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**DOCKET**

**11-IEP-1L**

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**Catherine H. Reheis-Boyd**  
President

November 30, 2011

IEPR Docket  
California Energy Commission  
Dockets Office, MS-4  
Re: Docket No. 11-IEP-1L  
1516 Ninth St.  
Sacramento, CA 95814-5512  
[Docket@energy.state.ca.us](mailto:Docket@energy.state.ca.us)

Re: WSPA Comments on November 14 IEPR – Role of Alternative Fuels in California’s Transportation Energy Future Workshop – Docket No. 11-IEP-1L

The Western States Petroleum Association (WSPA) is providing comments on the November 14 staff workshop on the role of alternative fuels in the state’s transportation energy future. In general, WSPA is supportive that the Commission is engaged in providing additional realistic data related to alternative and low carbon fuels availability and cost, as well as vehicles, within the California Air Resources Board (CARB) LCFS’s timeframe.

Since the first year of the LCFS has passed, and the CARB Board is considering needed changes to the program in December, it is an appropriate time for the agency that oversees energy supplies in the state to consider additional data on likely upcoming challenges of the LCFS program and whether it is realistically feasible.

WSPA is very concerned about the potential limited supply and cost of the fuels both the CEC and CARB depended on in their analyses to demonstrate degrees of compliance with the LCFS program. However, WSPSA believes there are many questions that need to be answered regarding ongoing state assumptions inherent in the current analyses of the LCFS program. As historical trends in advanced fuels and advanced vehicles have shown, projected hopes and expectations do not necessarily result in actual significant market penetration.

WSPA has a few initial requests:

- WSPA requests the IEPR document incorporate a significant amount of transportation fuels information. This would include information shared at the

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workshop as well as additional information and analysis on the LCFS program and the connection with vehicle and consumer preference data. Typically, the transportation sector receives minimal attention in the IEPR, and we would like to see more of an emphasis on this important sector of the energy picture.

- WSPA requests that the CEC conduct at least annual reviews where data on the supply and cost of alternative and low carbon fuels, as well as vehicles, is updated on a regular basis – preferably quarterly – so as to inform both the work at the Commission, as well as the ARB in its ongoing analysis of the LCFS program.
- WSPA requests that staff provide detailed documentation of the sources of all of their assumptions and all of their analyses. The information presented at the workshop was only available the day of the workshop and contained numerous summaries and conclusions. The public did not have sufficient time to digest the information, nor was there sufficient data or details provided on the derivation of each slide. WSPA requests this information be released in a comprehensive fashion and additional time be provided for review and comment. In addition, in future IEPR cycles, more time needs to be allowed for complete staff work and public input.
- WSPA requests the Commission conduct an analysis of the economic and energy supply impacts of a combination of CARB regulations including the AB32 cap & trade program, the LCFS program, the Advanced Clean Cars program, inclusion of fuels under the cap, and revisions to the Clean Fuel Outlet mandate. The Commission should also consider the impacts of elimination of those regulatory programs.

WSPA has the following specific comments to provide on the November 14<sup>th</sup> workshop:

- CEC's November 14 presentation regarding the agency's assessment of the feasibility and cost associated with LCFS compliance does not appear to reflect changes in response to WSPA's previously submitted comments. Therefore WSPA's previously expressed concerns still apply to the latest CEC analysis.
- The most important of these missing changes is that the CEC analysis of LCFS compliance and compliance costs still does not provide a definitive forecast of the anticipated supply and cost associated with low CI fuels that will be drawn to the state by the LCFS, nor does it present a realistic assessment of the probability of LCFS compliance and the costs associated with the LCFS program. The IEPR must contain an analysis of the most likely impacts of the LCFS on the availability and cost of California transportation fuels, not an analysis based on overly optimistic contrived assumptions like those found in Scenario 3 which include massive imports of ethanol from Brazil as well as the availability of the bulk of all the low carbon intensity biofuels produced in the U.S. coming into the state of California.
- Although CEC's LCFS cases have been revised, the available documentation continues to cause concerns with assumptions being overly optimistic. For example, slide 2 of the November 14 staff presentation states that the primary

concern with the CEC LCFS compliance analysis is “plausibility of the assumptions“. Specific issues with the “plausibility” of the assumptions that underlie the CEC analysis raised in the CEC staff presentation include:

1. Whether or not imported Brazilian ethanol will be available;
2. Whether or not biodiesel use will rapidly increase to B5 and then to B10 and B20 levels before 2020;
3. Whether or not corn oil-derived (very low CI) biodiesel will be available in large volumes by 2017;
4. Whether or not renewable diesel fuel will be available in significant quantities (e.g. 219 million gallons) in California by 2017;
5. Whether half of all forecast U.S. production of cellulosic biofuels (if they even become available in commercial volumes) will be available for use in California by 2018;
6. Whether or not the assumed supplies and costs of biofuels are reasonable given the possibility that 22 other states are considering the adoption of LCFS programs similar to the California program in the same timeframe and will be looking to the same fuel pool as California for compliance; and,
7. Whether the costs and challenges of infrastructure for the provision of new fuels has been incorporated fully.

Again, CEC must justify all the assumptions that it uses in its LCFS analysis and include the most reasonable future scenario in the IEPR even if results for that scenario show that LCFS compliance will not occur.

- The CEC also needs to provide much more extensive documentation of how it arrived at the scenarios being considered including identifying all scenarios considered and explaining in detail why results are not being presented for those scenarios. Similarly, CEC needs to better document and explain the methodology and results associated with its compliance cost analysis. This includes providing all cost information, not just cost information incremental to the RFS2 baseline.
- The CEC analysis assumes significant LCFS over-compliance during the early years of the program and the use of banked credits to achieve continued LCFS compliance for some period after a point is reached where annual compliance can no longer be achieved. CEC needs to carefully consider and analyze what impacts the cost of compliance with the LCFS program during early years of the program may have on the accumulation of excess credits. CEC needs to carefully examine its assumptions in this regard and perform sensitivity analyses as necessary to highlight the potential for LCFS non-compliance.

- The CEC analysis should include scenarios where LCFS programs are assumed to exist in states other than California and report the resulting impacts on LCFS compliance both in California as well as those other states.
- The CEC analysis must include an assessment of the impacts of CARB's proposed changes to the LCFS requirements related to "high carbon intensity crude oil" (HCICO) which will potentially make LCFS compliance more difficult and more costly.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine A. Boyle". The signature is fluid and cursive, with the first name "Catherine" written in a larger, more prominent script than the last name "Boyle".

c.c. P. Perez – CEC  
G. Strecke - CEC  
G. Yowell - CEC  
M. Weng-Gutierrez - CEC  
G. Schremp - CEC