



April 11, 2016

Elizabeth John
Emerging Fuels and Technology Office
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Re: Concern About CEC's Draft Biofuels Solicitation Concepts

Dear Ms. John:

I am writing on behalf of the Bioenergy Association of California, which represents more than 50 public agencies and private companies working to convert organic waste to energy, to express strong concerns about the Draft Biofuels Solicitation Concepts presented at the CEC workshop on March 30. BAC strongly supports the Emerging and Interim project goals for biofuels funding presented by staff at the workshop, particularly the goals to:

- Focus on waste-based feedstocks;
- Lower carbon intensity of fuel produced;
- Recruit and develop market transforming technologies in biogas production and woody biomass conversion.

Yet the proposed funding levels and incentive types in the staff draft will not help promote these goals because they prioritize high volume production over all else. Of the \$17 million proposed for biofuels, the draft proposal would allocate only \$5 million – less than one third – to facilities that produce less than 1 million DGE per year.¹ This effectively eliminates most waste based fuels. As Dr. Steve Kaffka from UC Davis noted at the workshop, waste based fuel production tends to be highly distributed by its very nature. If the Commission wants to incentivize waste-based fuels, then it should allocate a much higher percentage of the funding to lower volume production facilities or, preferably, simply use other criteria – like the program goals listed above and in the staff proposal – as the basis for funding.

¹ Staff Proposal slide 34, presented at March 30 Workshop on Draft Biofuels Solicitation Concept.

In addition to allocating only a small fraction of the total biofuels funding to smaller production facilities, the draft also proposes basing the amount of production incentives on the volume of production, so that the greater the production volume, the bigger the incentive. This will not help to promote the lowest carbon, waste based fuels or to transform the market for biogas and woody biomass.

The Air Board's Short-Lived Climate Pollutant (SLCP) Strategy makes clear that our highest priority in tackling climate change should be to cut SLCP's as fast as possible, since that is the only way to immediately begin to reverse climate change and its effects. The Commission can play a huge role in reducing SLCP's from organic waste by funding biogas and forest biomass projects, which will reduce methane and black carbon emissions, respectively.

BAC also supports the concept proposed by Chuck White at the workshop, which is to use GGRF and/or AB 118 funding to provide long-term certainty for the value of LCFS credits. The staff draft recommends transitioning applicants from grants to debt financing, but debt financing can be risky and costly. A "Green Credit Reserve" (memo summarizing the concept is attached) would stretch state dollars much farther with little to no risk. Instead of financing debt, a Green Credit Reserve would guarantee the value of LCFS credits for 7 to 10 years, long enough that the LCFS credits value would enable project developers to obtain financing. BAC urges the CEC to explore this option as it would provide far greater carbon reductions with lower risk than grants or debt financing.

For all these reasons, we urge the Commission to revise the Draft Biofuels Solicitation Proposal to prioritize waste-based fuels that can reduce SLCP's, provide the lowest carbon intensity possible, and transform the market.

Sincerely,

A handwritten signature in cursive script that reads "Julia A. Levin".

Julia A. Levin
Executive Director