

September 3rd, 2014

Ms. Malinda Dumisani

Special Assistant for Environmental Justice and Tribal Affairs

California Environmental Protection Agency

P.O. Box 2815

Sacramento, CA 95812

Dear Ms. Dumisani,

Propel Fuels (Propel)[[1]](#footnote-1) would like to thank the California Environmental Protection Agency (CalEPA) and the California Air Resources Board (CARB) for the groundbreaking analysis and work that has led us to this point in the exciting conversation about fueling California’s future.

The company appreciates the opportunity to participate in these workshops and to submit for consideration its comments relating to the impact on disadvantaged communities in accordance with Senate Bill (SB) 535 (De León, Chapter 830, Statute of 2012). A more thorough discussion is provided below, but the essence of the company’s comments are as follows:

* Propel fully supports the utilization of the CalEnviroScreen 2.0 tool to identify disadvantaged communities;
* The company favors giving equal consideration to pollution and population characteristics in determining which projects provide benefits to disadvantaged communities;
* Propel strongly believes that the most effective way to maximize the benefit of cap-and-trade proceeds for disadvantaged communities is to provide greater access to low-carbon Flex Fuel and biomass based diesel fueling infrastructure as an onramp to California’s emerging low carbon economy; and
* Propel recommends public alternative fueling infrastructure be included in all future Greenhouse Gas Reduction Fund (GGRF) investment plans.

Please note our more substantive responses below:

**1. The identification of disadvantaged communities for priority investments of Cap-and-Trade auction proceeds.**

Propel fully supports the state’s utilization of the California Communities Environmental Health Screening Tool (CalEnviroScreen 2.0, adopted in August 2014), which is a screening methodology developed by the California Office of Environmental Health Hazard Assessment (OEHHA) to help identify California’s communities that are disproportionately burdened by multiple sources of pollution. We strongly believe that the information generated by CalEnviroScreen 2.0 will accurately identify the disadvantaged communities throughout California that are indeed most vulnerable to the effects of these multiple pollution sources.

Additionally, Propel has found that CalEnviroScreen 2.0 is easy to use and, with the recent updates that harmonize the tool with the US Census tracts, will provide a highly useful tool with which to track the state’s progress towards reducing greenhouse gas (GHG) emissions: 90% below 2010 levels in the South Coast, and similar reductions in the San Joaquin Valley by 2032.

Propel also agrees with the approach taken with CalEnviroScreen 2.0’s reliance upon aggregating data on 12 types of pollution burdens and environmental factors, as well as seven population characteristics and socioeconomic factors, in order to create scores for each of the state’s 8,000 census tracts. We feel that measuring and balancing both Pollution Burden and Population Characteristics support accurate measurement of vulnerability to various environmental and social threats.

According to analysis using the CalEnviroScreen 1.0 tool, 86% of Propel sites are within 10 miles of SB 535 disadvantaged communities.[[2]](#footnote-2)



Through rigorous market studies, Propel has learned that its customers reflect California’s overall demographics including CalEPA designated disadvantaged communities. Over 1,000 surveys administered with independent analytics firm LUX Insights (<http://luxinsights.com/>) offer important insights into the demography of low-carbon fuel use and illuminate opportunities to advance significantly California’s low-carbon goals.

For example, the company found that 76% of California’s low-carbon consumers have a household income between $15,000 – 74,000 per year, and that low carbon fuel use is highest among middle- and low-income households.

* 77% of survey respondents say they want more access to low-carbon fuels.
* 92% of respondents say low carbon fuels provide the same or better value than petroleum.

Clearly, the low-carbon fuel user base overlaps significantly with residents of disadvantaged communities, so Propel endorses the intent by CalEPA and CARB to use CalEnviroScreen 2.0 to identify communities throughout California in the greatest need of greater assistance, and wishes to recognize both agencies for their hard work.

**2. Interim guidance for State agencies to maximize benefits in disadvantaged communities, including criteria to determine which projects benefit disadvantaged communities.**

1. **Interim guidance for State agencies to maximize benefits in disadvantaged communities.**

According to CARB’s 2013 Climate Change Scoping Plan, achieving California’s long-term criteria pollutant and GHG emissions goals will require employment of four strategies:

1. Improving vehicle efficiency;
2. Reducing the carbon content of fuels and providing market support to get these lower-carbon fuels into the marketplace;
3. Planning and building communities that can provide its residents more transportation options and reduce vehicular GHG emissions;
4. Improving the efficiency and throughput of existing transportation systems.

For the past ten years, Propel has worked hard to establish and expand publically accessible renewable fuel infrastructure throughout California for E85 Flex-Fuel and biodiesel. As such, Propel’s actions in this regard fall clearly within goals outlined in the 2nd strategy identified above.

Propel also strongly believes that the further targeted investments in E85 flex-fuel and B20 biodiesel / R100 infrastructure is the most cost-effective and environmentally impactful way to serve consumers and residents in disadvantaged communities. For example, the type of emissions “upgrade” possible when a flex-fuel or diesel car runs on renewable fuels offers an extremely reasonable, immediate, and cost-effective GHG solution for many disadvantaged communities.

Specific benefits:

* *E85 Flex-Fuel* 
  + Reduces Greenhouse Gas Emissions (GHG) by 32%; and
  + Reduces Nitrous Oxide (NOx) by 18-53% compared to gasoline.[[3]](#footnote-3)
* *Renewable Diesel vs. Petroleum Diesel* 
  + Reduces GHGs by 68%;
  + Reduces NOx by 18%;
  + Reduces PM by 34%;
  + Has significantly Lower Carbon Intensity (CI) than petroleum baseline fuel.

Moreover, as stated in CARB’s AB 32 Scoping Plan and Cap-and-Trade program, “…diversifying fuel supplies will further decouple economic growth in California from volatile global oil prices and keep more of Californians’ fuel expenditures in our own communities.”[[4]](#footnote-4) Propel endorses this astute assertion and is dedicated to working in partnership with the state towards implementing this ambitious strategy.

Additionally, because Propel sells *only* low-carbon fuels, it sees a great opportunity for alignment and partnerships with the state. For example, California’s Low-Carbon Fuel Standard (LCFS) requires a minimum 10 percent reduction of carbon intensity (CI) in the state’s transportation fuels in 2020. Propel is already selling some of the lowest CI retail fuels in the state, and is pursuing initiatives with other California-based companies, such as Solazyme and Pacific Ethanol, to continue to provide lower and lower CI renewable fuels.

Also, in the LCFS’s Initial Statement of Reasons (ISOR), CARB modeled significant reductions from a combination of lower CI fuels, such as ethanol, biodiesel, and compressed natural gas (CNG). According to CARB’s modeling in the ISOR, California will require the existence of between 4,400 – 5,000 E85 stations by 2020 in order to meet AB 32’s ambitious emission reduction targets. Today, it has fewer than 100.

The 880,000 flex-fuel vehicles on California’s roads and highways today present state policymakers with a timely opportunity: to employ cap-and-trade funds required for expenditure in disadvantaged communities, make tangible progress on the state’s Low-Carbon Fuel Standard goals, and generate proactive participation toward these worthwhile goals among drivers living in middle- and low-income communities.

Toward this end, Propel has, with support from AB 118 funded Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP), the U.S. Department of Energy and the California Energy Commission, spent over $20 million during the past five years on developing renewable fuel infrastructure in California, effectively doubling the size of California’s renewable fuels market. Propel alone has displaced over 12.5 million gallons of petroleum fuel. In addition, our customers have proactively contributed towards the reduction of over 6,343 metric tons (13.9 million pounds) of GHG emissions, and Propel has contributed to California’s economy through the creation of 544 direct and indirect jobs throughout the state.

Propel recognizes that one of the strategies being discussed in these SB 535 workshops is to invest cap-and-trade auction revenues in public transportation and transit projects. While it recognize the intent behind these investments, the company would also respectfully point out that any state investments of public funds in busses and trains will require lengthy planning and approval cycles, will take years before the state could potentially see any of the desired benefits and, ultimately, offer no guaranteed tangible net benefits in the immediate future.

On the other hand, California’s policymakers can facilitate immediate, tangible benefits to disadvantaged communities today, through support for low-carbon fuel infrastructure. The bottom line is that hard-working middle- and low-income, Californians – not just Tesla owners –can be active partners in achieving these ambitious goals. By giving these individuals reasonable and cost-effective means by which to contribute, the state can achieve immediate and tangible benefits while enrolling thousands of Californians without adequate options to contribute to the state’s low-carbon goals.

1. **Criteria to determine which projects benefit disadvantaged communities.**

Propel supports the third, fourth and fifth methods outlined in the workshop materials for identification of disadvantaged communities.[[5]](#footnote-5) We believe both pollution and population characteristics deserve equal consideration in determining the benefits of new projects. In general Propel supports the approaches that are “all inclusive” in interpretation. For example, both the fourth (the Equal Cutpoint Approach) and fifth options (the Low-Medium-High Approach) apply to areas with higher pollution, albeit lower population densities.

In closing, Propel submits the following constructive suggestions that it views as opportunities for immediate, effective use of Cap-and-Trade proceeds:

**1. Create an onramp for Californians in disadvantaged communities to proactively participate in the state’s low-carbon economy.**

Low-carbon fuels empower the average Californian to contribute to the state’s low-carbon future. Access to those fuels through state support for developing and expanding vital infrastructure in disadvantaged communities is good public policy, since it encourages and helps sustain active participation in disadvantaged communities, which currently lack direct opportunities to participate proactively.

**2. Communicate progress to stakeholders.**

Utilization of low-carbon fuels offers a unique reporting opportunity. The impact is significant, measurable, and near term. Propel currently sells over three-quarters of California’s E85 by volume. As the leading renewable fuel retailer in the state, we have accumulated data on our consumer’s demographics, vehicles, emissions profiles, and other metrics, which could be used to aid CalEPA and CARB in quantifying and maximizing the impacts and overall benefits of using cap-and-trade revenues to fund transportation projects in targeted areas throughout California.

**3. Develop and expand effective policy objectives that are reasonable, cost-effective, and practical in disadvantaged communities.**

A robust market for increasingly low-carbon fuels is critical to the success of the LCFS program. Therefore, with the current knowledge that these fuels are favored by Californians living and driving in the state’s most vulnerable communities, the state should endeavor to do all it can to support the development and deployment of renewable fuels infrastructure that can extend these tangible benefits for residents within all socio- economic strata.

Thank you for the opportunity to provide input on these issues of vital importance for California’s low-carbon future. Propel looks forward to continuing its work with state policymakers and interested stakeholders to further refine the state’s GGRF investment strategies so that these investment decisions incorporate reasonable, cost-effective, and immediately impactful opportunities through which disadvantaged communities can proactively take part in achieving and sustaining a viable and robust low-carbon economy in the Golden State.

Sincerely,

Rob Elam

CEO

Propel Fuels, Inc.

1. Headquartered in California, Propel is the leading renewable fuel retailer on the West Coast and operates a network of green-built filling stations (43 Flex-Fuel and 31 Biodiesel locations), which provide convenient access to low-carbon fuels produced in America. The company offers consumers and fleets new fuel choices that reduce carbon emissions, create jobs, and lower the country’s dependence on foreign oil. Our fuel stations provide more than 50,000 monthly clean fuel consumer transactions and distribute over 10 million gallons per year. [↑](#footnote-ref-1)
2. <http://propelfuels.com/newsletters/fuelsurvey2014/fuelsurvey2014.html> [↑](#footnote-ref-2)
3. E85: Effect of E85 on Tailpipe Emissions from Light-Duty Vehicles, 2009 <http://www.afdc.energy.gov/pdfs/technical_paper_feb09.pdf> [↑](#footnote-ref-3)
4. <http://www.arb.ca.gov/cc/scopingplan/2013_update/first_update_climate_change_scoping_plan.pdf> [↑](#footnote-ref-4)
5. <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/workshops/calepa-approaches-to-identify-disadvantaged-communities-aug2014.pdf> [↑](#footnote-ref-5)