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Comment Received From: Jennifer Case, New Leaf Biofuel
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The LCFS would benefit from diesel substitute infrastructure

Additional submitted attachment is included below.

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California Energy Commission
1516 Ninth Street
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September 30, 2020

Re: Docket No. 20-IEPR-02 – **2020 Integrated Energy Policy Report**

Commissioner Monahan and Staff,

Thanks for your hard work and commitment to decarbonize California's transportation sector. I'm writing to you today to remind you of my company's commitment, and our industry's commitment, to this very same goal.

My company, New Leaf Biofuel, has been a biodiesel producer in San Diego, California since 2006. We're very grateful to have been the recipient of two Clean Transportation Program grants over the last few years and are currently completing work on an expansion under the second grant which will increase our production capacity from 5 to 12 million gallons per year (Mgpy) at our plant in Barrio Logan, a disadvantaged community (DAC), some of which includes the lowest carbon intensity biodiesel in the LCFS program (8.63). New Leaf collects used cooking oil from restaurants in the San Diego area.

In light of changing markets brought about by the COVID-19 pandemic crisis and California's climate leadership in decarbonizing transportation and industrial sectors, I wanted to remind you and staff of a unique problem facing California biodiesel producers as well as an innovative solution New Leaf has undertaken to address it. This problem actually faces all biodiesel producers but impacts California producers disproportionately. California Low Carbon Fuel Standard (LCFS) credits have been trading at or near \$200 per metric ton (MT) for quite some time which, on the face of it, is a good thing since it adds extra value on to our very low carbon biodiesel.

The problem is that it also attracts biodiesel from all over the world since other markets are often not as profitable, and far less expensive to operate in, than California. The result is that we get much more biodiesel coming into our state than the actual market distribution infrastructure can absorb, resulting in a perpetual glut, which forces all prices to be deeply discounted, sometimes to levels that become un-profitable for California producers. This is why we often see an under-utilization of California biodiesel production capacity, even in our 3.5 billion gallon a year diesel market.

The solution is to increase storage and blending distribution infrastructure in the state with an emphasis on non-traditional, *non*-petroleum infrastructure development.

New Leaf has been working on just such a project with our partners, MHX Solutions, at their rail terminal in Fontana, California, about 10 miles west on I-10 from the Kinder Morgan bulk fuel terminal in Colton. We've been transloading biodiesel there for several years to supplement our own production in anticipation of the expansion at our San Diego facility and are currently expanding the low-carbon biofuel blending capabilities at MHX Fontana to grow with us and include blending biodiesel with renewable hydrocarbon diesel (RD) – Phase 1. We're also contemplating a further expansion (Phase II) to include storage in Fontana.

We project that our MHX partnership will displace close to 100 million gallons per year of petroleum diesel with blends of RD and biodiesel. These all-renewable blends of diesel replacement fuels would be almost exclusively used in Class 7 & 8 truck fleets that operate throughout Southern California.

We anticipate that the Phase II expansion at MHX in Fontana will cost close to \$5 million. This investment would result in actual GHG reductions of between 600,000 to 800,000 MT annually, with an ROI of between 50 to 75 cents per MT of carbon over the next 10 years depending on the actual investment.

We think this is significant and represents an outstanding ROI in terms of carbon reduction for dollars invested. This project is also a replicable model for several all-renewable biofuels bulk terminals around the state and will enable California biodiesel producers to fully utilize all of their production capacity and facilitate more direct access to consumers.

We also know that this all-renewable diesel replacement fuel will reduce tailpipe emissions significantly since, under the California Alternative Diesel Fuel (ADF) regulation, NOx is required to be mitigated and biodiesel is known to reduce all other criteria pollutants as compared to petroleum diesel.

We respectfully ask that the Energy Commission continue to consider biodiesel storage and distribution infrastructure projects such as our MHX projects as eligible for funding under the Clean Transportation Program and any other decarbonization funding programs.

Thanks for your consideration,

A handwritten signature in black ink, appearing to read "Jennifer Case".

Jennifer Case