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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 06-AFP-1
1516 Ninth Street
Sacramento, CA 95814-5512

Submitted via e-mail: docket@energy.state.ca.us
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Subject: Docket No. 06-AFP-1 draft Alternative Fuels Plan AB 1007 (See: http://www.energy.ca.gov/2007publications/CEC-600-2007-011/CEC-600-2007-011-CTD.PDF)

Dear CEC:

Thank you for the opportunity to comment on the draft AB 1007 Alternative Fuels Plan. Neste Oil appreciates the effort that has gone into the document and supports the CEC's efforts to develop alternatives to petroleum-based transportation fuels.

General Comments
We are gratified to see the inclusion of light-duty diesel vehicles and renewable diesel fuels in the body of the document. However, these proven, available petroleum reduction and biofuel-enabling tools seem to have received a lower priority than other, more speculative technologies such as celulosic ethanol fuel, plug-in hybrid and compressed natural gas vehicles, and other technologies that offer more long-term solutions after the 2020 time frame.

Of particular concern is the omission of light-duty diesel vehicles and renewable diesel fuel in the Executive Summary of the document (P. ES-6, "Vehicles" section) where it states: "Flexible fuel, bi-fuel, plug-in hybrid electric and fuel cell vehicles will lead a wave of new automobiles into California's market."

The omission of light-duty, biofuel-capable, diesel vehicles from this mix prompts these questions:

- Was the CEC's own recently published works on the same subject considered in the preparation of the AB 1007 plan?
- Did CEC staff review the Low Carbon Fuels Standard greenhouse gas analysis prepared by UC Berkeley and UC Davis for CARB which states light-duty diesel vehicles enjoy a 22 percent CO_2 reduction, on average, from comparable gasoline vehicles?
- See: http://www.energy.ca.gov/bioenergy_action_plan/index.html
  http://www.energy.ca.gov/2005_energypolicy/index.html
  http://www.arb.ca.gov/fuels/lcfs/lcfs_uc_p2.pdf

The CEC has acknowledged in the recently completed Bioenergy Action Plan and the 2005 Integrated Energy Policy Report that light-duty diesel vehicles and renewable diesel fuels present several distinct energy, emissions and greenhouse gas policy advantages. These include:

- Light-duty diesel vehicles have a 20-45 percent fuel economy advantage over comparable gasoline vehicles.

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- Light-duty diesel vehicles are a necessary platform for increasing the use of renewable diesel fuels in exactly the same way properly configured gasoline vehicles are necessary for increasing the use of ethanol and electricity as transportation fuels.
- Properly blended and quality-controlled renewable diesel fuel can be distributed using the existing retail fueling infrastructure in California, unlike higher percentage blends of ethanol. At least 45 percent of fueling service stations in California sell No. 2 USLD fuel, meaning no new funding and no significant time delay would be required for fueling infrastructure. None of the other alternative fuels highlighted in the draft AB 1007 report can make this claim.
- A light-duty diesel vehicle fueled with a 30 percent renewable diesel (R30) blend would reduce greenhouse gas emissions 41 percent, according to the CEC's own Full Fuel Cycle Assessment for the AB 1007 report (see: http://www.energy.ca.gov/2007publications/CEC-600-2007-004/CEC-600-2007-004-REV.PDF). This represents a significant reduction relative to the other alternative fueled vehicles and merits mention in the AB 1007 plan as an option to help meet the plan's many goals.
- Emissions-compliant light-duty diesel vehicles are poised to make significant market inroads in California during the next several years. Already, major automakers have announced product plans to roll out light-duty diesel vehicles beginning in the spring of 2008, with more product launches planned for 2009 and beyond. Since they will be replacing less efficient gasoline-fueled vehicles, they can be expected to have a direct impact in reducing overall petroleum use.
- J.D. Powers and other market analysts have said they expect light-duty diesel vehicles to make up some 12-15 percent of the overall new vehicle market by 2015. None of the other technologies such as plug-in hybrids or fuel cell vehicles that are highlighted in the draft AB 1007 report can make this claim.

Specific Comments

- The executive summary of renewable diesel / biodiesel in the report is incomplete. The analysis and the accompanying scenarios fail to consider the possibility of a significant diesel penetration in the light duty sector (as has been forecast by independent industry analysts) either as a stand-alone petroleum reduction measure or combined with B20-level or R30-level blending.

- This is not only a possible forecasting error, but a missed opportunity to explore the possible role of renewable diesel in achieving substantial GHG emission reductions. Because of this, the economic analysis is also flawed, in that the cost effectiveness of renewable diesel in displacing petroleum and reducing GHG emissions (as indicated in tables 12 and 13, P. 70) is underestimated.

- Light-duty diesel vehicles and renewable diesel fuels have been omitted from the table under Figure 4 on vehicle GHG and petroleum reduction (P. 23). This needs to be corrected in order to show a broader range of policy options and to be consistent with the B20 and R30 pathways analyzed in the Full Fuel Cycle Analysis.

- Although increasing the level of renewable diesel blending is assumed for the heavy duty sector (as stated on page 48), this is not the case for the light duty sector.

- Example 3, which is focused on biofuels, would be a good place to incorporate the possibility of high diesel penetration (from the CEC High Diesel Demand projection – see

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2005 IEPR), together with the same high blending in the light-duty diesel sector as the heavy-duty sector.

- Page 16. The "Sustainability standards" action item should be an item that goes under the "General Biofuels" heading, and applies to all alternative fuels, not specifically biodiesel & renewable diesel.

Summary
We respectfully request that these errors and omissions be corrected, and that light-duty diesel vehicles and renewable diesel fuels be treated equitably and on par with the other alternatives highlighted in the document.

Of particular concern is the executive summary of the document. We truly believe this summary would be strengthened by the inclusion of light-duty diesel vehicles and renewable diesel fuels alongside the other technologies highlighted.

Thank you.

Warm regards,

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