; Sperling, D.; Austin, B.; DeShazo, JR; Fulton, L.; Lipman, T., et al. (2021). Driving California’s Transportation Emissions to Zero. *UC Office of the President: University of California Institute of Transportation Studies*. <http://dx.doi.org/10.7922/G2MC8X9X> Retrieved from <https://escholarship.org/uc/item/3np3p2t0>

<sup>6</sup> California Air Resources Board, Low Carbon Fuel Standard Reporting Tool Quarterly Summaries, retrieved from <https://ww2.arb.ca.gov/resources/documents/low-carbon-fuel-standard-reporting-tool-quarterly-summaries>

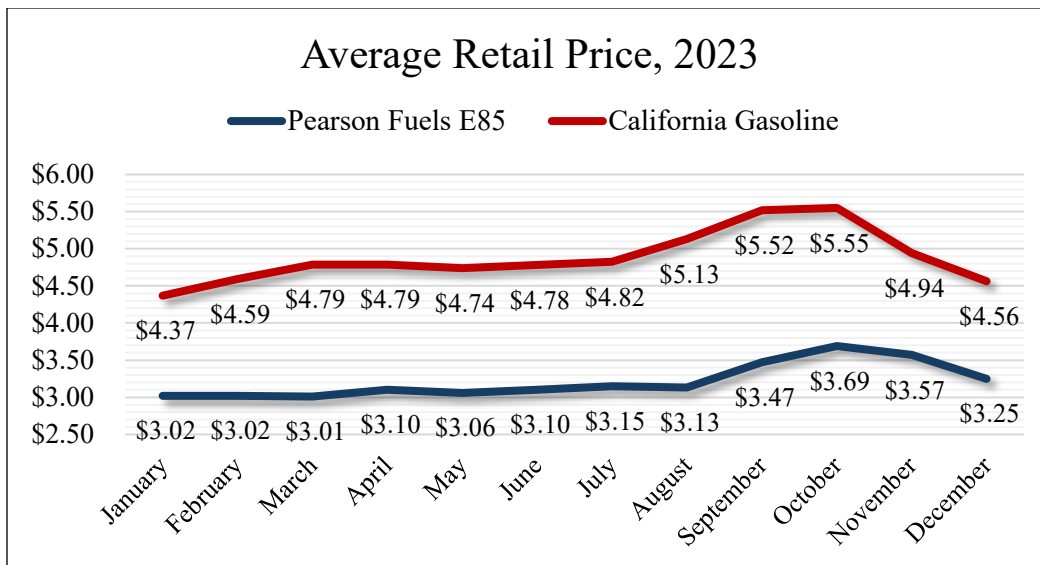
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gasoline price swings and supply evolution. It is not the first report to mention this, nor are we citing the numerous studies indicating such, except we will highlight a few sentences from CEC:

*“Demand for gasoline is also challenging. Although demand for gasoline peaked in 2005 and ZEV adoption makes fewer drivers dependent on gasoline, demand remains high. Californians must often drive far distances for work and other activities. During price spikes, sales may often remain high because of the difficulty many Californians have in meeting transportation needs with lower cost options. September 2022 and October 2022 gasoline sales were higher than traditional index values for each of those months, despite a price spike in September 2022. This ‘inelasticity’ of demand means that price spikes can result in significant costs to Californians who have limited options.”<sup>7</sup>*

We are simply asking CEC to recognize an additional option, as these kits would allow drivers to choose gasoline or E85.

We believe an E85 conversion kit could be purchased and installed for about \$750 with only modest CEC support. To spotlight the impact of E85 during price spikes, we estimate total savings in 2023 surpassed \$200 million collectively for FFV drivers who consistently chose E85 rather than gasoline.



The immediate cost and GHG benefits of this practical technology are quite clear and should be explored expeditiously.

Sincerely,

Jeff Wilkerson

Government Policy and Regulatory Affairs Manager

Pearson Fuels

<sup>7</sup> Gee, Quentin, and Aria Berliner and Alexander Wong. 2024. 2024 Transportation Fuels Assessment. California Energy Commission. Publication Number: CEC-200-2024-003-D