



Air Resources Board



Matthew Rodriguez
Secretary for
Environmental Protection

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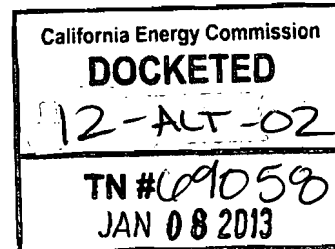
Edmund G. Brown Jr.
Governor

TO: Robert P. Oglesby
Executive Director
California Energy Commission

FROM: Alberto Ayala, Ph.D., M.S.E. *AAA*
Deputy Executive Officer

DATE: January 3, 2013

SUBJECT: STAFF DRAFT 2013-14 INVESTMENT PLAN FOR THE ALTERNATIVE
AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY PROGRAM



The staff of the Air Resources Board (ARB) appreciates the opportunity to offer their support for the investments proposed in the 2013-2014 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program, Draft Staff Report (Investment Plan). I commend Energy Commission staff on the hard work and excellent analysis that went into producing the Investment Plan. Our agencies' collaboration at the staff, management, and Executive level continues to benefit our respective Assembly Bill (AB) 118 programs by assuring continued, coordinated investments to meet the State's long-term climate, air quality, and petroleum dependency reduction goals and commitments.

ARB staff offers the following recommendations for Energy Commission consideration.

1. Light-Duty Vehicle Deployment: ARB staff supports the proposed allocation of \$5 million for light duty vehicle deployment. Based on current and projected consumer demand, clean car rebates could exceed ARB's entire AB 118 budget next year. The Energy Commission's funding would extend rebates for up to 2,000 additional vehicles. This investment builds upon the \$4.5 million allocated to the CVRP by the Energy Commission this fiscal year. The three months of August, September, and October 2012 have set successive records for monthly rebate applications, with nearly 2,000 applications in the month of October alone. Energy Commission funding is critical to helping meet current and future rebate demand. ARB staff also supports the proposed allocation of \$7 million for electric vehicle charging infrastructure, as this infrastructure is integral to the success of clean vehicle deployment.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

2. **Hydrogen Fueling Infrastructure:** ARB staff supports the proposed \$20 million allocation for hydrogen fueling stations. As described in ARB's Vision for Clean Air, a mix of engine and fuel technologies – including battery electric and fuel cell vehicles – is needed to transform the California fleet and meet State air quality and climate change goals in a coordinated fashion. This funding is needed to support the establishment of a minimum network of 68 stations in key initial markets in preparation for automakers announced deployment of zero emission fuel cell vehicles as early as 2015. These stations are critical for this initial vehicle deployment because customers need assurance of reliable and convenient fueling stations before committing to purchases. As the population of fuel cell vehicles grows, continued investment to expand that network to 100 stations will tip the market to a point where vehicle and fueling station markets will mature and are expected to continue to expand through private investment alone.

3. **Strategic Investment in Renewable Heavy-Duty Vehicle Fuel Substitutes:** The Investment Plan proposes an overall allocation of \$23 million for all biofuels, including biomethane, gasoline substitutes, and diesel substitutes. ARB staff recognizes the intent of combining the biofuels allocation (similar to the Fiscal Year 2012-13 Investment Plan) to help identify and fund the best overall project proposals. Consistent with our written comments on the 2012-2013 Investment Plan, ARB staff continues to encourage the Energy Commission to consider strategic investments in renewable heavy-duty vehicle fuel substitutes, particularly diesel substitutes, because there are fewer known technology and fuel alternatives for these applications. Drop-in diesel fuels are an important technology option for interstate trucks, (which contribute to more than half of all emissions from heavy-duty trucks in California) because the fuel is compatible with existing diesel engines. ARB staff recognizes that the volume of gasoline consumed in California is currently higher than that of diesel fuel, offering a significant opportunity for near-term benefits with gasoline substitutes. However, ARB staff urges the Energy Commission to continue funding diesel substitutes as a long-term technology pathway for diesel vehicles and other equipment. California's investments can serve as a foundation for the expansion of the use of these fuels nationwide.

I look forward to continuing the close collaboration between the Energy Commission and ARB as we implement our respective AB 118 programs. If you have questions or would like to discuss these issues further, please contact Mr. Peter Christensen, Manager, at (916) 322-1520 or pchriste@arb.ca.gov.

cc: See next page.

Robert P. Oglesby
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