



DOCKET

11-IEP-1L

DATE Sept 16 2011

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Western States Petroleum Association
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Catherine H. Reheis-Boyd

President

September 16, 2011

California Energy Commission

Dockets Office, MS-4

Re: Docket No. 11-IEP-1L

1516 Ninth St.

Sacramento, CA 95814-5512

Via e-mail to docket@energy.state.ca.us

Re: 2011 IEPR – Transportation Energy Forecasts

Docket No. 11-IEP-1L

Dear Docket:

The Western States Petroleum Association (WSPA) appreciates the opportunity to provide some general comments relative to the California Energy Commission’s (CEC) Transportation Committee Workshop on Transportation Energy Demand and Fuel Infrastructure Requirements held on September 9, 2011. The issues discussed are critical to ensuring the adequacy, reliability and affordability of California’s fuel supplies. WSPA is a non-profit trade association representing twenty-six companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California, and five other western states.

Overall, WSPA continues to advocate for a realistic, science-based, fuel neutral and apolitical approach to establishing future requirements for California’s transportation fuel supplies. We believe such an approach will recognize the role of petroleum-based fuel products, and provide a realistic, technologically feasible and cost-effective portfolio of alternative fuels. California needs adequate, reliable, affordable, and clean supplies of energy to serve its citizens and maintain a strong economy.

We are encouraged the CEC has begun to study the entire transportation fuels system in the state – including petroleum fuels – rather than the majority of the focus being on the introduction of alternative and renewable fuels which is what we observed in the years prior to the 2009 IEPR. Until new vehicle technologies and alternative fuels are commercialized, petroleum will continue to be the primary fuel source for California’s vehicles. Stated another way, the GHG emissions reduction and petroleum reduction goals of the state will be linked to the availability of appropriate alternative fuels in the marketplace.

The state can assist in the enhancement and expansion of the existing petroleum infrastructure, particularly at marine ports, while at the same time working to develop an alternative fuel

infrastructure. Although the demand forecast may project a relatively flat demand for petroleum-based fuels, this does not indicate any less of a need for attention and assistance relative to the challenges being faced by the petroleum industry.

Overall, WSPA would like to recognize the tremendous effort by staff to improve the IEPR Transportation Fuels documents, and to provide as much quality data as possible. This document today is very much improved from what has been produced in the past. There is a greater understanding and recognition in the report of the complexities of the transportation fuels arena, and the considerations and challenges inherent in trying to transition to a wholly different fuel system in a rapid timeframe.

One of the main themes is the high level of uncertainty in what lies ahead – particularly with respect to future contributions of various renewable and alternative transportation fuels and technologies. There are, for example, questions about the adequacy of alternative fuels supply, the adequacy of the infrastructure, and the technical and environmental questions still to be addressed. Overlaid on this are the prevailing issues of whether the fuels, the vehicles, and the consumers will nicely match up. In contrast to historical IEPR documents that painted a very optimistic picture of the alternative fuel future contributions and the rapid reduction of petroleum fuels, this document appears to recognize the challenges of such a transition.

One aspect we found disappointing was the lack of a “next step” analysis in the report that would take much of the information obtained over months of staff work, and provide what is required by the enacting Bowen bill – which is to develop policies for the IEPR. The report identifies many significant problems and it would be very instructive to provide recommended solutions or changes needed to state policy or regulations.

An example of this gap is relative to E85. In the report the staff projects E85 infrastructure costs alone will be from \$3.1B to \$101.8B out to 2030, which are noted on a per station basis for dispensers many times greater than the total annual profits of a typical retail station. It also notes the number of FFVs needs to increase from 450,000 in 2010 to 5MM by 2030 to enable an adequate market for volumes of E85 needed to meet RFS2. The reader is left with questions: How is all this going to happen? Does the CEC believe the fuel and vehicle increases will realistically happen? What will be the impact on the state’s economy and consumers? What needs to be done or undone in order to accomplish this E85 evolution?

We do note one important “next step” on page 88 where staff recommends EPA consider convening a forum to ascertain the primary causes for lack of progress regarding growth of cellulosic biofuel production capacity under RFS2, along with a consideration of modifications to the program. This is an example of the types of recommendations that are very helpful to address the challenges this IEPR highlights, and we’d like to see more of throughout the document. .

As such, WSPA encourages the CEC staff to use the findings of this report to provide policy recommendations as input to the overall IEPR. We would like to request that certain key issues be highlighted in the main IEPR document, so policymakers are appropriately forewarned. In our March set of IEPR comments we stated, “The CEC does not appear to be actively and urgently working to chart a specific strategy that will deal with the very tight demand/supply outlook embedded in the Commission’s transportation fuels forecasts.” This comment and concern still stands and we request the Commission provide the needed leadership on these issues; you are the most knowledgeable and poised to do so.

The critical issues we'd like to have included in the overarching IEPR are:

- The need for staff to complete their analyses within this IEPR cycle for all of the alternative fuels which appear to be plausible in the near and medium-term, including more information on costs. In particular, additional analysis needs to be included on hydrogen and why the CEC seems to be at odds with CARB over the rate of FCV introduction.
- The need to highlight the possible negative consequences as well as the likelihood of success of the federal RFS2 (California portion) and CARB LCFS programs, including the issues surrounding the current crude differentiation approach in the LCFS. The CEC has a separate but equally important role to play in the state relative to energy supply issues. Therefore, any concerns with the current RFS2 and LCFS programs need to be identified in the Advisory Panel, in the December CARB Board hearing, and as central part of the IEPR document.
- The need for CEC to conduct the transportation fuels analysis on an annual, rather than biennial basis, as input to the CARB LCFS program. Transportation fuels are as critical to the state as electricity is – which is done on an annual basis.
- The need to include detailed analyses of the vehicle/consumer side of the equation in order to be able to comment on whether the various fuel and vehicle regulatory programs, as well as market movement and consumer preferences, will lead to a disconnect in the future where the fuels, vehicles, and consumers do not nicely align in terms of availability and selection, for example.
- The need to continue to support the petroleum industry in terms of expanded crude exploration and production, marine and other infrastructure.
- The need for a CEC reporting mechanism for alternative fuels.
- The need to translate this report for use by the AB118 effort, and to determine if revisions are needed to the AB118 program.

We would like to highlight several issues at this point in time for further consideration in this year's IEPR. In addition, attached to this letter is a comment letter prepared by Sierra Research under contract to WSPA, as well as the September 9 presentation by Wood Mackenzie that was provided on behalf of WSPA.

Key Overall Issues:

Some of the key overall issues are (in no particular order):

Report Structure and Aides

It seems the report would be a lot more useful and less confusing if it provided in one section both the forecast theoretical demands, the actual projected supplies, and the contextual list of challenges that might alter the theoretical demand and supply outlook – for each transportation fuel. It would also be extremely helpful to have a summary table in the report that shows for each fuel the demand and forecast numbers, anticipated costs, the barriers/challenges, etc. As it is now, the reader has chapters that address certain components that may be misinterpreted if read in isolation. It takes a lot of effort for a reader to go through the entire document, trying to pull out data and information in each chapter.

We believe the report would be much more useful if reorganized by fuel type so conventional/petroleum fuels would be one section and alternatives fuels would have their own individual sections. All of the information for these fuels would be pulled together in each section to provide the reader with the proper context and ease of use.

It would also be valuable to include a comparison of recent past actuals (3-5 years) to past IEPR projections to understand how well they tracked and the cause for variation. Understanding the causes for errant past projections will help inform, and hopefully improve, forecasts.

Alternative Fuels Reporting to CEC

Pg. 37 of the draft staff report states, “Estimates for alternative fuels are presented at the end of the chapter, but comparative analysis with economic and demographic factors was not done, due to data collection ambiguities and ongoing efforts to improve data collection. Instead staff analysis indicates that consumption of these fuels is mostly determined by government policy decisions.”

Pages 58-60 of the draft staff report continue to explain the data challenges staff experiences in collecting data for alternative fuels, and that there are significant fluctuations in the sales of these fuels – staff is unclear why this is – whether due to economic or policy conditions or data collection issues such as lack of metering, reporting procedures, etc.

On page 60 the draft staff report says staff estimates that eighty to ninety percent of the alternative fuel consumption occurs in heavy-duty applications. On page 59 it says “Another difficulty is that the Energy Commission would need resources to expand data collection efforts to commercial and government fleets, which are believed to be the primary consumers of alternative fuels, as explained below.”

Since the collection of good data is critical in satisfying the CEC’s obligations and goals, it seems apparent that something needs to be done in this area between now and the next IEPR.

The CEC should expand its authority to include alternative fuels under PIIRA or another mechanism to receive information from all of the transportation fuels providers. We recommend the alternative fuels providers be required (through some mechanism) to supply detailed records and information – similar to what the petroleum industry has to do – in order to solve this significant flaw in the report. We would be supportive, in concept, of legislation if needed to accomplish this goal.

Drivers of Alternative Fuels

We would also like to comment that it is interesting staff has concluded that government policies have been the main drivers of alternative fuel use in California (especially the South Coast’s fleet vehicle purchase policy), yet they also conclude that retail sales of alternative fuels remain a small share of transportation fuels use in the state. This underscores the question as to whether an aggressive policy such as the CARB LCFS is, in fact, achievable or even realistic in the marketplace within the required timeframe – particularly without an ongoing parallel government subsidization effort that has been in place for these types of programs. WSPA requests the CEC provide comments on whether alternative fuels are feasible replacements for conventional fuels in the next few years, and whether this replacement is achievable without government mandates and subsidies.

Transportation Fuel Use Forecasts

WSPA notes what appears to be the inequitable treatment in the report between the various alternative fuels and is concerned with staff’s indication they will continue to work on the other fuels. When will this analysis all be completed, and will there be additional workshops to receive comments/questions?

In particular, hydrogen is addressed minimally in the report. This is in sharp contrast to assertions by the auto manufacturers and CARB that tens of thousands of FCVs will be in the marketplace by 2015. The Commission should expand on why its analysis does not indicate that hydrogen is a priority fuel in the time horizon analyzed in this report.

We are concerned with the fact this section seems to solely focus on theoretical demand scenarios for alternative fuels, rather than combining this theoretical work with realistic impediments to this level of demand. For example, in the early part of the CA Transportation Fuel Demand Forecast section it discusses the calculations staff made based on the RFS program and the theoretical significant demand and consumption of E85. There is only one sentence that then says, “In both scenarios, increased E85 consumption is contingent upon availability of adequate vehicles and infrastructure.” The two outlooks are not reconciled and there are no recommendations for how to do that.

Transportation Fuels under the AB32 Cap and Trade Program

Staff verified during the workshop that they have not included an analysis of the impact of the state’s AB32 program’s placement of transportation fuels under the cap. WSPA requests that the CEC include an analysis addressing this, along with possible consequences of this policy on top of other transportation fuels policies and requirements such as the LCFS program.

LCFS

WSPA appreciates the CEC including the state’s LCFS program as a study topic. We once again direct you to the Sierra Research attachment for core comments. A few additional are:

National LCFS

Pg. 128 of the draft staff report– “These actions will result in the need for substantial quantities of specific types of renewable fuels. In the cases that achieve compliance for the longest period of time, the calculated volumes required by California obligated parties either approach or nearly approach the entire national supply of renewable fuels with low enough carbon intensity. The incremental demand for these same fuels that would result if any other region of the United States carried out implementation of an LCFS-like program would, at a minimum, increase competition and raise the market clearing prices of these biofuels. Based on the figures provided in the table above, the states considering implementation of LCFS-like regulations equate to 3.7 times the quantity of gasoline consumed in California and 7.2 times the quantity of diesel fuel consumed in California during 2009. Implementation of LCFS-like regulations outside of California would need to be accompanied by an unprecedented expansion of low carbon intensity fuels, likely in the form of biomass-to-liquid gasoline and diesel fuel, in order that sufficient incremental supplies of the appropriate biofuels be available, all at an unknown cost to consumers and businesses.”

WSPA agrees that the volumes of low CI fuels and credits that CARB requires in its program are substantial and are currently unavailable. This is compounded significantly if other states or regions decide to adopt LCFS programs, which could be reflected in the market.

LCFS Benefits

The document would benefit by the inclusion of a summary analysis of incremental impacts of the LCFS beyond what RFS2 accomplishes. The discussion of RFS2 clearly lays out the impacts of that regulation but the discussion for LCFS is not succinctly discussed as an increment to the RFS2. The report, in some locations, indicates LCFS will require more volume of B5 than would otherwise be required by RFS2. It would be helpful if these impacts were summarized, perhaps in a tabular form so the reader can clearly differentiate RFS2 impacts from LCFS.

LCFS Compliance Scenarios

This is one of the most important sections in the Transportation report and needs to be highlighted in the IEPR. Staff indicated in the workshop that the assumptions used in the compliance scenario analysis are very optimistic – i.e. including in many cases all electricity credits plus substantial

volumes of imported low CI and cellulosic ethanol. In fact, slide 2 in the staff's presentation states that the "primary concern is the plausibility of the assumptions." Unfortunately, the large amounts of cellulosic ethanol upon which the LCFS program was originally based have not yet materialized and, in fact, EPA's RFS2 requirements have been significantly downward-adjusted for several years.

Despite the optimistic and/or unrealistic analysis assumptions, it is of significant concern that staff has concluded LCFS compliance becomes infeasible as follows:

Case 1 – 2015 with no credits, 2018 using excess credits

Case 2 - 2016 with no credits, 2018 with excess credits

Case 3 - 2017 with no credits, 2020 using excess credits

Case 4 - 2017 with no credits, 2022 using excess credits

WSPA also constructed two charts which indicate the challenges with compliance in the timeframes required, and presented these at the CARB Advisory Panel meeting. These are included as part of our comments.

Importantly, both the CEC and WSPA analyses do not account for potential adjustments needed for realistic volumes of low carbon intensity fuels and credits, and potentially higher cost biofuels (per slide 2 of staff's workshop presentation).

WSPA asks that CEC provide more detail on the credits – whether natural gas or electricity or other credits– and provide statements on whether compliance will be achievable in the program if these carbon intensity credits double or quadruple, for example. In an earlier draft we noted statements indicating electricity credits would be unable to provide no more than 3 to 10% of the LCFS compliance, but we no longer see this statement and would request a clear analysis and conclusions on this issue.

Again, the CEC LCFS scenarios assume large credit generation early in the program to extend compliance as highlighted above. There have not been enough quarterly reports generated yet to provide ample evidence that there will be this high level of credit generation. However, CEC does not assume any incremental deficits related to HCICO use, and staff needs to clearly state why this is. It may be plausible that the ability to bank credits over and above what is needed for compliance may be hampered by CARB's advisory requiring retroactive HCICO adjustments to deficits.

During the 9/9 workshop staff indicated they will be conducting further analysis on the compliance cases and the compliance costs. We would suggest staff include a range of assumptions, but focus on more plausible/realistic assumptions. WSPA looks forward to seeing the additional LCFS analysis that will be published in the final staff report.

Crude Oil Import Forecasts, Infrastructure Needs, & LCFS HCICO

WSPA appreciates CEC's staff work on the LCFS and the HCICO issue – in particular the work staff performed on the identification of crude oils worldwide – and the balanced approach the CEC has taken on the issue to date.

9/9 Workshop – Slide # 10

- *If refiners used a quantity of potential HCICO similar to 2010 (roughly 8 percent), they would need to use ethanol from California & Brazil in all of the gasoline they produce-beginning this year*

- *Even if refiners were to use as little as 2 percent HCICOs in their mix of crude oil, use of ethanol from the Midwest would be effectively infeasible by 2013*
- *In fact, there are no sources of commercially available ethanol available that could completely offset the incremental carbon debt of using 2 percent HCICOs by 2016.*
- *It is therefore assumed by staff that potential HCICOs would be unavailable for use in California.*

All of these statements are very important to highlight in both the Transportation Fuel report as well as the IEPR to reflect the problems with the CARB LCFS crude differentiation approach. The LCFS targets of reducing 10% carbon intensity of the fuel by 2020 are aggressive and challenging enough without having to overlay a crude differentiation scenario.

Pg. 110 of the draft staff report- “California refiners are already attempting to process a specific mix of crude oil that is economically optimal based on their individual refinery configuration, the proper ratio of gasoline and diesel fuel that the marketing department is targeting, and the acquisition costs for the various crude oil types. The HCICO provision has the potential to affect the crude oil selection decisions of California refiners. However, the HCICO provision is not expected to restrict access to crude oil supplies in a way that could significantly impact fuel supply, but it could impact refiner profitability and the ultimate cost of petroleum fuel in California.”

Pg. 113 of the draft staff report – “...obtaining alternative crude oils than those used recently in CA refineries could lead to increased crude costs and lower refinery margins.”

WSPA questions how the CEC reached the conclusion that CARB’s HCICO provision in the LCFS is NOT going to be detrimental to the refiners, the state, or other jurisdictions - other than it might impact refiner profitability and the cost of petroleum fuel in CA – which is not quantified or discussed in terms of what this might mean for provision of transportation fuels in the state. The conclusion seems to contradict the CEC’s role to ensure adequate, reliable and affordable fuels can be supplied to meet California’s demand.

CEC’s statement implies that refiners process a crude slate based only on optimal economics. Refineries are configured to run a particular crude slate – for example, a heavier gravity and higher sulfur crude vs. lighter gravity crude with lower sulfur. Crude supply logistics (i.e., marine, pipeline capabilities, etc.) also play a role. This means that physical equipment and logistical constraints dictate what range of crude a refinery can receive and process. Within that range, there will be adjustments made in crude selection based on a number of factors, including economics. While it may not have been the intent, the statement implies a flexibility to run any kind of crude at a refinery with only the economics as a consideration.

The statement indicating that the HCICO provision will not impact supply is not necessarily true during short-term supply disruptions. If there is an unplanned crude supply disruption to a particular facility, that facility will be faced with replacing that particular crude very quickly to minimize refinery disruption. There could be cases where crudes that can be quickly accessed will come with severe penalties based on the HCICO provisions and refiners will be faced with a difficult choice to procure crude from further away with potential detriment to refinery production or incur the HCICO deficit with the LCFS. We request that CEC address this aspect in the document.

During the September 9th workshop staff indicated there are three outstanding issues:

- Staff did not quantify the potential cost increase that could occur when refiners replace HCICOs with alternative crude oils
- Staff did not assess potential for crude oil “shuffling”

- Staff did not qualitatively assess any potential energy security implications of the HCICO provision.

WSPA's contractor – Wood Mackenzie – provided a presentation during the workshop relative to the shuffling issue, for example. WSPA believes it is critically important for the state to consider all of the above crude differentiation policy issues in this IEPR since these issues will be addressed during the December CARB Board hearing. We request that work proceed as quickly as possible on arriving at answers to the above questions.

Pg. 110 of the draft staff report– “The LCFS does not prohibit the use of HCICOs. However the petroleum fuels derived from such crudes would be of a higher carbon intensity (CI) than typical gasoline and diesel petroleum components, and these higher carbon emissions would need to be offset by greater use of low CI alternative fuels. This increase in CI is substantial, and once the HCICO provisions are fully implemented it is unlikely that California refiners will elect to continue using significant percentages of HCICO in their crude mix because of this increased difficulty of offsetting the additional carbon emissions.”

Why did staff conclude that the refiners would merely stop using high CI crudes over time? The first sentence on page 110 states, “CA refiners are already attempting to process a specific mix of crude oil that is economically optimal based on their individual refinery configuration...” This apparently indicates the refinery configuration dictates what range of crude slate can be processed, so does staff believe it is only a matter of the cost of crude oil that is the impediment to using low CI crudes? Has staff asked the refiners what the impacts of this crude differentiation approach might be and provided an aggregated analysis of this?

Pg. 113 of the draft staff report– Implementation of the Proposed HCICO Provision

“Achieving these emission reductions will be a challenge for two reasons: oil producers outside of California have alternative markets to sell their crude oil; and the California crude oil market (which the report states is a potential maximum of 1.2% of global demand) is too small to justify an investment to reduce the carbon intensity of crude oil production operations.”

We are unsure why there seems to be a prevailing notion outside the CEC that crude producers worldwide are going to change their operations in response to the CARB LCFS HCICO provision, and we regard this as optimistic at best. WSPA has advocated a more equitable approach where crude oils are NOT differentiated at all, but is willing to consider a Worldwide Average approach that gets updated on a periodic basis and is exploring other options as well.

We suggest it would be appropriate for the IEPR to include a CEC recommendation to CARB that the LCFS crude oil treatment needs to not include differentiation in order to ensure adequate and reliable transportation fuel supplies in the state.

Renewable Fuels Standards, Supply, Infrastructure

Pg. 146 of draft staff report - “Available time and resources dictate that staff focuses on those issues that appear to have the most pressing near-term consequences, namely the intersection of complex state and federal renewable fuel rules that prescribe percentages and volumes of renewable fuels consumed, particularly ethanol. Other fuels will be discussed, but with the understanding that the time, dialogue, and research needed to fully quantify their contributions to petroleum and carbon reduction, and the challenges to their adoption, are limited. However, staff is committed to developing these analyses in future work as resources and time permit and seeks an open and ongoing discussion with stakeholders to work to that end.”

There are several important sections of this report that are either still outstanding, or need further detailed input. This speaks to the need for a change in the CEC's IEPR approach. WSPA would like to see annual transportation fuels updates – especially as input to the ARB's LCFS program.

With regards to biodiesel, CEC should limit its biodiesel blending projections to B5 maximum, not B10 or B20 (after 2015) because of the OEM warranty concerns for older diesel engines, plus the FTC retail pump labeling rules for blends above 5% are barriers to widespread retail offerings of blends above B5.

With regards to hydrogen, WSPA has several comments:

- The report contains a fairly robust analysis of the outlook and logistics associated with biofuel use (ethanol and biodiesel). This level of analysis does not exist for hydrogen, and the State of California would benefit from such work. Elements of the biofuel analysis that should be considered for hydrogen include:
 - Supply outlook – historical volumes produced, feedstock sources and availability, impact on gasoline market, economic analysis (i.e. fuel cost, business case/profitability, revenue generating potential, etc.), and supply capacity.
 - Logistics outlook – means and capacity of fuel and/or feedstock transport (i.e. truck, pipeline, etc.), production methods (i.e. distributed versus central).
- In the hydrogen infrastructure section on page 189+, there are statements that indicator costs associated with H2 infrastructure and provision of hydrogen vehicles, etc. are decreasing – which is more optimistic than the characterization in the 2011-12 AB118 Investment Plan document, where it states the high cost of the technology remains a major challenge and that it is still at a pre-commercial stage. We also believe the statements at the beginning of the report should be included in this more detailed section – which is that the costs are still many times greater than traditional gasoline/diesel dispensing stations.
- As stated earlier, hydrogen is not included in the transportation fuel demand forecasts and analysis which could be perceived to mean the CEC does not view hydrogen as a material, viable or significant player in the transportation fuel market. Through its description of the CFO regulation, however, the paper suggests that mandates could increase the role of hydrogen in the future.
- The Clean Fuels Outlet regulation is mentioned several times in the dialogue on hydrogen within the report. The report references the CFO as one of two “upcoming regulations that could influence commercial scale production of hydrogen fuel in California.” CARB's proposed modifications have not yet been introduced and staff has indicated a willingness to work with industry on a collaborative approach in lieu of the modified regulation. Note that SB 1505 is the other regulation mentioned in this context.
- The discussion of SB 1505 acknowledges that the impact of the regulation will increase demand for renewable energy, but it does not consider the increase in fuel costs that will likely result from SB 1505's implementation – costs could increase if renewable hydrogen is required due to competition for renewable resources and the state of renewable hydrogen production technology.

The ARB's LCFS program may result in some significant changes in California's infrastructure needs – even in the petroleum arena. For example, staff asked in the Marine Terminals list a question related to the importation of fuel import requirements. We believe there are a number of plausible scenarios relating to the need for additional marine facilities that may include greater importation of crude oil, greater importation of blendstocks or intermediates, greater importation of finished fuel, as well as even an exportation of finished fuel.

Alternative Fueled Vehicles Availability

Page 191 of draft staff report – Again, the critical synergy amongst the three elements: the vehicles, the fuels, and the consumer, needs to be more fully addressed this year. This section only receives limited discussion (4 historical charts and a few sentences). Although many of the alternative fuel sections contain some mention of the vehicles, we believe this should receive equal treatment in the report to the fuels – since there is a definitive link between the two.

There needs to be more projections and discussion of costs as well as challenges to increased penetration of vehicles in the future, as well as tie-in with what that means from a policy perspective for future fuels. The advent of RFS2 and the LCFS, and the structure of each, means there should be additional discussion about how these three elements are going to converge. It does the State no good to have plentiful supplies of a certain fuel but no vehicles to run it in, as well as vice versa. It also does the State no good, for example, for the vehicles and fuels to be available, but the consumer refuses to engage in purchasing the vehicle/fuel due to a variety of reasons such as cost or convenience.

Environmental Impacts from Exemptions

We noted during the May 11 workshop and in our earlier written comments, that a number of fuels, including biodiesel and E85, are receiving waivers or exemptions from certain state requirements (such as air quality provisions) or where there are no existing state requirements. This appears to have been the case for a substantial amount of time – several years at this point, and we request the state assess what possible environmental implications may have resulted and are resulting from these waivers/exemptions (e.g. additional criteria or GHG emissions).

We understand the AB118 program is required to assess the results of the program including criteria and GHG impacts, and for this assessment to be incorporated in the IEPR. There seems to be an expectation that all of the impacts are going to be beneficial, however, due to the waivers/exemptions we believe this assumption may need to be altered. We request the Commission investigate both the environmental impacts from these waivers/exemptions as well as the possibility of supply impacts if the waivers are rescinded, to include this analysis in the IEPR, and provide recommendations to the State on actions needed.

Bottom Line

Policy makers must ensure that while we develop and deploy future renewable and alternative fuels for California consumers, state policies do not result in an energy supply gap. Government policies should be balanced and should not cause a reduction in available supplies of cleaner burning gasoline and diesel fuels before there are sufficient, commercial quantities of renewable and alternative fuels to fill the gap.

California consumers and our state's economy must have access to abundant, reliable and affordable future supplies of all forms of energy.

WSPA and its members look forward to assisting Commission staff in the coming months with additional comments and data in order to ensure a realistic depiction of the transportation fuels arena in the IEPR.

Please contact me at this office or my staff Gina Grey at (480) 595-7121 if you have any questions.

Sincerely,



- c.c. Commissioner James Boyd
Commissioner Carla Peterman - CEC
Gene Strecker – CEC
Gordon Schremp – CEC
Chariman Mary Nichols – CARB
Virgil Welch - CARB
James Goldstene – CARB
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