May 8, 2013

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Re: ***2013-2014 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program*** **LEAD COMMISSIONER REPORT**. California Energy Commission. Publication Number: CEC-600-2012- 008-LCR

California Biodiesel Alliance Comments

Dear Commissioners, Staff and Members of the ARFVTP Advisory Committee,

The California Biodiesel Alliance (CBA) is a not-for-profit trade association promoting the increased use and production of high quality, renewable biodiesel fuel in California. CBA membership includes California producers, feedstock providers, marketers and other stakeholders.

CBA's primary concern with respect to this Revised Staff Draft Investment Plan Update is that objective metrics have still not been utilized to evaluate proposed budget allocations, and as a result the biodiesel allocation is significantly under funded. At the December 4th Advisory Committee meeting Commissioner Peterman had directed staff to "urgently" consider the use of metrics in evaluating budget allocations after myself and 3 other committee members asked about it. We continue to request that metrics be used to evaluate investment priorities in the 2013-2014 Investment Plan.

CBA presented in our biodiesel industry white paper at the Advisory Committee meeting on September 19, 2012 and again at the meeting on December 4, 2012, that based on the Energy Commission's own calculations from the 2011 IEPR Benefits Section, biodiesel use in California provides 34.7% of program results – more than all other modalities – and yet has only received 4.8% of the funding. In comparison, a cost benefit analysis of the numbers from that same section of the 2011 IEPR shows that other programs were 9 to 20 times more expensive as biodiesel in achieving the same goals.

You mention in the LEAD COMMISSIONER REPORT of the 2013-2014 Investment Plan Update that: "An update to the 2011 IEPR benefits report will be developed as part of the *2013 Integrated Energy Policy Report*. In the interim, the Energy Commission continues to review the development and use of program metrics, which are integral parts of benefits assessment and reporting." Can staff share a more in depth status of updating the metrics since they are so integral?

I'd like to point out that biodiesel is the lowest cost, commercially available low carbon fuel on the market today. It can be produced from diverse low impact feedstocks grown in California, creating in-state jobs.

As we outlined in our white paper and subsequently at the recent biofuels workshop on January 10, 2013, CBA recommends that each biofuel have its own 'silo' (or category) and not be grouped together – we strongly believe that each biofuel (biodiesel, biogas, ethanol) can stand on their own merits; and we further recommend that in-state biodiesel (diesel substitutes) production and feedstock and distribution infrastructure development projects receive $24 million in each of the next two funding cycles. This increase would actually start to bring our funding more towards parity with our contribution toward program goals of petroleum displacement, carbon reduction, air quality improvement and job creation.

We need to see a more dynamic report on program metrics but in order to achieve this funding increase we recommend that a 20% incremental amount of funding be re-allocated to biodiesel from the other fuels and technologies funded above the parity line. With this adjustment biodiesel is still 10% under-funded compared to its performance metrics in meeting stated ARFVT Program goals, but at this funding level the Energy Commission still retains the ability to fund innovative programs that are not yet justified by the metrics.

CBA also would like to work with the Commission to advise and implement a policy for all Program Opportunity Notices to require all proposals to contain a dollar per metric unit improvement analysis.

We would also like to point out that on page 20 you say "in the past, soybean oil has been used for 30 to 60 percent of California's biodiesel supply". This is not accurate. At the most, 25 – 30% of California's biodiesel was produced from virgin vegetable oils including a combination of soy and canola. On page 33 you discuss the lapse of the biodiesel tax credit in December 2011 which "may hamper the expansion of this infrastructure", but fail to mention the extent that biodiesel blending infrastructure has expanded since then and that this credit has been reinstated for two years.

We look forward to continuing to work with staff and hope that you will seriously consider these recommendations and integrate them into the final version of this Investment Plan.

Respectfully submitted,

Joe Gershen