

Getting to our future now. Biodiesel.



California Energy Commission Staff Workshop for the 2010-2011 Investment Plan

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Community Fuels Biodiesel Production Facility

- Port of Stockton, CA
- Production capacity of 10 million gallons per year
- Expandable to 80 million gallons per year



Community Fuels-Port of Stockton



- Plant completed in 2008
- Proprietary design with quality focus

Quality Assurance is Job #1

- Highly qualified laboratory staff
- On site quality assurance laboratory tests each lot prior to release to ensure fuel quality standards are met or exceeded
- Can provide technical support for fuel quality testing



Supply & Distribution

- Community Fuels sells biodiesel wholesale to fuel distributors
- Distributors blend to desired level and deliver to their customers



What the Market Demands

- High quality
 - Early industry mis-steps
 - Low quality fuels / performance problems
 - Imprecise processing technologies / high variability in fuel quality
- Favorable blend economics
 - Feedstock represents 80% of cost
 - Sensitivity to spread between prices for diesel and biodiesel
- Convenience and availability
 - Intermediary storage
 - Retail
 - Fuel performance equivalent to existing technology

Industry Challenges

- Access to capital
 - Expand existing capacity
 - Community Fuels interested in expanding our plant from 10 M gall/yr to 80 M gall/yr
- Infrastructure
 - Marine transport
 - Storage and blending equipment at terminals
 - Additional retail stations

Industry Challenges

- Uncertain regulations / Increased risk perception
 - Complexity and uncertainty related to CA Low Carbon Fuel Standard and Federal Renewable Fuel Standards
 - Delays, risks and limitations regarding biodiesel storage in Underground Storage Tanks in CA
 - Administrative burden and delays related to CA Variance Process through CA Department of Food and Agriculture

Impact of Industry Challenges

- Increases cost of capital due to delays and higher perception of risk
- Lack of coordination between agencies creates complexity
- Provide a competitive advantage to fuel industry incumbents

Questions

1. What are the critical market, technology or policy issues?

- Clear regulations regarding biodiesel storage
- Consistent OEM warranties for B20
- Recognition of diesel engine efficiency benefits
- Alignment of state regulatory and policy positions

2. What types of project should be funded in 2010 – 2011?

- Grants for increased production capacity
- Grants for demonstration of new technologies that will improve efficiencies and expand feedstock options (i.e., algae, solid catalysts, etc.)

Questions

3. What is the appropriate level of state funding and/or financial risk that the state should take relative to the private sector?

- Cost share projects at 50%
- Focus on projects that deliver “quantifiable results” consistent with state goals
- Level of risk assumed by state will be driven, in part, by the level of regulatory risk perceived by capital markets

4. What are preferable funding mechanisms? How should project financing be structured?

- 50% project funding with 25% in form of loan guarantee and 25% in form of grant
- Tie funding to actual results, not good intentions

Questions

5. Is it necessary for CA to “bid away” projects from other states?

- No, if regulatory uncertainty is resolved in the State and a preference is implemented for in-state production.
- Support the current in-state production before bringing in more capacity. Existing plants are below capacity or idle.

6. How quickly can alternate, lower carbon intensity feedstocks be phased in?

- Focus should be on maintaining high fuel quality standards – without consistent, high quality the fuel will not be accepted
- CA policy should not dictate winners / losers for feedstock, Should create a framework for a wide range of feedstocks.
- New feedstocks are constantly being identified and evaluated. Be realistic about volumes and commercial viability.

Questions

7. Why are California biodiesel plants under-producing and what are the prospects for increasing biodiesel production in California?
- Lack of in-state demand
 - We need increased sales, not production
 - By increasing demand, the sales and margins will improve which then will attract increased production capacity

Questions

8. What are the market, technology and policy issues associated with large scale renewable diesel production in CA? How could AB 118 program investments best be used for this production technology?
 - Not applicable.

9. How do project and capital costs for in-state biofuels production compare relative to other states?
 - Due to more stringent permitting requirements, estimate that project costs are at least 30% higher and timeline is longer by 1 year of more.
 - A biodiesel plant is a chemical plant. Encourage consistent permitting and enforcement – these industrial facilities should be good stewards of the environment.

Questions

10. What role could (or should) imported feedstocks play in meeting in-state production and end-use goals for low carbon intensity biofuels?

- To maximize energy security and economic benefits, policies should encourage U.S. production. Preference for U.S. feedstocks rather than imported feedstocks. Preference for in-state production rather than out of state/ or international production.

11. What potential solutions beyond AB118 program investments are needed to increase in-state production?

- Focus on demand
- If demand is consistent, production will follow.

Questions

12. How can we make California production competitive with imports such as Midwestern corn and out-of-state/country sugar cane-based ethanol?

- Reduce conflicts & complexity of state regulations/policies
- Create policies that have a preference for renewable fuels that are produced within the state
- Support in-state producers through grants and loan guarantees
- Enforce stringent fuel quality standards

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Thank You!

Contact: Michael Redemer
(760)-942-9306 x110

michaelr@communityfuels.com

www.communityfuels.com

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