

DOCKETED

Docket Number:	17-IEPR-10
Project Title:	Renewable Gas
TN #:	220224
Document Title:	CalBio Comments on 2017 IEPR
Description:	N/A
Filer:	System
Organization:	California Bioenergy/Neil Black
Submitter Role:	Public
Submission Date:	7/14/2017 4:37:25 PM
Docketed Date:	7/14/2017

Comment Received From: Neil Black

Submitted On: 7/14/2017

Docket Number: 17-IEPR-10

CalBio Comments

Additional submitted attachment is included below.



July 14, 2017

The Honorable Robert Weisenmiller
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Re: Comments on 2017 IEPR

Dear Chair Weisenmiller,

California Bioenergy LLC (CalBio) was formed over a decade ago with the goal of designing and developing dairy digesters in the Central Valley of California in order to reduce Greenhouse Gas (GHG) emissions. CalBio is committed to advancing dairy participation in renewable compressed natural gas (R-CNG) programs, and dedicates a substantial portion of its resources to this effort. In addition to destroying methane, dairy digester projects that produce R-CNG will reduce NOx by replacing diesel trucks with natural gas vehicles. Dairy digester projects also enhance water protection by replacing currently unlined lagoons, provide a new revenue stream to the state's dairies and create local jobs.

CalBio is developing a cluster of dairy digesters in Kern County and has recently announced the development of multiple new clusters. At the Kern Cluster one dairy digester is operating and two new digesters will be coming online later this year. (The two new projects have benefited from CEC EPIC funding and CDFA funding.)

These initial digesters are electricity projects, yet CalBio plans to divert a portion of the biogas from these three projects to a planned biogas upgrading facility. The output of the upgrading facility will be biomethane which will be injected into the pipeline and sold as a vehicle fuel.

CalBio is utilizing the stability of long-term electricity contracts as a hedge for the volatility and uncertainty of fuel credits. However, in the long-run this is a capital inefficient approach since it requires an investment in two energy generating technologies - gensets for electricity and gas clean up systems for pipeline injection.

CalBio urges the Commission to support the following initiatives that will enable dairy clusters near pipelines to build gas upgrading systems without the need for back-up electricity generating systems. It also asks the Commission to continue its important support for the

BioMAT which provides the electricity contracts for dairy digester projects which are not near pipelines.

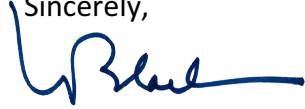
1. Extend the Low Carbon Fuel Standard program at least until 2035. This will provide marketplace certainty. (Since many projects will be developed over the next five years, they need to know in advance they will have at least ten years of credits.)
2. Expand the requirements to reduce GHG emissions from California vehicles beyond the 10% level. This will help the state achieve its GHG reduction goals and create LCFS demand, helping ensure project economics. It will also reduce NOX emissions, greatly improving air quality in the San Joaquin Valley and South Coast air districts.
3. Develop programs that ensure that a substantial portion of LCFS credits sales are from California projects. This will similarly improve California project economics.

Program certainty for the next 15 to 20 years and increased demand will result in the market providing long-term credit sales contracts for California projects. This will enable financing and also over time decrease the need for grant support.

4. Support the immediate development of a floor price or similar mechanism to provide fuel credit price certainty. This is an essential near-term initiative until marketplace mechanisms develop. Otherwise project development will be greatly slowed to special situations where financing can be arranged. This program will also provide a critical backstop to market solutions.
5. Focus on programs such as dairy digesters that will result in the greatest level of greenhouse gas reductions and measure funding priorities on metric tons of GHGs reduced per grant dollar.
6. Continue the support for rate-basing pipeline interconnection for projects such as dairy digesters that will result in substantial greenhouse gas reductions. Take steps to help lower interconnection costs. Rule 30 should be consistent with out of state biomethane requirements.
7. Focus on the LCFS until the needed program advancements are put in place. The dairy digester industry is in its early stages. The good news is that it is gaining substantial momentum. For example, the 2017 CDFA solicitation was over-subscribed by more than 100% (and projects were discouraged from applying given the limited dollars). However, it takes years to develop projects, and an estimated 200 to 300 digesters will be needed to help reach the 40% reduction by 2030. Creating an industry based on the commercially available technology should be a key focus for the next few years. With such a focus the reduction goals are achievable through an incentive based program that will keep dairies in California and prevent leakage.

8. Provide consolidated and easy to access funding for fleet conversion. The funding should ensure conversion is an economic benefit to the fleets. This will be very important to creating end-use demand.

Thank you for the opportunity to provide these recommendations. Please let us know if we can provide any further information.

Sincerely,


Neil Black
President