

State of California
State Energy Resources
Conservation and Development Commission

RE: AB 1007 State Alternative Fuels Plan

WHEREAS the transportation sector is over 95 percent petroleum dependent, uses roughly half of the energy consumed in California, is the single largest source of greenhouse gas emissions, exceeding 40 percent of the statewide total, and is a major contributor to exceeding state and federal air quality standards; and

WHEREAS Assembly Bill 1007 (Pavley, Chapter 371, Statutes of 2005) directed the California Energy Commission (Energy Commission), in partnership with the California Air Resources Board (CARB), to develop and adopt a State Alternative Fuels Plan which reduces California's petroleum dependency, increases in-state biofuels production, reduces greenhouse gas emissions, and improves air quality; and

WHEREAS the legislation requires that the Plan includes, among other things, the following three essential elements:

- Recommendations for policies, such as standards, financial incentives, and research and development programs, to stimulate the development of alternative fuel supply, new vehicles and technologies, and fueling stations,
- Evaluation of alternative fuels using a full fuel cycle analysis,
- Goals to increase alternative fuel use in 2012, 2017, and 2022; and

WHEREAS the Energy Commission adopted and CARB approved a joint report in July 2003, *Reducing California's Petroleum Dependence*, with recommendations to increase the use of alternative fuels to 20 percent of on-road transportation fuel use by 2020, and 30 percent by 2030; and

WHEREAS the Governor's Executive Order S-06-06 established targets for California to produce 20 percent of its biofuels within the state by 2010, 40 percent by 2020 and 75 percent by 2050; and

WHEREAS the Governor's Executive Order S-01-07 directs CARB to establish a Low Carbon Fuel Standard, measured on a full fuel cycle basis, to reduce the carbon intensity of California's transportation fuels by at least 10 percent by 2020 and directs the Energy Commission to incorporate a draft compliance schedule for the Low Carbon Fuel Standard into the State Alternative Fuels Plan; and

WHEREAS the Energy Commission has adopted and submitted to CARB a full fuel cycle analysis, which compared the potential reductions in greenhouse

gases, criteria air pollutants, air toxics, and other environmental impacts, concluding that alternative fuels caused no significant degradation to public health and environmental quality, and many of these fuels have at least a ten percent lower carbon intensity; and

WHEREAS public and private investment in the development of alternative transportation fuels and technologies is an essential part of the overall plan; and

WHEREAS the increased use of alternative fuels supports the state's commitment, under the State Implementation Plan, to improve air quality and help achieve state and federal ambient air quality standards, and the AB 1007 Plan is intended to ensure no net increase in criteria pollutants and air toxic contaminants; therefore,

BE IT RESOLVED that the California Energy Commission:

- Approves the State Alternative Fuels Plan prepared in compliance with Assembly Bill 1007 and the Governor's Executive Order S-01-07.

- Establishes targets on a gallon of gasoline equivalent basis for the use of alternative fuels in the on-road and off-road sectors (excluding air, rail and marine), including but not limited to, electricity, natural gas, propane, hydrogen, ethanol, renewable diesel, and biodiesel of 9 percent by 2012, 11 percent by 2017, and 26 percent by 2022.

- Accepts the Plan's key findings:
 - A multi-part strategy will maximize the use of alternative fuels, relying upon increased use of alternative fuels, blending of biofuels, advanced fuels and vehicle technologies, improved vehicle fuel efficiency, and measures to reduce vehicle miles traveled.
 - These strategies can help achieve the 2050 future vision outlined in the Plan, and support the Governor's goal of reducing statewide greenhouse gases to 80 percent below 1990 levels by 2050.
 - A combination of regulations or standards, financial incentives, and technology advancements are needed to achieve the state's multiple policy goals.
 - The Low Carbon Fuel Standard will achieve 30 percent of the transportation sector's proportional share of the greenhouse gas reductions, provides a durable framework for the production and use of alternative fuels, and stimulates technology innovation.
 - Private investment and state and federal incentive funding are needed to offset the cost difference between gasoline or diesel and alternative fuel use, share the cost of installing fueling stations, and fund the development and demonstration of clean and advanced transportation technologies, to the extent that market competition and market mechanisms cannot fulfill this need.

- The passage of Assembly Bill 118 (Nunez, Chapter 750, Statutes of 2007) provides a source of state incentive funding to stimulate production and use of alternative fuels in California.
- Requests that CARB work with the Energy Commission to both establish its Low Carbon Fuel Standard in a manner that concurrently addresses the state's petroleum reduction, biofuels, and alternative fuels goals and consider the draft compliance schedules identified by the University of California in developing the Low Carbon Fuel Standard.
- Further requests that CARB, as part of its implementation of Assembly Bill 32 (Chapter 488, Statutes of 2006), consider establishing specific greenhouse gas reduction goals for the transportation sector.
- Requests that the California Public Utilities Commission approve rate recovery of utility investments in alternative fuels and vehicles and establish preferential rates for off-peak energy use that could lower costs for electric vehicle charging for the state's investor owned utilities.
- Directs its Staff to:
 - Incorporate key findings and recommendations from the Plan into the *2007 Integrated Energy Policy Report*.
 - Update and reissue the State Alternative Fuels Plan every two years, as part of the Energy Commission's biennial *Integrated Energy Policy Report*, with the goal of including specific recommendations, state agency and private sector responsibilities, and timetables needed to increase the use of alternative fuels in California.
 - Work collaboratively with CARB, key stakeholders, and other relevant agencies, to regularly update the full fuel cycle analysis in an open and transparent manner.
 - Continue to refine the underlying economic analysis, assessment of alternative fuels current status and market potential for alternative fuels.
 - Improve its analytical ability in order to better quantify the agricultural land conversion and water consumption effects of biofuels production.
 - Develop and recommend sustainability standards to guide the future development of alternative fuels in California, in partnership with CARB.
 - Move quickly to implement AB 118, beginning with the formation of the advisory body called for in the legislation.
 - Develop a strategic investment plan for alternative fuel and vehicle incentives, as required by AB 118, to be updated annually.

October 31, 2007

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AND DEVELOPMENT COMMISSION

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