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2016-2017 Investment Plan Update - Revised Staff Report

Additional submitted attachment is included below.



January 21, 2015

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

Re: Docket No. 15-ALT-01 - **2016-2017 Investment Plan Update – Revised Staff Report**

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 over 40 businesses and stakeholders.

We thank Commissioner Scott and Commission staff for their hard work on this Revised Staff Report. Your dedication to this program and process is very much appreciated by all of us on the committee. We continue to question why the biofuels solicitations (PONs) are not released more promptly, given the tremendous contribution this category is making towards the goals of the program: lowering carbon emissions, displacing petroleum, creating California jobs especially in disadvantaged communities, and improving air quality. Since funds are released at the beginning of the fiscal year, it would be extremely helpful to companies who apply for that funding to have this process expedited so they can make financial plans.

As we stated in past comments, we think that future biofuels solicitations and awards should focus more on innovative and advanced biofuels technologies. We were pleased to see some recognition of upstream renewable substitutes such as renewable crude oil, which can drop into existing refining infrastructure to dramatically reduce CI of refined fuels, but also feel that funding for the development of low carbon purpose grown energy crops and other feedstocks, in addition to helping other existing production facilities expand their capacity is very important.

A few details and edits I would like to point out:

- Table 8 (Projected Fuel Volumes and Proposed RFS Percentages for 2014-2016) the volumes on page 31, in the Biomass-Based Diesel row have been updated by EPA. It's important to correct the following:
 - o The 2015 Renewable Volume Obligation (RVO) was finalized at actual production of 1.73 billion rather than 1.7 billion; 2016 RVO is 1.9 billion rather than 1.8 billion and it's important to include the 2017 RVO of 2 billion gallons.
- On page 31, the paragraph following Table 8 states that *"the market value of these RINs can be volatile and ranges from about \$0.40 to \$0.70 per RIN with one RIN representing the energy content of a gallon of ethanol (or, in the case of the biomass-based diesel category, one U.S. gallon)."* The fact is that the range is not limited and is



currently above \$0.70 and could go far outside this range in either direction. Also, since the energy content of biodiesel is higher than ethanol I think it's important to clarify that attached to each gallon of biodiesel are 1.5 D4 RINs.

- On page 34 in Chapter 3 (Alternative Fuel Production and Supply) in the second paragraph under "Biofuel Production and Supply" it refers to "Renewable Diesel". I think it's important to clarify that you mean "Renewable Hydrocarbon Diesel". There are a number of diesel alternative fuels registered with US EPA that are called "Renewable Diesel" but only some that are fit for purpose and meet the appropriate specifications.
- On page 35 it states that, "California has eight biodiesel production facilities with a combined production capacity of 59 million gallons per year." CBA believes that capacity to be approximately 74 million gallons per year. The footnote from the US EIA Monthly Biodiesel Production Report from May 2014 we believe is outdated.

Additionally, we have some concern that the *2016-2017 Investment Plan Update – Revised Staff Report* might be overly focused on potential Market Transformation and not enough on biodiesel and other biofuels that have been providing close to 90% of the actual carbon reduction benefits to the ARFVTP to date. We continue to propose separating the "biofuels" category into separate silos, one for diesel substitutes, one for gasoline substitutes and one for bio-methane. We also think that each of these biofuel categories should receive funding allocations more commensurate with the benefits they are providing and will continue to provide for many years. While we support the goals of Market Transformation and the benefits we hope it will provide, we know for a fact that biofuels are providing real benefits today, and will continue to do so into the future, so ARFVT Program funding support for them should be increased. Perhaps additional funding for renewable crude oil and other "out of the box" advanced solutions could be allocated from other categories such as Emerging Opportunities and Manufacturing.

In Chapter 3, Alternative Fuel Production and Supply, we also note that once again no funding has been allocated for biodiesel infrastructure. While we certainly appreciate past funding for new and expanded production projects, we'd like to point out that only about 16% of major fuel terminal and rack locations around the state offer storage and blending of biodiesel. No matter how much production capacity we have in the state, we need to be able to blend biodiesel in a majority of the distribution locations in order to increase overall consumption. This will complete the distribution cycle and get fuel into the widest market available. We feel that biofuels funding allocations should be increased overall, and that some portion of the extra funding for Biofuels should be allocated to expand biodiesel blending and storage infrastructure at major fuel terminals and racks around California.

At current in-state biodiesel production capacity of 74 million gallons per year (Mgpy), California biodiesel producers have created hundreds of high paying green jobs in some of the most disadvantaged communities in the state. This production capacity will reduce over 750,000 metric tons (MT) of carbon



emissions from our atmosphere¹ and is equivalent to removing almost 175,000 cars from California roads².

Preliminary estimates are showing that biodiesel plants will have contributed approximately \$350 million in economic activity to California's economy in 2015. With consistent support, our industry can quickly increase in-state capacity to 200 Mgy, which would generate \$2 billion in economic impact annually.

For every \$1000 invested from this program, the biodiesel industry can deliver close to 1350 gallons of ultra-low carbon biodiesel production per year, which in turn would reduce 14 tons of climate changing carbon emissions from our atmosphere. That's like taking over 3 cars off the road for every \$1000 spent! Additionally, based on current market economics this \$1000 investment would generate recurring economic contributions of \$5,400 per year.

And if we bring our in-state production capacity up to 200 Mgy it would be equivalent to taking an additional 300,000 cars off the road – and taking an additional 1.25 million MT of carbon emissions out of our atmosphere every year. All while creating hundreds of high paying permanent jobs and contributing \$2 billion to the state's economy.

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

¹ 74 Mgy * 99.97 CI baseline – 20 CI average * 126.13 mj/gallon biodiesel energy value * 0.000001 conversion factor = ~ 750,000 MT of carbon per year.

² Average car uses 425 gallons of fuel per year. 74 million divided by 425 = ~175,000 cars per year