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November 10, 2008

California Energy Commission
Docket Office, MS-4
RE: Docket No. 08-OIR-1
1516 Ninth Street
Sacramento, CA 95814-5512

California Air Resources Board
Headquarters Building
RE: AB 118 Air Quality Guidelines
1001 "I" Street
Sacramento, CA 95812

RE: AB 118 COMMENTS on CEC Docket No. 08-OIR-1 and CARB AB 118 Air Quality Guidelines for the Air Quality Improvement Program

On behalf of Cilion, Inc., we are providing comments related to the challenges the CEC and ARB need to address in regards to establishing a realistic approach and developing sound policy for the implementation of AB 118 programs to support conventional biofuels and to accelerate the commercialization of advanced biofuels in an effort to meet the greenhouse gas emission reduction goals established under AB 32. Cilion is a renewable fuels company with a 55 MGY ethanol facility in Keyes, CA that has a U.C. Berkeley-verified energy balance of 2.6:1

To date, Cilion has participated in numerous workshops related to AB 32 and AB 118 either in person or via webcast, as well as has met with CEC and ARB representatives. We have a growing concern that there is a lack of coordination and lack of desire (due to insufficient time, funds and staff) to truly "use adaptive management, continuous research and full fuel cycle modeling tools developed in collaboration with the Air Resources Board" (*Proposed Draft Regulatory Language, Revised October 30, 2008; Section 3103 (g)(1)*). The CEC and ARB's commitment to implement full fuel cycle analyses for all fuel types is unclear, and we strongly support the issues raised by the New Fuels Alliance's letter submitted to the ARB on October 23, 2008 (see: www.arb.ca.gov/lists/lcfs-lifecycle-ws/46-arb_luc_final.pdf).

California ethanol production facilities are amongst the cleanest and most energy efficient in the nation. Ethanol is a renewable fuel that is commercially available today and it helps reduce our dependence on foreign oil while simultaneously strengthening the American economy by producing the next generation of low cost and environmentally sustainable biofuels. New ethanol studies[1] continue to confirm that the production of ethanol leaves a smaller carbon footprint than gasoline and continues to get more efficient; and production can grow substantially without diverting corn from food and animal feed.

In addition, to support proposed programmatic principles and to enhance innovative and technologically advancing projects, CEC and ARB need to be amenable to introducing new pathways in the CA-GREET model to address new, different biofuel feedstocks as they are developed.

[1] The two studies, *The Global Warming Impact of Corn Ethanol Assessed at the Plant Level of a Modern Facility* and *Ethanol's Potential Role In Meeting U.S. Energy Needs 2016 - 2030 can be accessed in full at:* http://www.ilcorn.org/internal.php?subj=research&menu=resources&banner=resources)

In closing, it is important to express our concern with and the need for caution when applying indirect land use change (ILUC) in the California Low Carbon Fuel Standard (LCFS). We are weary of unsound-science based regulations that may be promulgated against a commercially viable, renewable, and environmentally beneficial biofuel. There needs to more emphasis and detail on to ensure that sound science is brought to bear on lifecycle analysis(LCA) issues, particularly in regard to land use changes. LCA protocols and ILUC applications need to be established that can be replicated for all energy sources in a way that allows for equitable comparisons.

LCA is not an exact science and results vary depending on the inputs. It is only a partial analysis that shapes policy choices. It is by its nature incomplete - the only complete LCA would be a mass-energy balance for the cosmos. Therefore, accepting that LCA is never complete and yet policy choices must be made, the following are some very basic things for consideration, including the *cross product effects* (i.e. increased demand for oil if biofuels cease to developed); *incremental or average* (e.g. the current LCA criticism of corn ethanol is premised on any new corn coming from virgin land rather than from higher yields coming from seed labs. In this case, the LCA is very different from what the average would be for the gallon of ethanol. Same with oil – if talking about incremental sources, we are generally talking about very, very deep water or very thick tar sands); and *avoiding bias to the incumbent* (e.g. alternative uses of land – if the oil infrastructure in countries like Indonesia, Nigeria, Malaysia, Thailand, and Vietnam were not there, how could that land be used in ways to give a better GHG footprint? Biofuels cannot be criticized for potential new uses of land when oil installations have taken land out of other uses over the last 100 years without accounting for this impact).

As a company committed to creating better and greener, renewable fuels for the consumer, we continue to be perplexed by the lack of concern about indirect, economically mediated effects of other fuels and the lack of public policy debate about the ramifications of enforcing indirect effects, of any kind, in a performance-based regulation, especially against only one fuel. We encourage the CEC and ARB to be more consistent and thorough than what is being demonstrated in the current scientific approach being utilized. We respectfully request that the CEC and ARB reevaluate documents and proposals that have are supported by questionable science and questionable public policy rationale which will result in the destabilization of a promising industry that could offer ultra low carbon fuels in the near to intermediate term. Corn ethanol is not an ending point. Corn ethanol is the growth engine for U.S. based renewable fuel production. Cellulose technology is progressing, but it is still years away.

If you have any question or comments, please feel free to contact me or Jeremy Wilhelm, EVP/CAO at 559-302-2534, or via email at khammerstrom@cilion.com.

Sincerely,

Karri Hammerstrom
Environmental Permitting
and Government Affairs Manager