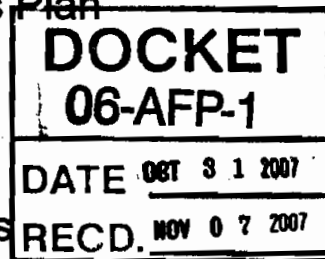


October 31, 2007

Remarks by James D. Boyd
Vice Chair, California Energy Commission
AB 1007 Alternative Fuels Plan Adoption Hearing

- As Chairman of the Transportation Policy Committee, I am especially pleased to submit the State Alternative Fuels Plan for consideration by the full Commission today.
- The Committee, which includes Commissioner Byron, is proposing a Commission Resolution, which has been distributed to my fellow Commissioners. The Resolution outlines our recommendations for Commission direction on the next important steps in carrying out this Plan.
- Assembly Bill 1007 required the Energy Commission, in partnership with the Air Resources Board, to prepare this Plan, which is intended to increase the use of alternative transportation fuels for a host of reasons: energy security, fuel diversity, air quality improvement, and greenhouse gas reduction.
- This Committee's Final Draft of the Plan responds to the specific requirements of AB 1007 – which called for full fuel



cycle analysis, recommended alternative fuel goals for 2012, 2017, and 2022, and recommended policies and measures.

- In adopting the Plan today, the Energy Commission will be underscoring the importance of alternative transportation fuels in satisfying multiple state policy objectives:
 - Reducing our state's petroleum dependence;
 - Promoting the sustainable production and use of biofuels, using California's urban, forestry and agricultural waste materials;
 - Curbing greenhouse gas emissions, as directed by the Governor and the California Legislature, with the passage of Assembly Bill 32; and
 - Improving our state's air quality through the introduction of lower carbon and less polluting fuels.

- This Plan should not be viewed as a static document, but rather as part of a continuum. The Plan requires updating and refinement of the underlying analyses and assumptions which are key elements of the Plan. Changes will be needed to reflect the changing market for alternative fuels, the economics

of fuels production and use, and filling data gaps to support the “full fuel cycle” comparison of fuels and vehicle combinations.

- On June 27, 2007, the full Commission adopted the Full Fuel Cycle Analysis and submitted it to the ARB for its use in establishing the state’s first-ever Low Carbon Fuel Standard.
- The Committee recommends that the Staff, working with its ARB partners, update the analyses underlying this Plan at regular intervals – especially since the “full fuel cycle analysis” is integral to the Low Carbon Fuel Standard.
- This Plan should not be viewed as the “end all” in and of itself, but rather, it is part of a larger state effort to reduce our use of petroleum and to transition to greater use of alternative transportation fuels. The Plan will require periodic updating.
- Many stakeholders who participated in the Plan development continue to bring forth areas where (they believe) improvement is needed to reflect the costs and benefits of each particular fuel and vehicle combination. While Staff made a concerted and continuous effort to seek stakeholder input, some issues remain:

- Precise estimates of needed state and federal RD&D costs needed to advance transportation technologies, such as electric drive train technologies, were not available and are still being debated.
- The role of the technical appendices, both the economic analysis and the so-called “storyline” documents, is being debated and will be issued as a separate staff report.
- This information was used extensively in formulating the Plan, but this material is not being proposed by the Committee for Commission adoption today. These “storylines” describe the pathways to high market penetration for individual fuels, but do not predict the results of fuel-on-fuel competition.
- The Committee chose not to incorporate “wholesale” additional material from the storylines into the Plan itself, but rather used this detailed information as foundational analysis for the recommended alternative fuel goals.
- Debate continues on the appropriateness of the cost-effective methodology used, which was the methodology adopted by Cal EPA for use by the

Climate Action Team in analyzing greenhouse gas reduction strategies.

- The “moderate case examples” outlined in the Plan have been misconstrued and misunderstood by many, and they continue to be debated. Let me make clear that these “examples” are not predictions of future market penetration, or expressions of policy preference for a single fuel or technology.
 - We are “not picking winners,” but rather we are demonstrating that a diversified portfolio of transportation fuels is needed to meeting the goals, and that several portfolios can meet the recommended goals for 2012, 2017, and 2022.
 - We concluded from our analysis that nearly all of the alternative fuels are at least ten percent lower in carbon content than conventional petroleum fuels.
- As the Plan concludes, the Low Carbon Fuel Standard alone cannot achieve the state’s multiple policy objectives of reducing petroleum dependence, increasing in-state production of biofuels, and curbing greenhouse gas emissions. Substantial private investment and state and federal incentives will be needed to compliment the LCFS.

- Furthermore, the Plan recognizes the need for market incentives to “bridge the gap” between mandates, fuel-specific actions, and other policy measures in achieving these state policy objectives.
- Fortunately, with the Governor’s signing of Assembly Bill 118, the Energy Commission will now receive roughly \$120 million per year (starting with Fiscal Year 2008-2009) for the needed state incentive funding. The Committee is recommending that Staff move quickly to form the advisory body, which is called for in the legislation. The advisory body will provide advice and input to the Commission for a more detailed investment plan for directing this incentive funding to alternative fuels and vehicles.
- Finally, this Plan was developed through an open and public planning process, which involved over 50 meetings between our respective Staffs and key stakeholders and six public workshops. In moving adoption of this Plan today, the Committee asks the 2007 IEPR Policy Committee to integrate the Plan’s key findings and conclusions into the final version of the Energy Commission’s Integrated Energy Policy Report.