



DOCKET

10-ALT-01

DATE Apr 04 2011

RECD. Apr 05 2011

April 4, 2011

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 10-ALT-1, 2011-2012 Investment Plan
1516 Ninth Street
Sacramento, CA 95814-5512

Dear Commissioner Boyd and California Energy Commission staff,

I greatly appreciate the time, effort, and thought that the CEC staff has invested in developing a very strong draft 2011-2012 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program. I very much appreciate the opportunity to again participate on the AB 118 Advisory Committee offering EIN's perspective and recommendations for how to achieve a robust and effective program. The specific points outlined below are a reiteration of comments and recommendations I made during the Advisory Committee meeting on March 7. These recommendations reflect both our conversations with key industry stakeholders and our current understanding of the state of alternative fuels and vehicles in California and beyond.

Hydrogen Station Funding

The 2011-2012 draft investment plan does not recommend funding hydrogen fueling infrastructure for light-duty vehicles. The recommended \$3 million for transit-related funding is good, however, the potential lack of funding for light-duty infrastructure is problematic given that the California Fuel Cell Partnership (CaFCP) has identified the need for additional 5 to 7 hydrogen fueling stations to fill gaps in shortfall areas prior to 2014. This projection has been reinforced by automakers and is expected to require approximately a \$10 million investment. Without sufficient investment in the early hydrogen market, we run the risk of delaying and even derailing planned vehicle rollouts and market preparation.

When considering infrastructure needs, there is an important distinction to be made between fuel "availability" and fueling "capacity." It appears that the draft plan only considers capacity in making its determination that no additional stations are needed. However, automakers and the CAFCP have stated forcefully that fuel availability is critically important for successful deployment of FCEVs in the early years, and there are several key gaps in availability that will exist even considering planned and awarded stations. In contrast to the capacity focused approach for hydrogen fueling, it is worth noting that in making the case for CNG fueling, the staff report references fuel availability as a key rationale for determining station needs. This rationale should be applied to hydrogen.

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Upstream Hydrogen Production

The CEC should allow AB 118 funds to support centralized production of renewable hydrogen. A fair amount of emphasis has been put on the need to allocate funding to upstream needs and considerations of fuels such as biodiesel, biomethane and ethanol; however, there is a notable lack of attention placed on similar upstream needs for hydrogen fuel. This is particularly concerning given the future need for hydrogen fueling providers to comply with SB 1505 which requires 33% renewable content. The CEC could play a critical role in helping the sector meet these needs by investing in building the state's capacity for centralized production of renewable hydrogen from biomethane, landfill, or dedicated wind or solar farms.

Identifying Funding Needs

An ongoing gap analysis is critical to the AB 118 program, and should be transparent in the presentation of the recommendations for funding. In the context of the current draft plan, it appears that major reductions in funding for hydrogen at the federal level were not taken into consideration when assessing the funding needs for hydrogen in California, which would make it all the more critical that CEC funds be used to support hydrogen technologies. Similarly, it should be made clear in the investment plan why AB 118 investments in CNG, ethanol, and EV technologies are particularly necessary given the large federal subsidies, tax breaks and research funding that exists for these fuels and technologies.

Potential AB 118 Hydrogen Funding Sources

We recognize the difficulty of balancing the needs of multiple fuels with limited resources and again appreciate the effort CEC staff has invested to do so. In light of our call for more funding to help ensure a successful launch of hydrogen FCEVs, we wanted to point out at least two potential areas from which funds could be shifted.

- *Compressed Natural Gas (CNG):* We believe the \$8 million recommended for CNG fueling infrastructure is inappropriate given, a) the currently competitive cost of CNG fuel and capital equipment, b) the currently commercially viable and robust private sector operation of fueling stations, c) the current federal 30% tax credit for CNG infrastructure, d) the current federal fuel excise tax credit for CNG of \$0.50 per gge, e) the DOE funded Interstate Clean Transportation Corridor, and f) the lack of OEM plans for manufacture and deployment of light-duty CNG vehicles.
- *Marketing and Program Development:* While some marketing and program evaluation is important to the AB 118 program, the recommended \$10 million for Market and Program Development seems very excessive. Effectively 12% of the program funds would be spent on ancillary, non-RD&D activities. This money would be better spent, and in accordance with intent of funding, on actual vehicle and fuel demonstration and deployment.



In closing, we would like to highlight our support for the \$10 million recommended for manufacturing incentives. This is an excellent investment in California's ability to compete and deliver world-class advanced vehicle and alternative fuel solutions. We support this allocation and support allocation across all categories of fuels and vehicle technologies, not just electric vehicle-related technologies.

Again, thank you for the opportunity to comment on the draft investment plan and participate on the Advisory Committee. We hope these comments help the CEC develop an increasingly robust plan to achieve the climate change, air quality, economic development, and petroleum reduction goals of the AB 118 program,

Sincerely,

A handwritten signature in black ink on a light beige background. The signature is stylized and appears to read "D. Emmett".

Daniel Emmett
Executive Director
and AB 118 Advisory Committee Member