



DOCKET

10-ALT-01

DATE June 06 2011

RECD. June 08 2011

June 6, 2011

Pat Perez
Deputy Director
Fuels and Transportation Division
California Energy Commission
Dockets Office, MS-4
Re: Docket No. 10-ALT-1
1516 Ninth Street
Sacramento, CA 95814-5512

RE: RE: 10-ALT-1, 2011-2012 Investment Plan

Dear Deputy Director Perez:

The California Biodiesel Alliance and the National Biodiesel Board thank you for this opportunity to comment on the "*2011-2012 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program Committee Draft Report*," which was released on May 9th. We wish to express our support and appreciation for the proposed \$7.5 million for production plants for diesel substitutes in this most recent draft.

However, we are writing to strongly request that the \$4 million for infrastructure for diesel substitutes, which had been included in the previous draft, be reinstated. In his comments to the public on June 1st in San Francisco, Peter Ward acknowledged the value of California serving as a leader in alternative fuels. We believe that California's biodiesel industry—which produces most of its fuel from waste sources that can achieve LCFS carbon intensity values of 80%-90%—is uniquely qualified to play that role. One key to achieving that goal is infrastructure, which currently is the main reason that California actually lags behind other states in biodiesel fueling.

We believe that California will be making a terrible mistake if it allows diesel substitutes to be the only alternative fuels not offered infrastructure funding in this cycle. We want to make it clear that infrastructure for rail offloading, terminal storage, rack blending, and UST storage is the greatest immediate requirement for expansion of biodiesel fueling in our state. Biodiesel's low carbon benefits can only be fully realized through federal and state programs of RFS2 and LCFS with adequate infrastructure funding. We now know that obligated parties under RFS2 are complying in states where high quality infrastructure keeps costs down. We wish to make a few very important points about the need for infrastructure funding and the fungibility of biodiesel:

New infrastructure lowers fuel prices, is multi-fuel compatible, and cost effective.

Biodiesel needs terminal access to enter the fuel supply, yet none of California's approximately 50 terminals have biodiesel storage or blending capabilities. This lack of terminal infrastructure increases costs by 10-25 cents per blended gallon (5-10 cents for storage and 3-15 cents for blending, which includes costs for trucks to make a second stop). Each terminal requires a \$1-3mm capital improvement to enable storage and blending. A total investment of \$50-150mm is paid back quickly by reduced costs. Our industry suffers greatly from high costs, which consume working capital and lines of credit, making investments in infrastructure extremely

difficult. Because all required infrastructure is multi-fuel compatible with renewable diesel and ultra low sulfur diesel, infrastructure funding from CEC for these purposes would serve as an efficient way to benefit a range of fuel types.

Infrastructure funding would facilitate a return to fueling from USTs closed by Water Board regulations.

Our industry is striving to come back from a downturn caused in part when the MTBE debacle led to a tightening of UST regulations. We worked closely with the State Water Board to establish new regulations for the storage of B20 in USTs in 2009 and continue to cooperate with them to assure a stable future regulatory environment for UST owners. However, biodiesel fueling is still stalled or forced down to B5 in many places around the state because UST owners cannot afford the infrastructure needed to comply with State Water Board regulations. Some of these entities are local governments who operated very successful fleet fueling programs, including San Francisco, the largest city in the world to use biodiesel in its all of its diesel fleets.

Biodiesel is a fungible or drop-in diesel fuel replacement, which is safe for use in all diesel engines.

The U.S. Marines Corp was one of the first to dispel myths about biodiesel when it began running fleets on B20 without any modifications to vehicle engines or fuel systems in 2002. By 2006, 90% of Marine Corp bases and stations nationwide were using B20. According to the U.S. DOE website, a key ingredient in that success was the fact that B20 was able to be “seamlessly” integrated into their existing military infrastructure because, as a drop-in fuel, it could be transported, stored, and dispensed from the same equipment as petroleum diesel.

All major original engine manufactures include warranty statements supportive of biodiesel use at or below the B5 level. B5, which can be shipped in pipelines (except those used for jet fuel), was recently included in the petroleum diesel ASTM D975 specification, making it completely interchangeable with petroleum diesel for all practical and regulatory purposes. This blend is now widely accepted as an additive that provides needed lubricity to ultra low sulfur diesel.

In addition, a growing number of companies, including Ford, General Motors, Cummins, Toro, and John Deere, include statements supportive of biodiesel for blends up to 20 percent (B20). Most major engine companies have stated formally that the use of blends up to B20 will not void their parts and workmanship warranties. This includes blends below 20% biodiesel, such as the 2 and 5% biodiesel blends that are becoming more common. It is anticipated that the entire industry will incorporate the ASTM biodiesel standard into its owner's manuals over time.

Please reinstate the \$4 million for diesel substitutes infrastructure into the funding plan. California's biodiesel industry looks forward to putting the full force of biodiesel's many economic and environmental benefits, especially its much-needed ultra low carbon profile, to work in meeting our state's energy challenges. Thank you very much for your consideration. Please call Eric Bowen at 415-218-3766 with any questions.

Sincerely,



Chairman
California Biodiesel Alliance



Director of State Government Affairs
National Biodiesel Board