California Energy Commission
DOCKETED
14-IEP-01
TN 4135
DEC 08 2014

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

December 8, 2014

Re: Docket No. 14-IEP-1 – ***Draft 2014 Integrated Energy Policy Report Update***.
California Biodiesel Alliance Comments

Dear Commissioners and Staff,

I am writing on behalf of the California Biodiesel Alliance (CBA), California's biodiesel industry trade association, representing over 50 businesses and stakeholders including all of the state's biodiesel producers. CBA appreciates the tremendous amount of work that goes into preparing this IEPR. We do have a few concerns that we think need to be mentioned.

Our first concern with the *Draft 2014 IEPR Update* is that there seems to be an over-reliance on Renewable Diesel (RD) as an alternative diesel fuel. On page 98 a statement is made regarding the fungibility of RD. Based on my own experience as a renewable fuels marketer of both RD and biodiesel, I am aware that customers have encountered problems with RD and that some are, in fact, rejecting it due to its lower energy content and lubricity, as well as problems with gaskets, seals, O-rings and other elastomers caused by its lower aromatics.

We are aware that the Truck and Engine Manufacturing Association has recently verbalized their intent to limit RD's use to blends of not more than 20% with petroleum diesel. Other OEMs are beginning to make statements about limiting blends to between 5-20 percent until more data is made available. Jet fuel is only able to be blended with synthetics up to 50%. Unlike biodiesel, which has a specification and definition, RD has no unified definition or specification. The ASTM D975 specification for diesel fuel was written before it was ever contemplated that it would be manufactured from something other than petroleum, so is lacking several specifications that would otherwise be applied in a fuel made from organic substances. This is why the biodiesel specification, ASTM D6751, which is currently in its 9th iteration, has been so much more completely vetted as an alternative diesel fuel substitute. I have also attached a statement from the National Biodiesel Board on these issues for your consideration.

CBA is also concerned that the Draft *2014 IEPR Update* refers multiple times to feedstock limitations on waste-based oils and greases. We believe that there is plenty of low-carbon sustainable purpose-grown energy crop production available, and more being developed in California, to meet a large and growing appetite for both biodiesel and renewable diesel production in the state.

We note that on page 68 in *Table 8: Examples of GHG Benefit-Cost Scores*, the Commercial Biodiesel Production Facility was several orders of magnitude more beneficial, by all measurement metrics, than any of the other categories listed. We appreciate that Commission staff has been able to quantify these scores from past performance and summarize these findings later in this section on page 73, but also question the assumption that ZEV technologies will "provide more substantial contributions to petroleum and GHG emissions reductions in later years as quantified with the Market Transformation benefits." How can this be "quantified" before it actually occurs?

We agree with the suggestions made by CEC consultant and former ARB Deputy Executive Officer, Tom Cackette on page 72, to focus on carbon reduction and associated benefit-cost and to look at the metrics he listed for allocation of funding between technology and fuel types.

"Tom Cackette advised that the Energy Commission's primary metric should correspond to the carbon reduction policy

goals of Assembly Bill 32 (Núñez, Chapter 488, Statutes of 2006) (AB 32) and AB 8 and focus on the 80 percent reduction in GHG emissions that will be needed in 2050. He offered a range of metrics for consideration:

- *Will the project contribute to the policy goal?*
- *Is it a necessary technology or fuel or infrastructure?*
- *Can it have a large impact, or will it be a niche contribution?*
- *Is there a realistic long-term business case?*
- *What is the risk of success and failure? "*

We also note that on page D2 in Appendix D in *Table 17: Summary of GHG Emission and Petroleum Fuel Reductions From Expected Benefits Through 2025*, biodiesel is only credited with 5 thousand tonnes CO2e GHG reductions and 500,000 DGE Petroleum Reductions in 2015. We would like to point out that there will be 35 million gallons of low-carbon biodiesel produced in California this year and those gallons will reduce approximately 362,214 Tonnes CO2e GHG, and these figures are expected to increase in 2015 by almost 100%, so we question where Commission staff got their numbers. CBA would like to further point out that in 2014 biodiesel will provide about 16% of all LCFS credits generated, according to ARB figures – http://www.arb.ca.gov/fuels/lcfs/media_request_070714.xls.

At current in-state biodiesel production capacity of 59 million gallons per year (Mgpy), California biodiesel producers have created hundreds of high paying green jobs in some of the most disadvantaged communities in the state, while potentially reducing over 610,000 metric tons (MT) of carbon emissions from our atmosphere. This production capacity is also equivalent to removing almost 140,000 cars from California roads.

Preliminary estimates are showing that biodiesel plants will contribute approximately $350 million in economic activity to California's economy in 2014. With consistent support, our industry can quickly increase in-state capacity to 200 Mgpy, which would generate $2 billion in economic impact annually.

For every $1000 invested in in-state production, the biodiesel industry can deliver close to 1350 gallons of ultra-low carbon biodiesel production per year, which in turn would reduce 14 tonnes of climate changing carbon emissions from our atmosphere. That's like taking over 3 cars off the road for every $1000 spent! Additionally, based on current market economics this $1000 investment would generate recurring economic contributions of $5,400 per year.

And if we bring our in-state production capacity up to 200 Mgpy it would be equivalent to taking an additional 332,000 cars off the road – and taking an additional 1.4 million MT of carbon emissions out of our atmosphere every year. All while creating hundreds of high paying permanent jobs and contributing $2 billion to the state's economy.

We value the open dialog and relationship that our industry has developed with the Energy Commission and look forward to continuing to communicate with staff. We appreciate the opportunity to provide feedback to this Draft 2014 IEPR Update.

Respectfully submitted,

Joe Gershen