



California Energy Commission
Dockets Office, MS-4
Re: Docket No. 09-ALT-1
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET

09-ALT-1

DATE

RECD SEP 23 2009

Via Email: docket@energy.state.ca.us

Subject: Docket number 09-ALT-1, Biofuels Technical Workshop September 14-15, 2009

A 2nd Opinion, Inc. (A₂O) appreciates the opportunity to add its comments to the docket number 09-ALT-1 concerning the Biofuels Technical Workshop that occurred on September 14 and 15, 2009. The comments are intended to update the Energy Commission concerning A₂O's client, Neste Oil.

Neste shares many of the same concerns expressed by the workshop participants. Those concerns can be summarized in one word: uncertainty. Uncertainty about the current economic situation. Uncertainty about permitting energy projects in California. Uncertainty about the Indirect Land Use Change (ILUC) issue that threatens to make more low carbon fuel products obsolete even before they are produced. But rather than dwell on those uncertainties we would like to share some encouraging news concerning certainty of supply, Neste's research and development plans and suggest ways California can reduce the time loss caused by the uncertainties.

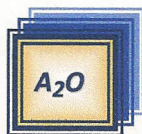
About Neste Oil

Neste Oil Corporation is a refining and marketing company concentrating on low-emission, high-quality motor fuels. It is the world's leading supplier of renewable diesel. Neste's refineries are located in Finland and have a combined crude oil refining capacity of about 260,000 barrels a day. Neste had net sales of EUR 15 billion in 2008 and employs around 5,300 people.

While these refineries are a long distance from California they have provided cleaner burning motor fuels to California in the past and are equipped to continue doing so. To prepare for the future, Neste has added the capability to provide California with cleaner burning low carbon renewable diesel fuels that are fully compatible with California's existing fuel blending, distribution and consumption infrastructure.

Certainty of Supply

In June 2009 Neste started up their second renewable diesel plant in Porvoo, Finland. They now have over 120 million gallons per year of operating renewable diesel production capacity. They have 270 million gallons per year of capacity under construction in Singapore that will startup in 2010 and an additional 270 million gallons per year capacity under construction in Rotterdam with a 2011 startup date. Some of this capacity will be available to the California market. The fuels currently being produced and those that will be produced in the facilities that are under construction reduce carbon emissions for which Neste has control by 40 to 80% relative to fossil diesel. The following R&D underway at Varkaus may result in even greater carbon reductions.



Continued R&D Efforts

In June 2009, Neste Oil and Stora Enso, the world leader in forest industry sustainability, inaugurated a demonstration plant at Varkaus for biomass to liquids (BtL) production using cellulose from forestry residues. A 50/50 joint venture, NSE Biofuels Oy, has been established to develop technology and commercialize the production of biocrude for renewable diesel. The demonstration facility is located at Stora Enso's Varkaus Mill.

Good Environmental Stewardship

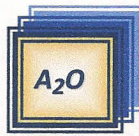
Neste requires that its feedstock suppliers practice good environmental stewardship. Neste would be happy to share the procedures it uses daily in its feedstock acquisition practice. These practices have caused Neste Oil to be added to the Dow Jones Sustainability World Index and awarded 'Best in Class' recognition for its social accountability by Storebrand. They have caused the company to be featured in the Ethibel Pioneer Investment Register and included in Innovest's Global 100 list of the world's most sustainable corporations.

The same outstanding environmental stewardship was used in selecting their partner for the biomass to liquids project using forest waste. Stora Enso, provides its customers solutions based on renewable raw materials. Its products provide a climate-friendly, smaller carbon footprint, alternative to many non-renewable materials. Stora Enso is included in the Global 100 list of the world's most sustainable companies. Stora Enso is also listed in the Dow Jones Sustainability Index, the FTSE4Good Index, and the Climate Disclosure Leadership Index. Stora Enso employs 29,000 people worldwide, and its sales in 2008 amounted to EUR 11.0 billion.

Removing the permitting uncertainty

Many workshop participants mentioned the difficulties they were having with permitting their facilities. We even heard about a state agency having difficulty permitting an E85 dispenser. To eliminate, or at least to mitigate this uncertainty, we suggest you prepare a permitting guidance document. The document will have two audiences. The first audience is obvious. It is the entity that wants to build or modify a facility. They need to know to which Federal, State and Local agencies they need to submit applications, what information they need to prepare for submission, etc. The other audience is the agencies themselves. They need to know why the World needs the new facilities; how do they weigh local emissions vs. global emissions; how much flexibility or authority do they have to grant a permit; how do they weigh the social economic benefits of new jobs vs. the environmental justice concerns; etc.

It is not going to be an easy document to assemble. It might even have to include mock site selection / permitting studies for some of the low carbon fuel technologies CEC would like to see built in California. But, done right, it should shave many months off the process of building new low carbon fuel facilities in California.



Uncertainty about ILUC

There is tremendous uncertainty concerning full life cycle analysis (LCA) that includes indirect land use change (ILUC). The calculations simply do not exist for most pathways. There is uncertainty on methodology. Stephen Kaffka presented corn data at the workshop that questioned the validity and/or accuracy of the model that is being used to calculate ILUC impacts that have the potential to shutdown the Midwest corn ethanol industry and stop the growth and development of other potential low carbon fuels. To eliminate this uncertainty CARB must streamline the process for introducing LCAs and continue to re-evaluate the position it has taken on the ILUC issue as theory moves closer to science. They may even need to make the best calculation they can with today's evolving methodology and then grandfather the result to allow capital recovery.

Closing

Thank you for the opportunity to update you concerning Neste Oil's renewable diesel capacity, construction and research and development activities. Neste looks forward to continuing to work with the Energy Commission and the Air Board to supply cleaner burning low carbon fuels to California.

Do not hesitate to call me if you have questions.

For A 2nd Opinion, Inc on behalf of its client Neste Oil.

A handwritten signature in black ink, appearing to read "Cal Hodge", with a stylized flourish at the end.

Cal Hodge