

Regulation Scoping Process

Alternative and Renewable Fuels and Vehicle Technology Program

Transportation Committee Workshop

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Program Goal

The goal of the Alternative and Renewable Fuel and Vehicle Technology Program is to
“...develop and deploy innovative technologies that transform California’s fuel and vehicle types to help attain the state’s climate change policies.”

(Health and Safety Code Section 44272(a))

Overall Program

- Approximately \$120 million per year for 7½ years.
- Develop and deploy alternative fuels and technologies without giving preference to any single one.
- Increase alternative fuels and decrease petroleum use.
- Decrease pollution on life-cycle basis.
- Maintain sustainability of the state's resources.

Rulemaking

- Develop and adopt regulations to clarify ambiguities in statute.
- Create certainty in administering the Program.
- Two phases

Informal: Develop regulatory concepts and draft regulations for public review.

Formal: Begins when proposed regulations are submitted to the Office of Administrative Law (OAL).

Key Provisions in Statute

1. Full Fuel Cycle Assessment
2. Fuel and Vehicle Technology Definitions *
3. Sustainability Goals *
4. Revenue Streams
5. Measure Program Results
6. Anti-Backsliding Guidelines (ARB) *
7. Existing Law, Rules, Regulations *
8. Advisory Committee *
9. Investment Plan *
10. Ratepayer Benefits

1. Full Fuel Cycle Assessment

No further clarification in regulations is needed.

H&S Code 44270.3 clearly defines the focus of a full fuel cycle analysis. Additionally, AB 109 and SB 1240 contain language that would further clarify this definition

This definition is used in established methodologies and used in other, publicly vetted proceedings and by other agencies for policy adoption

2. Fuel and Technology Definitions

Regulations are needed to define eligibility to include the production and manufacture of advanced vehicles and related technologies.

Eligibility should extend to projects that would manufacture these technologies in-state. Statute allows for the production of alternative and renewable fuels in California, but does **not** similarly identify vehicle production.

3. Sustainability Goals

Regulations are needed to define program sustainability goals and apply them to potential projects. The Energy Commission proposes the following four sustainability goals and examples of project characteristics that would further each goal.

Sustainability Goals

- 1. Support fuel and technology options with the best GHG reduction potential**
 - Minimum 10 percent life cycle reduction in GHG emissions
 - Recognize potential of “bridging technologies” and “long-term incubation” effects to further goals

Sustainability Goals

2. **Support production of fuels and technologies that are more environmentally efficient and less environmentally damaging compared to petroleum and agricultural baselines.**
 - Maximize waste stream feedstock use
 - Purpose-grown energy crops with Best Management Practices Plan
 - Certification / reporting systems
 - Biofuels suitable to CA resource/climate constraints
 - Minimize landscapes and ecosystems impact
 - Renewable energy/cogeneration used in production

Sustainability Goals

3. Support certified sustainable production of biofuels for California markets

- Recognize best-available sustainable production methods and practices.
- Recognize use of internationally recognized certification and reporting systems.

Sustainability Goals

- 4. Minimize risk of unanticipated consequences from alternative fuel production**
 - Primary and secondary consequences from fuels derived from purpose-grown energy crops (use of Adaptive Management to update funding criteria as needed).

4. Revenue Streams

No further clarification in regulations is needed.

Goal is to maximize matching non-state investment to increase the cost effectiveness of the incentives dispersed.

Statute also directs the Energy Commission, in developing the *Investment Plan*, to “...describe how funding will complement existing public and private investments.

5. Measure Program Results

No further clarification in regulations is needed.

Project and program results will be measured on an annual basis using the 11 preferences specified in H&S Code 44272(b).

AB 109 contains language that would require the Energy Commission, beginning with the *2011 IEPR* to evaluate R&D and deployment efforts using similar criteria

6. Anti-Backsliding Guidelines

No further clarification in regulations is needed.

Energy Commission need not incorporate the anti-backsliding guidelines into the Program regulations as they will have the force of law once developed by ARB, approved by the OAL, and published by the Secretary of State.

ARB will present the guidelines to Board in late September 2008.

7. Existing Laws, Rules, and Regulations

Regulations are needed to clarify that the Energy Commission cannot provide AB 118 funds to entities: 1) that are obligated to comply with an existing law, rule, and regulation; and 2) in support of the regulated activity.

The Energy Commission has latitude to fund both upstream (e.g. alternative or vehicle fuel producers) and downstream (e.g. alternative fuel retailers or fuel consumers).

8. Advisory Committee

Regulations are needed to define the title and leadership of the advisory body as well as certain organizational and participatory aspects of the advisory body.

Regulations will identify the Presiding Member of the Energy Commission's Transportation Committee as the chairperson of the Advisory Committee and the "advisory body" would be called the "Advisory Committee."

9. Investment Plan

Regulations are needed to clarify the role of the *Investment Plan* in the implementing the Program.

Projects funded under the Program will be consistent with the priorities established by the *Investment Plan*. The Energy Commission, with advice from the advisory committee, will develop and adopt the *Investment Plan*. AB 109 contains language that provides similar clarification.

10. Ratepayer Benefits

No further clarification in regulation is needed.

The Energy Commission's *Natural Gas Research Investment Plan (2007-2011)* defines a methodology of ratepayer benefit determination. This ensures compliance with ratepayer benefits mandate and the transportation/energy-related nature of each project.

Rulemaking Timeline

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| July 8, 2008 | Public workshop on regulatory concepts |
| August 2008 | Public workshop to review draft regulatory language |
| August 2008 | Submit regulatory package to OAL |
| August 2008 | OAL publishes a notice in the California Regulatory Notice Register beginning the 45-day public comment period |
| October 2008 | Committee or staff workshop to review modifications responding to comments received during 45-day public comment period |
| December 2008 | Final regulations presented at Energy Commission Business Meeting for approval |
| December 2008 | Submit final regulatory package to OAL |
| March 2009 | Estimated approval of regulations by OAL and publication by the Secretary of State |