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

November 4, 2013

Re: **13-ALT-02 "2014-2015 Investment Plan Update"**

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 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, 2012 Advisory Committee meeting Commissioner Peterman 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. We note with disappointment that the biofuels production category has not been broken down into separate funding categories as has been repeatedly requested by all the biofuels stakeholders. And in fact, the biofuels category has received a reduction in funding from last year – going from $23 million to $20 million. This seems particularly misguided given that biodiesel has been providing the best overall return on taxpayer-invested dollars in terms of ARFVT Program goals of petroleum displacement, carbon reduction, air quality improvement and job creation.

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 than biodiesel in achieving the same goals.

We are pleased to see your acknowledgement in the Executive Summary that "biofuels derived from waste-based feedstocks (which are emphasized by the program) offer some of the lowest carbon pathways currently available, with some potential pathways even resulting in net greenhouse gas elimination. The volume of biofuel production supported through this program can be immense, given previous projects expected to produce hundreds of thousands to millions of gallons of biofuel per year. This category has also been significantly oversubscribed with quality projects in previous solicitations." CBA would like to point out that the vast majority of California biodiesel producers utilize these ultra-low carbon waste-based feedstocks and we respectfully ask, if the potential of these biofuels is so compelling and the category has been significantly oversubscribed with quality projects, then why have you reduced funding in this category?

In Chapter 2 there is reference to the Energy Commission requirement to include a benefits assessment of the ARFVT Program as part of its biennial Integrated Energy Policy Report (IEPR). It goes on to suggest that "additional information on the direct and indirect benefits from the ARFVT Program's investments" will be included in the 2013 IEPR, currently under development. CBA would like to remind the Commission that AB 109 does not state that an *assessment* is required. It states that an *analytical rationale* is required for all proposed expenditures. Additionally, AB 8, the reauthorization of this program which was recently signed into law by the governor, also calls for metrics in determining funding allocations.

Unfortunately, the Commission has not presented or even discussed any actual metrics. The ARFVT Program requirement that the Commission use metrics to determine funding criteria is not just a good idea – it's the law.

- HSC 44272(c) – States that the Commission shall provide preferences to those projects that maximize the goals of the ARFVT Program, based on the following criteria (and then lists 11 specific criteria including: Petroleum reduction and measurable transition to alt fuels, climate change policy and LCFS, at least 10% lifecycle GHG reduction, air and water pollutants reduction, sustainability of state natural resources, promotion of California businesses and the jobs we create, as well as the use of existing or proposed fueling infrastructure – *Biodiesel meets and exceeds all of these criteria.*
- HSC 44272.7(d) – States that it is the intent of the legislature that the investment plan will provide an **analytical rationale** for all proposed expenditures that aligns with the broader strategic goals for the program, and will update, highlight and explain the rationale for any year-over-year changes to the program strategy and priorities, and provide the legislature with all of the necessary information to fully understand how and why funds are to be allocated and prioritized within the program. *CBA respectfully would like to know why there are no metrics available that would provide this analytical rationale.*

I have been on this advisory committee for almost two years and have been asking for project and program metrics for that entire time. Other advisory committee members have been serving for far longer and asking for metrics. Nothing has been forthcoming since the 2011 IEPR Benefits Section and it seems that this document is indicating nothing substantive will be forthcoming any time soon. It seems to me that until something substantive is forthcoming the Energy Commission should be using its most recent data, which shows that biodiesel provides almost 35% of all program benefits – and CBA believes that it's far more than that – to determine funding allocations, rather than cutting funding for biodiesel production. We have also been asking that each biofuel be given its own category of funding so that we can see the benefits that each provides, and be awarded funding commensurate with its individual contribution. None of these requests have been addressed.

There had been discussion in the Draft IEPR of contracting with NREL to develop a methodology to calculate expected benefits to 2025, which is different than what had been earlier indicated – that RAND Corporation had been contracted to provide metrics on existing projects. We would like to know if, when and why this change was made and what the status of any deliverables from them is. We also do not think that calculating expected benefits to 2025 is the intent of the AB 109 legislation, as mentioned above.

In Chapter 3, Alternative Fuel Production and Supply, under the Biofuel Production and Supply section, there is mention that "given the private investment beginning to support large-scale biodiesel blending, the Energy Commission is not currently proposing additional funding for diesel substitutes infrastructure." CBA feels this is a misconception. As in-state production ramps up it is important for in-state storage and distribution infrastructure to be supported.

Biodiesel storage and blending terminals as well as retail sites such as truck stops and travel centers, which can facilitate distribution of in-state production, can benefit greatly from ARFVTP infrastructure grants at this critical time in the industry's development. This is exactly the wrong time to remove this from funding consideration and we feel there are specific instances where they can be very helpful in achieving much higher blend levels of biodiesel and implementation of its carbon- and petroleum- reducing potential. These would not include funding for rail or port infrastructure since those distribution businesses are capable of funding their own development without state assistance.

The California Biodiesel Industry has consistently been asking for increases in funding allocations for biodiesel under the ARFVT Program but instead funding for biodiesel has consistently been reduced. On pages 16 & 17 of this Draft Investment Plan it states that, "biofuels derived from waste-based feedstocks typically represent the lowest carbon intensities among all biofuels, and often among all alternative fuels." It goes on to state that "from 2011 through 2012, ethanol and biodiesel derived from waste-based feedstocks accounted for less than 1 percent of alternative fuels in the LCFS system but contributed more than 10 percent of net LCFS credits. Maximizing these lowest-carbon options is particularly important due to the blending limits for ethanol and biodiesel. Low GHG emissions, as well as other sustainability considerations, have been a primary factor in determining ARFVT Program funding for biofuel production projects." All this being said, CBA respectfully asks why the Commission would choose to lower funding for this category. It simply makes no sense.

Finally, this document discusses the most recent solicitation, which would expand in-state production. CBA supports the notion that this was a very good PON but also wonders why the NOPA is more than two months late.

In conclusion, CBA recommends that each biofuel have its own 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.

The CBA looks forward to continuing to work with Energy Commission staff and hopes that you will seriously consider these recommendations and integrate them into the final version of the 2014-2015 Investment Plan.

Respectfully submitted,

Joe Gershen
Vice Chair
California Biodiesel Alliance