January 10, 2013

Biofuels Workshop – AB118 Alternative and Renewable Fuel and Vehicle Technology Program – CBA Comments

My name is Joe Gershen. I am the newly elected Vice-Chairman of the California Biodiesel Alliance, Director of Sales & Marketing for Crimson Renewable Energy, and a member of the ARFVTP Advisory Committee.

As the result of meetings early in 2012 the Energy Commission and the biodiesel industry agreed that there needed to be better communication with, and education of Commission staff and management, and that we would work more proactively together to achieve those goals. We were told that our input would be welcome and that staff would work to have a biodiesel workshop in the fall of 2012. Our industry conducted in-depth industry-wide surveys as well as discussions with CEC staff, and prepared a white paper, which was submitted at the September ARFVTP Advisory Committee meeting, with additional oral and written comments submitted at the ARFVTP Advisory Committee meeting in December. I urge CEC staff to review these documents.

In that white paper we pointed out that not only did we feel strongly that the biodiesel and diesel substitutes industry (including renewable diesel) had serious potential to expand volumes and help California meet its 2020 goals and 2050 vision of displacing petroleum, reducing GHG's (carbon), improving air quality and creating jobs, but that the Commission's own calculations from the 2011 IEPR Benefits Section supported our claims.

That Commission report calculated that biodiesel use in California provides 34.7% of program results, which is the best return on taxpayer dollars invested – and yet has only received 4.8% of the program 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 in achieving the same goals.

In our white paper we recommended that an objective, metric based approach be developed that is transparent to all, especially the AB 118 Advisory Committee. We suggested that by now the Commission must have enough information on each technology's projected performance to present objective and analytical measures to enlighten the decision-making used in the funding allocation process. We also pointed out that under AB 109 this is actually required by law. We are confident that if the metrics are fairly examined the Commission will find that biodiesel is grossly under-funded compared to its potential to meet program goals. We understand that the RAND Corporation has begun work on program evaluation, but that it

will not be completed in time for this year's Investment Plan. Our recommendation is that the metrics already established in the IEPR be utilized immediately, and that the RAND report be evaluated for possibly improving the metrics once it is available.

Unfortunately, when the Commission released its 2013-2014 Draft Investment Plan this past November of 2012, it was apparent that all of our recommendations had been ignored and that our call for an objective, metric based approach to funding allocation had fallen on deaf ears. On December 4th, 2012 I brought these points up at the ARFVTP Advisory Committee meeting which was called to review that draft Investment plan, and I was supported by several other committee members. At that meeting Commissioner Peterman asked staff to make these metrics an urgent priority.

Although we were disappointed that there was no specific biodiesel workshop forthcoming from the Commission, we were encouraged that at least a biofuels workshop had been organized and that we are once again given the opportunity to make our requests heard in the public forum. Following are some questions and points we would like to make:

- We note that the draft Investment Plan refers to "Successful Projects", but we question what metrics were used to determine success? We think taxpayers deserve this oversight and scrutiny when spending their money. We also note that extension of the AB118 program is before the legislature again this year, and accountability should be a priority.

- We would like to know why all biofuels are lumped together in the Alt Fuel Production category. No other modalities are grouped together. This is like grouping hydrogen fuel cell and battery electric vehicles together. We think Biogas, gasoline substitutes and diesel substitutes have more than enough merit to warrant separate categories. We also think that infrastructure for each of these biofuels should be part of their own categories.

- In Table 6 of the draft Investment Plan: *Summary of Recent Biofuel Production Awards*, biodiesel had the highest level of interest, in terms of funding requested, but had the lowest proportional funding. Why was that?

- On page 20 – *Alternative Fuel Production and Supply*, it says: "*The endgame is to find the right technologies and feedstocks that culminate in fully fungible liquid and gaseous biofuels that do not require special vehicles or parallel infrastructure.*" We feel strongly that we need to fully support these current modalities such as biodiesel while we develop new feedstocks and technologies – a thriving industry will best be able to develop the technologies

that CEC is looking for. The market will provide the solutions.

- On page 25 it says, *"As with the previous investment plan, this allocation will not be divided between specific types of fuels to ensure that funds go to the highest scoring project proposals and to reduce the number of partially funded awards."* But if you look at the NOPA 11-601, this is exactly what CEC did NOT do. The different fuel types were scored separately and the highest scores in each category were awarded. We provided a comparison in our comments submitted to the docket of the December 4th meeting.

- On page 33 – *it notes that* biodiesel infrastructure was undersubscribed, which we know was due in large part to very poor communication from CEC. As a result, funds were transferred to oversubscribed categories. We note, however, that when natural gas infrastructure was also undersubscribed, funds were left in place for that category. What was the thought process here? Why not use the same standard for both categories. Biodiesel/diesel substitutes needs to be all one category. If infrastructure is undersubscribed then funds should go to production or feedstock development.

As mentioned earlier, CBA recently conducted a survey of its board members to find out what the industry needs in order to expand biodiesel production and utilization. The survey found support for the following items in this order of importance:

1) Grants and loan guarantees are needed to expand Ultra Low Carbon Intensity biodiesel production at existing in-state facilities and to create additional capacity,
2) Support is needed for the development of low-impact, plentiful and inexpensive in-state feedstocks, and
3) Grants and loan guarantees are needed for new blending and storage infrastructure at petroleum distributors' and terminal racks.

In addition to these priorities we also view the following as very important:

- ✓ The grant process needs to be improved by giving sufficient time for applicants to prepare proposals, that a pre-proposal process be utilized, and that staff conduct due diligence to establish the veracity and potential impact of proposals.
- ✓ Our industry and the fuels industry are getting mixed messages from the Energy Commission regarding your support. There is not enough communication between us. We encourage commission staff and management to work more closely with us to improve communication between us and out to industry.

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The biodiesel industry is strong, and getting stronger every day. Biodiesel is becoming an increasingly accepted and important part of the fuel mix throughout the US and the world. Indeed, we are at a tipping point in California and the Commission's messaging should reflect that reality.

Biodiesel is the lowest cost, commercially available low carbon fuel on the market today. It can be produced from diverse low impact feedstocks grown in California, creating in-state jobs and revenue. All OEM's support the use of B5, a significant majority has moved to support B20, and there is no increase in NOx in new diesels.

Now is the time to support the California biodiesel industry. We look forward to working closely with the Advisory Committee, CEC staff and commissioners toward that end going forward.