

Dear NESCAUM LCFS Program Coordinator,

World Energy Alternatives, LLC would like to submit the following comments to the draft of Part I, Data and Assumptions for the Economic Analysis of the Northeast/Mid-Atlantic Low Carbon Fuel Standard (LCFS) posted on April 15, 2010.

1. On Slide 25, the calculation used for the determination of the volume in column NE11 Share of RFS2 Non-Cell EtOH Advanced (Bgal) (the third column from the right) is incorrect. The volume for Advanced Biofuels in the RFS2 issued by the EPA is inclusive of both Cellulosic Biofuels and 1.5 times Biomass-Based Diesel (Biomass-Based Diesel has an equivalency value of 1.5 when used as an Advanced Biofuel or a Renewable Biofuel). If the Biomass-Based Diesel volume was subtracted from the Advanced Biofuels volume, then the correct amount of this fuel apportioned to the NE11 would be 0.00 Bgal not 0.17 Bgal. This is because the Cellulosic Biofuels and Biomass-Based Diesel requirements in 2010 exceed the Advanced Biofuels requirement in RFS2 for 2010. The result of this error is to essentially double count the Biomass-Based Diesel volumes in the reference case. The volume in this column will also be reduced for future years in the same manner. This same comment is also valid for slides 26-34.
2. On Slide 35 and 36, the NE11 Share of RFS2 Biodiesel (Bgal) in the third column from the right drops to 0 in 2020 and 2018, respectively. Since the Reference Case A and B for diesel includes the Pennsylvania and Massachusetts biofuel mandates, this should not be possible. The Pennsylvania biofuel mandate is estimated to use ~0.036 Bgal/yr of biodiesel in 2010 (Slide 42). The Massachusetts biofuel mandate is estimated to use ~0.020 Bgal/yr of biodiesel in 2012 (Slide 41). Therefore, the lower limit of biodiesel usage in the NE11 would be 0.056 Bgal not 0.000 Bgal.
3. In the calculation of non-California volumes in the Reference Cases, the RFS2 volumes should be divided across the 47 continental states plus Hawaii (Alaska has not opted in to the RFS program). The current calculation includes the Alaska volume which while not a large difference is technically incorrect.
4. The CI values used by NESCAUM should be the EPA RFS2 values. The methodology to obtain these values has received the most independent review (both through public comments and a peer review). The CARB results have been recently called into question with the release of updated GTAP modeling from Purdue University ("Land Use Changes and Consequent CO2 Emissions due to US Corn Ethanol Production: A Comprehensive Analysis," Wallace E. Tyner).
5. NESCAUM should assume in all scenarios (not just the "Biofuels Future" scenario) that the NE11 will receive a greater than proportional share of RFS2-mandated advanced fuels. For advanced fuels, RFS2-obligated parties will use these fuels where it provides the most benefit to them – where there are mandates for usage (e.g., MA and PA biofuels mandates), state incentives that make it economically more profitable (e.g., IL for biodiesel), and local fuel standards that favor advanced fuels (e.g., CA and NESCAUM). Only when these areas have hit their maximum applicable volumes will the remainder of the RFS2-mandated use be spread proportionally among the rest of the regions.
6. In Policy Scenario 3: Electric Vehicle Future, a significant new demand source will be placed on the NE11 power grid. This new demand will increase the power generated and increase emissions from the power generation sector. However, NESCAUM is modeling no increase in carbon emissions due to the REGGI requirements. This is despite the fact that Pennsylvania is not part of the REGGI initiative while is part of the NE11 considered here. At a minimum, the increased emissions from PA need to modeled. It is also likely that power will be imported to those states governed by REGGI to avoid prohibited increased emissions due to the increased demand. This imported power leads to increased carbon emissions outside the NE11 should be modeled similar to indirect land-use effects included in the calculation of CI values for biofuels.

7. The carbon intensity values for gasoline and diesel are based on a life-cycle analysis that does not include indirect effects associated with the exploration and production of these fuels. At the same time, the carbon intensity values for biofuels are based on a life-cycle analysis that includes indirect effects such as indirect land use changes. This results in a regulatory environment that is not based on an apples-to-apples comparison of different fuels and will result in unintended consequences based on the skewed numbers chosen for the regulation.

Thank you for allowing World Energy Alternatives the opportunity to provide comments in the regulatory process.

Sincerely,

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