

CALIFORNIA ENERGY COMMISSION

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Sacramento, California 95814

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**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:)
)
Informational Proceeding and Preparation)
of the State Plan to Increase the Use of)
Alternative Transportation Fuels)
_____)

Docket No. 06-AFP-1

DOCKET
6-AFP-1
DATE APR 28 2006
RECD. APR 28 2006

COMMITTEE SCOPING NOTICE

OVERVIEW

In this notice, the California Energy Commission's Transportation Committee (Committee) establishes the general scope of the *State Plan to Increase the Use of Alternative Transportation Fuels (Alternative Fuels Plan)* and a schedule of key milestones for completing the plan.

On September 29, 2005, Governor Schwarzenegger signed into law Assembly Bill (AB) 1007 requiring the California Energy Commission (Energy Commission) to prepare a state plan no later than June 30, 2007, to increase the use of alternative fuels in California.¹ The Energy Commission must prepare the plan in partnership with the California Air Resources Board, and in consultation with the State Water Resources Control Board, the Department of Food and Agriculture, and other relevant state agencies. The Energy Commission also will consult with the California Public Utilities Commission, California Department of Transportation, California Department of Forestry, the California Integrated Waste Management Board, as well as federal agencies, regional planning agencies, local air districts, and stakeholders. As part of this proceeding, the Energy Commission will conduct public workshops and hearings to deliberate on the topics identified in this scoping document and receive public and stakeholder input.

BACKGROUND

In 2003, the Energy Commission and the California Air Resources Board, at the direction of the Legislature,² jointly prepared and adopted a recommended strategy to reduce California's

¹ Assembly Bill (AB) 1007, (Pavely, Chapter 371, Statutes of 2005)

² Assembly Bill (AB) 2076 (Shelley, Chapter 936, Statutes of 2000)

dependence on petroleum fuels.³ The two agencies concluded that it is feasible to reduce the on-road use of gasoline and diesel fuel to 15 percent below 2003 levels by 2020 based on technology and fuel options that are achievable and cost-beneficial. The two agencies recommended that the state pursue the strategy by influencing the federal government to double the fuel economy of new vehicles and to increase the use of non-petroleum fuels to 20 percent of on-road fuel demand by 2020. The Energy Commission incorporated the findings of the joint report into the *2003 Integrated Energy Policy Report (Energy Report)* and recommended that the Governor and Legislature adopt the goals and strategy as state policy.

In August 2005, Governor Schwarzenegger called for California to continue its efforts to work with other states and stakeholders to increase national fuel economy standards. He also directed the Energy Commission to prepare by March 31, 2006, a long-term plan to increase the use of alternative fuels.⁴ Prepared by the Bio-Energy Interagency Working Group led by the Energy Commission, this plan recommends actions supporting the expanded use of, and market for, biofuels in California. In September 2005, the Governor also signed into law AB 1007 requiring the Energy Commission to prepare a state plan to increase the use of alternative fuels in California (*Alternative Fuels Plan*). In preparing the *Alternative Fuels Plan*, the Committee will incorporate and build on the work currently underway within the Bio-Energy Interagency Working Group, the work of other agencies, and also will examine the broader suite of alternative fuels that could benefit California's transportation market.

In November 2005, the Energy Commission adopted its *2005 Energy Report*. In a shift from its *2003 Energy Report*, the Energy Commission stressed the urgent need to diversify the state's transportation fuels market and concluded that the "...the state should pursue all reasonable non-petroleum fuel and technology options." Each has costs and performance characteristics that will define its most effective application in California's expansive transportation energy market. Therefore, in the context of the *Alternative Fuels Plan*, the Energy Commission does not intend to pick "winners" and "losers." Instead, AB 1007 provides a comprehensive framework for the state to ensure that all fuel and technology options are given an opportunity to compete in the California transportation market.

OVERALL SCOPE OF THE ALTERNATIVE FUELS PLAN

In preparing the *Alternative Fuels Plan*, AB 1007 requires the Energy Commission to undertake three major tasks:

1. Evaluate alternative fuels on a full fuel-cycle assessment of emissions of criteria pollutants, air toxics, greenhouse gases, water pollutants, and other substances that are known to damage human health; impacts on petroleum consumption; and other matters deemed necessary. The act defines "full fuel-cycle assessment" as an evaluation and comparison of the full environmental and health impacts of each step in the life cycle of a fuel, including, but not limited to, the following:
 - Feedstock extraction, transport, and storage.
 - Fuel production, distribution, transport, and storage.
 - Vehicle operation, including refueling, combustion or conversion, and evaporation.

³ *Reducing California's Petroleum Dependence*, California Energy Commission and California Air Resources Board, Joint Agency Report, August 2003.

⁴ Letter from Governor Arnold Schwarzenegger to the Legislature, attachment: Review of Major *Integrated Energy Policy Report* Recommendations, August 23, 2005.

2. Set goals for 2012, 2017, and 2022 for increased use of alternative fuel in the state that accomplish the following:
 - Optimize environmental and public health benefits of alternative fuels, including, but not limited to, reductions in criteria air pollutants, greenhouse gases, and water pollutants consistent with existing or future regulations in the most cost-effective manner possible.
 - Ensure that there is no net material increase in air pollution, water pollution, or any other substances that are known to damage human health.
 - Minimize the economic costs to the state, if any.
 - Maximize the economic benefits of producing alternative fuels in the state.
 - Consider issues related to consumer acceptance and costs and identify methods to overcome any barriers to alternative fuel use.

3. Recommend policies to ensure alternative fuel goals are attained including, but not limited to:
 - Standards on transportation fuels and vehicles.
 - Requirements, financial incentives, and other policy mechanisms to ensure that vehicles capable of operating on alternative fuels use those fuels to the maximum extent feasible.
 - Requirements, financial incentives, and other policy mechanisms to ensure that alternative fuel fueling stations are available to drivers of alternative fuel vehicles.
 - Incentives, requirements, programs, or other mechanisms to encourage the research, development, demonstration, commercialization, manufacturing, or production of vehicles that use alternative fuels.

The Committee believes that the *Alternative Fuels Plan* should examine several additional factors that are not specified in AB 1007, but that will enhance the discussion and planning as to how best to encourage the wide spread use of alternative fuels.

Definition of Alternative Fuels

The act defines an alternative fuel as "...a nonpetroleum fuel, including electricity, ethanol, biodiesel, hydrogen, methanol, or natural gas that, when used in vehicles, has demonstrated, to the satisfaction of the state board, to have the ability to meet applicable vehicular emission standards. For the purpose of this section, alternative fuel may also include petroleum fuel blended with nonpetroleum constituents, such as E85 or B20."

The Committee, in keeping with the joint Energy Commission/Air Resources Board strategy to reduce petroleum dependence and the *2005 Energy Report*, also will include liquefied petroleum gas (LPG) in the *Alternative Fuels Plan*. LPG is a domestically produced alternative to conventional gasoline and diesel fuels and offers criteria pollutant, toxic air contaminant, and greenhouse gas reduction benefits. Further, the Committee will include liquid fuels derived from natural gas, biomass, coal, and petroleum coke.

The Committee also recognizes that alternative fuels may be used in non-transportation modes, but directly reduce the use of conventional transportation fuels and provide environmental benefits. This includes truck stop electrification to reduce truck idling and the use of alternatives for goods movement at ports. For this reason, the Committee will examine opportunities to encourage the use of alternative fuels to reduce petroleum fuel use and emissions from truck idling and port operations.

Harmonizing Transportation Energy and Air Quality Objectives

The use of alternative fuels can reduce dependence on foreign oil, provide economic development opportunities, and reduce emissions of greenhouse gases, criteria pollutants, and toxic air contaminants. However, use of these same fuels may result in an overall increase of certain criteria pollutants that raise public health concerns and constrain the state's ability to meet its State Implementation Plan requirements. The Committee believes that the AB 1007 process is an appropriate forum to continue the debate of harmonizing transportation energy and air quality policies and objectives. In this regard, the Committee will work with the Air Resources Board to assess approaches that may allow greater use of alternative fuels without backsliding on air quality gains or State Implementation Plan requirements.

Market Assessment of Alternative Fuels

In the AB 1007 process, the Committee seeks to ensure that the interim and long-term goals as adopted in the *2003 Energy Report* are met, as an imperative to providing fuel choices for California consumers. The stated policy from the *2005 Energy Report* is clear that all alternative fuels shall be developed for their contribution to reducing California's petroleum dependence. A market assessment is needed to determine what each of the alternative fuels can attain with regard to transportation market share; what barriers each faces for vehicles, fuel production and distribution; and what assistance, in the forms of requirements, incentives and policies, each will require to attain those goals.

Schedule

AB 1007 allows the Energy Commission until June 30, 2007, to prepare and adopt the *Alternative Fuels Plan*. The Committee intends to complete the *Alternative Fuels Plan* by December 31, 2006. The Committee also will consider the possibility of segmenting the process such that individual elements within the overall *Alternative Fuels Plan* could be developed and adopted separately throughout the year.

Written Comments

The Committee encourages interested parties to participate in this proceeding. The Committee requests written comments regarding this notice be submitted by **May 19, 2006**. The Committee encourages comments by e-mail so that they may be posted on the Energy Commission's website.

Those submitting comments by e-mail should indicate "Docket No. 06-AFP-1, "Alternative Fuels Plan" along with your name or your organization's name in the subject line of the e-mail. Provide your comments in either Microsoft Word format or Adobe Portable Document format (PDF) and send to: [docket@energy.state.ca.us]. Parties submitting comments electronically must also submit the original paper copy to the Energy Commission's Docket Unit.

Those submitting comments by hard copy should indicate the "Docket No. 06-AFP-1" and "Alternative Fuels Plan" in the subject line or initial paragraph of the comments, and must provide an original plus 18 paper copies to the Energy Commission's Docket Unit.

Please send or deliver materials to the following address:

California Energy Commission
Docket Unit
Attn: Docket No. 06-AFP-1
1516 Ninth Street, Ms-4
Sacramento, California 95814-5512

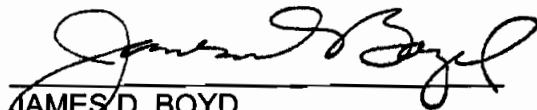
Public Participation

The Energy Commission's Public Adviser, Margret J. Kim, provides assistance to the public in participating in Energy Commission activities. If you would like information on how to participate in this proceeding, please contact the Public Adviser's Office by phone at (916) 654-4489, or toll free at (800) 822-6228, by FAX at (916) 654-4493, or by e-mail at: [pao@energy.state.ca.us].

The service list for the Alternative Fuels Plan proceeding is handled electronically, with notices and documents posted to the Energy Commission website at: [www.energy.ca.gov/ab1007]. When new information is posted, an e-mail will be sent to those on the energy-policy e-mail list server. We encourage those who are interested in receiving these notices to sign up for the list server through the website at: [www.energy.ca.gov/ab1007/].

Technical question should be directed to Lorraine White at (916) 654-4075; or by e-mail at: [lwhite@energy.state.ca.us].

Date:



JAMES D. BOYD
Commissioner and Presiding Member
Transportation Committee



JACKALYNE PFANNENSTIEL
Vice Chair and Associate Member
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Note: California Energy Commission's formal name is State Energy Resources Conservation and Development Commission.