

CALIFORNIA ENERGY COMMISSION1516 Ninth Street
Sacramento, California 95814Main website: www.energy.ca.gov**DOCKETED**
11-ALT-1

TN # 66268

JUL 19 2012



In the matter of:

California Ethanol Producer Incentive
Program (CEPIP)

) Docket No. 11-ALT-01
)
) WORKSHOP
) RE: California Ethanol Producer
) Incentive Program (CEPIP)
)

Notice of Lead Commissioner Workshop on Advanced Ethanol Production in California

The Lead Commissioner on Transportation of the California Energy Commission will conduct a workshop to discuss Advanced Biofuel (Ethanol) and the California Ethanol Producer Incentive Program (CEPIP) funding and the future role and prospects of biofuel production in California. The workshop will assist Commissioners and staff evaluate policy and market drivers of commercial ethanol production, assess project and industry economics, and understand the policy implications and investments needed to spur the commercialization of advanced biofuel production. Other Commissioners may attend the workshop.

August 1, 2012

9:00 a.m. to 4:30 p.m.

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street

Hearing Room A

Sacramento, California

Wheelchair Accessible

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Agenda

The following items will be discussed at the workshop:

- Corn ethanol production and co-products
- Biofuel market outlook and government policies
- Advanced biofuel production projects in California and the relationship to existing ethanol plants
- Other topics that will help inform the Energy Commission's potential investments in ethanol and the CEPIP

There will be an opportunity for public comment at the workshop. See the Background section for specific questions on which the Energy Commission seeks input.

Background

Federal laws enacted to reduce the U.S. reliance on imported petroleum and reduce tailpipe emissions led to the use of ethanol as an additive to gasoline, increasing the need for ethanol production in the United States. California's Low Carbon Fuel Standard (LCFS) is also acting as a policy driver to stimulate biofuels production and use within the state.

Within the last year, significant changes have impacted the biofuel markets. Bio-based industries have received significant project capital while advanced biofuel markets continue to seek capital. In December 2011, Congress repealed the federal tax credits for ethanol and the import tariff on foreign-produced ethanol, which may lead to more competition and imports of lower carbon-based ethanol. The U.S. Environmental Protection Agency approved expansion of ethanol blends in gasoline to 15 percent (E15) to offset a national surplus of ethanol and waived the RFS2 requirements for cellulosic biofuel production because projects were not progressing as rapidly as originally envisioned. Some automakers have raised concerns about using E15 in vehicles because of potential engine and fuel system impacts.

The California Energy Commission has provided grants from the Alternative and Renewable Fuels and Vehicle Technology Program (ARFVT) for almost thirty advanced biofuel and biomethane projects to spur development of low carbon fuels in California. In California, three of five commercial corn ethanol facilities have re-opened with financial assistance from the Energy Commission's California Ethanol Production Incentive Program (CEPIP). One other ethanol facility remains idle and the fifth facility is no longer operational. The CEPIP is designed to provide temporary financial assistance in the form of payments when market conditions are bad, based on the ethanol crush spread. Participants are required to reduce the carbon intensity of the fuel production through increased efficiency of their operations or through use of alternative feedstocks. CEPIP participants are required to repay funds when market conditions are favorable for ethanol production. The Energy Commission approved an initial \$6 million for the CEPIP, which has since been exhausted by the three operational facilities.

On May 9, 2012, the Energy Commission adopted the FY 2012-13 Investment Plan for the ARFVT program and directed staff to obtain more information about the financial, operational, and business conditions surrounding existing ethanol production plants. Staff was also directed to conduct a workshop on these topics within 90 days. In addition, the Energy Commission requested that staff evaluate the timing and steps required to stimulate commercial-scale development of advanced biofuels and solicit input to help determine the continued need for funding CEPIP, whether additional funds should be added to CEPIP, estimate how much funding may be needed, and identify the source of funds.

The Energy Commission poses the following questions about additional CEPIP funding and development of advanced biofuel projects:

- How do CEPIP funds for corn ethanol production plants accelerate commercial-scale production of advanced biofuels in California?
- When will commercial-scale, low carbon advanced biofuel production in California occur?

- What barriers impede efforts to achieve commercial-scale advanced biofuel production and what other financial incentive mechanisms might help to overcome the barriers?
- What is the contribution of corn ethanol plants in terms of jobs and economic development in California?
- What is the contribution of corn ethanol plants in fulfilling policy goals such as the Low Carbon Fuel Standard?
- How much additional funding is needed for CEPIP, if any, and how much is needed for each facility?
- To what extent and when will the growth of E15 blends or other factors affect nationwide ethanol pricing and diminish the need for CEPIP incentives?
- How does the recent heat wave in the Midwest affect corn pricing and the ethanol production "crush spread" price?

Public Comment

The Lead Commissioner for Transportation will accept oral comments during the public comments portion of the workshop. Comments may be limited to 5 minutes per speaker. Any comments will become part of the public record in this proceeding.

Written comments should be submitted to the Dockets Unit by 5 p.m. on August 17, 2012. Written comments will be also accepted at the workshop; however, the Commission may not have time to review them before the conclusion of the workshop. All written comments will become part of the public record of this proceeding. Additionally, written comments may be posted to the Energy Commission's website for the proceeding.

The Energy Commission encourages comments by e-mail. Please include your name and any organization name. Comments should be in a downloadable, searchable format such as Microsoft® Word (.doc) or Adobe® Acrobat® (.pdf). Please include the docket number 11-ALT-01 and indicate CEPIP in the subject line. Send comments to:

docket@energy.ca.gov

If you prefer, you may send a paper copy of your comments to:

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 11-ALT-01
1516 Ninth Street
Sacramento, CA 95814-5512

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Media inquiries should be sent to the Media and Public Communications Office at mediaoffice@energy.ca.gov or (916) 654-4989.

If you have questions on the subject matter of this meeting, please contact Larry Rillera, Larry.Rillera@energy.ca.gov or (916) 651-6178.

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Availability of Documents

Documents and presentations for this meeting will be available online at: www.energy.ca.gov/11-ALT-01/documents/index.html

Date Signed



CARLA PETERMAN
Lead Commissioner on Transportation

Mail Lists: listserv, altfuels, altfuels AB 118, transportation