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E2 Fuel Purchase Proposal

E2 is working on a proposal for a set of California public entities to source a portion of existing fuel demand from renewable, domestic sources. Through long-term contracts, these public entities will provide the purchasing power to entice new low carbon fuel facilities to be built and/or retrofitted on the West Coast.

Such a program will help public entities meet their greenhouse gas reduction goals and stabilize fuel prices. It will also provide a foundation for advanced fuel production and the associated economic benefits, independent of policy levers.

The structure of these long-term contracts will be determined through a Request for Information and subsequent proposal process. If these fuel contracts will have a set price for the duration of the contract, it could be beneficial to use some portion of AB 118 funding to offset a price premium for the first few years of the project. With fixed prices, it is likely that these low carbon fuels will be less than the price of fossil fuels during the later years of the contract.

For example: If 10 million gallons of renewable drop-in gasoline were purchased for 10 years at \$5/gallon, there might be \$0.50-1/gallon difference between this fuel and fossil fuels purchased on the spot market in the first few years of the contract. If AB 118 funds buffered this price differential, then contracting public entities would not shoulder the political or budgetary risk of paying more for this premium, renewable fuel. Naturally, any price buffering would need a ceiling, and operate within a fixed amount of AB 118 funding.

Since this proposal involves many layers of public entities, E2 proposes that a non-profit oversee this contracting process on behalf of all interested parties. E2 is currently working to identify a suitable non-profit. AB 118 funds might be sought to help administer this program at the designated NGO, so as to minimize costs to contracting public entities.

If you have any feedback, or would like more information about this program, please contact Mary Solecki at mary@e2.org or 415.246.3322.

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