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Union of Concerned Scientists

October 16, 2007

James Boyd, Vice Chair; Presiding Member, Transportation Committee, CEC
Jeffrey Byron, Commissioner; Associate Member, Transportation Committee, CEC
Michael Scheible, Deputy Executive Officer, CARB

California Energy Commission
Docket Office
Attn: Docket 06-AFP-1
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

Re: Comments on 2007 State Alternative Fuels Plan Committee Draft Report

Dear Commissioners Boyd and Byron, and Deputy Executive Officer Scheible:

Thank you for the opportunity to comment on the 2007 State Alternative Fuels Plan Committee Draft Report. This letter reflects the consensus opinion of the above-listed organizations. In addition to these comments, some of our organizations have submitted or will submit individual supplemental comments.

We would like to first acknowledge the efforts of staff. We are aware that your staff members have been working under significant pressure to complete this report in a timely fashion. We acknowledge their hard work over the last 18 months, their dedication, and their commitment to producing a comprehensive plan.

We offer these comments in the spirit of producing a more complete and thoughtful plan for California. Our comments fall in roughly two categories: (1) general concern about how the report addresses environmental protections and (2) fundamental components that we believe are either missing or inadequately articulated in the draft.

1. Environmental Protections

The report needs to acknowledge and more clearly state the need for certain environmental protections in several places.

Environmental Standard

The report does not make clear what environmental standards are guiding the state's promotion of alternative fuels. The report must clearly articulate that the state's obligation is to develop a plan that will increase the use of alternative fuels and reduce emissions of GHG while "ensur[ing] that there is no net material increase in air pollution, water pollution, or any other substances that are known to damage human health." This direction provided by statute is far different from the guidance provided in the abstract which states that the plan will not cause a "significant degradation of public health and environmental quality." CEC must send a clear and unequivocal message to industry and investors that increasing the use of alternative fuels must not come at the expense of the environment.

Protecting Air Quality

We appreciate that the draft report lists goals to ensure "no net increase in criteria pollutants" and "no significant degradation in air quality." At the same time, the report seems contradictory because the well-to-wheels analysis indicates upstream emissions should be expected to be associated with the transportation of the alternative fuels in the absence of a mature distribution infrastructure, and the plan calls for a projected 30-60 new alternative fuels production plants.

Of significant concern is the report's omission of the state's current air quality policy goals; they are not even mentioned in the report – and they should be. Protection of air quality and meeting the state's commitments under the state and federal Clean Air Acts should be listed up front in the report as one of the key objectives along with meeting petroleum reduction, greenhouse gas reduction and in-state biofuels production goals.

Chapter 4 begins by discussing the state's petroleum reduction, bioenergy and greenhouse gas reduction goals as embodied in current policy. We urge you to add a discussion of the State Implementation Plan (SIP) for ozone (smog) and PM2.5 (fine particles), and to incorporate the goals and activities of the SIP into this alternative fuels plan, just as you have incorporated the other state policies' goals and activities into this plan.

Specifically, Table 2 could be expanded to list the SIP goals, showing what reductions we need in criteria pollutants and by when. Your report should include a discussion of how this alternative fuels plan for California fits into the broader context including the SIP for smog and fine particles.

Several of our groups have been working on the SIP all year. It has improved thanks to public input, however, there are still significant uncertainties about how California will meet its SIP obligations. Many of our groups are looking to increased use of alternative fuels and advanced transportation technologies to help define these unknowns in the SIP.

Sustainability Principles

Although the plan acknowledges the need to meet the state's GHG and petroleum reduction goals in a manner that is sustainable, sustainability, as a principle, needs to be more fully addressed and applied more broadly than the current narrow action item under biodiesel near-term actions. Importantly, the report must outline a mechanism and a timeline by which the state will move forward on developing rigorous sustainability standards.

In general, the report appears to overestimate the ability of the various alternative fuels, and biofuels in particular, to meet AB 1007 goals without causing any environmental harm or without having any multimedia impact. On page 54, the plan states that all three examples meet GHG and petroleum reduction goals "without compromising criteria pollutants or adversely affecting other multimedia environmental impacts." Neither the draft report nor the well-to-wheels report, however, demonstrates that biofuel production in particular will cause no multimedia impacts. Both GHG and multimedia impacts will vary greatly according to feedstock and production pathways and it is critical that the state establish some means of prioritizing feedstocks with the greatest GHG benefit that do not cause environmental harm. Therefore, the statement on page 54 needs to either be removed or substantiated as to how the state plans to meet the goal for biofuels to be produced and utilized without harm to air quality or the environment.

2. Fundamental Components Missing in the Report

The following comments reflect overarching values and some specific components that we believe should be addressed in the report.

Key Strategies Must Include Infrastructure

The report outlines four key strategies necessary for the state to meet the policy goals associated with alternative fuels in California (Pgs ES-4&5 and 9&10). We propose that a fifth fundamental strategy is necessary: ensuring that alternative fuel infrastructure is available.

We believe the role of infrastructure development must be elevated in this report. Although the report identifies the need to invest in infrastructure, we believe that success of alternative fuels will require more than financial investment in infrastructure. At the very least, success of alternative fuels infrastructure will require public policy support, a high level of government and industry coordination, and creative public intervention, for example.

As stated in written comments submitted separately by Energy Independence Now: Most of the infrastructure incentives mentioned are co-funding proposals, but co-funding, alone, may not be a sufficient incentive, given expected low utilization in the early years (the current hydrogen highway experience should be noted). The report mentions that the LCFS should provide a sufficient incentive for fuel distributors to invest in E85 infrastructure (p.39). This may be the case for blending strategies, but should not be assumed for new fuels. We believe that a coordinated, strategic intervention may be

needed for new infrastructure development, especially given the incumbent fuels' (namely gasoline and diesel) conflict of interest with the goal of petroleum displacement.

Please refer to EIN's comments for specific suggestions of how infrastructure discussion could contribute to the balance of the report.

More Specificity in Recommended Actions

We appreciate that the plan includes recommended action items for government agencies and by fuel type as well as a discussion of investments needed. More detail on each of these discussions would strengthen the plan. This section appears to be the heart of the plan, but many of the recommended actions don't seem to be fully fleshed out. Nor are they prioritized. A thoughtful plan must list actions in order or priority; this does not appear to be the case in this plan. In addition, some of the action items include dates but most do not. Each action should include a "not later than" date.

Carbon Accounting

Given the state's GHG reduction goals and the need for clarity and precision in this guiding document, we believe it is critical that accurate and more thorough carbon quantification of land use and land use change be prioritized to ensure that the state's goals are met. At this time, there is no mechanism or timeline in the report for addressing these issues.

The report should also provide greater clarity on the distinction between greenhouse gas emissions from land use and land use change. Most notably, in the key conclusions of the report, among other places, the two are treated as though they are synonymous. The conversion of high carbon stock ecological areas to agricultural production will obviously have significant GHG impacts and should be quantified. As important, the intensive agricultural production practices that are likely to be used in producing energy crops will also significantly impact emissions (as well as air and water quality). In failing to distinguish between the two, the state is missing an opportunity to identify best practices.

Contingency Measures

It is possible that the plan's vision of the future may not materialize as we all hope it will. This reality makes contingency measures essential. Private or government funding may not materialize. A technology or fuel may not deliver as we hope. Even with significant investment alternative fuel vehicles or fuels may not be available.

ARB and CEC need to consider the "what if" and speak to this in the report. It makes sense to establish milestone dates that trigger specific contingency actions if certain measures of progress have not been made. All good plans have contingency measures and this plan would be strengthened by including them.

Questions about Underlying Analysis

As stated by a colleague at the workshop, the Scenario Analysis reports, from which many of the underlying assumptions in this draft are drawn, are not yet publicly available. Early versions of the scenarios were presented at a workshop, but they have undergone significant changes incorporating stakeholder input. We have not seen the final versions,

nor have we seen all of the scenarios. We encourage CEC to post these scenario documents on the web. Furthermore, to ensure transparency of staff's work and to simply make this a more useful and understandable document, we encourage CEC to cite the scenarios from which assumptions are drawn and to document the information which underlies the scenario analyses.

Renewable Diesel / Biodiesel Analysis is Incomplete

The analysis and the scenarios have failed to consider the possibility of a significant diesel penetration in the light-duty sector, combined with B20-level blending. This is not only a possible forecasting error, but a missed opportunity to explore the possible role of renewable diesel in achieving substantial GHG emission reduction. (Please refer to comments presented separately by Energy Independence Now.)

This increased diesel penetration scenario, as all the other scenarios, would need to be carefully evaluated to ensure that it is fully consistent with continued progress toward meeting state and federal air quality commitments.

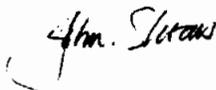
Fuel Price Volatility

Volatile prices—of both traditional petroleum and alternative fuels—present a significant challenge in preparing a long-term plan. Forecasting is tricky for all fuels, especially those for which we have little experience. Still, we believe the susceptibility of the different fuels to economic, political and weather shocks, as well as to infrastructure bottlenecks, demand surges etc., should at the very least be acknowledged and discussed. Furthermore, while it seems unlikely in today's environment, a drop in the price of oil could freeze the commercial development of alternative fuels. This possibility, which has happened before, needs to be acknowledged in the report and incorporated into the proposed actions.

Thank you for the opportunity to comment on this most important plan.



Bonnie Holmes-Gen
American Lung Association of California



John Shears
CEERT



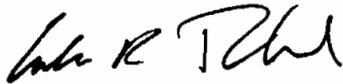
Tim Carmichael
Coalition for Clean Air



Daniel Emmett
Energy Independence Now



Danielle Fugere
Friends of the Earth



Luke Tonachel
NRDC



Patricia Monahan
Union of Concerned Scientists

Cc: Tim Olson, McKinley Addy, Susan Brown, Peter Ward