



August 1, 2008

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on the Draft AB 32 Scoping Plan

Dear Ms. Nichols and members and staff of the California Air Resources Board,

California Ethanol & Power, LLC (CE&P) is a company that was formed to produce energy in the Imperial Valley from locally-grown sugarcane. Our plan is to use “off the shelf” ethanol technology, which has been thoroughly proven in Brazil, to convert sugarcane grown on about 36,000 acres of surrounding farmland in Imperial County into approximately 60 million gallons of fuel-grade ethanol. The facility is also scheduled to combust bagasse (the shredded sugarcane stalks left over once the juice has been extracted) and field waste to potentially produce up to 50 megawatts of renewable electricity.

Our CE&P sugarcane ethanol is designed to be among the lowest carbon fuels in California. Sugarcane derived ethanol is already one of the lowest carbon fuels produced; it has a documented 80% GHG emission reduction when compared to the life-cycle of regular gasoline. The CE&P sugarcane to ethanol process, however, is a multi-faceted project and involves additional “closed-loop” strategies and technologies that might further reduce the carbon footprint of our fuel.

The purpose of this comment letter is to outline those strategies and technologies within the recommended measures found in the Draft AB 32 Scoping Plan and to request further clarification on scoping issues that will not only be beneficial to CE&P, but to the State of California as it strives to meet its GHG goals.

Renewable Portfolio Standard

Not only will CE&P produce enough power for its own facility needs but it also has the opportunity to produce up to 50 Mw of excess power that will assist utilities in meeting the aggressive RPS goal of 33 percent by 2020. CE&P would urge the California Air Resources Board (ARB) to encourage the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC) to streamline the approval of projects like this that have the ability to generate excess renewable power as well as meet the local air district standards for non-attainment.

Low Carbon Fuel Standard

The fuel cycle impacts (including multi-media impacts) of sugarcane to ethanol have been well documented and reported. Additionally, CE&P's initial operation will incorporate the latest agricultural techniques, currently being transitioned to in Brazil, which further enhance the fuel's low carbon footprint. CE&P would like to have the opportunity to provide ARB additional analysis on certain carbon reducing activities that are specific to our proposed facility.

Important to CE&P's overall life cycle impact is the consideration of the carbon that is emitted during the fermentation process. CE&P carbon dioxide is released during the processing of locally grown crops. This is different from the carbon dioxide produced from corn to ethanol facilities, where crops are hauled in from out of state. CE&P, therefore, would like to propose to ARB that the carbon dioxide emissions from the fermentation process are carbon neutral because it is part of the short-term CO₂ cycle of the biosphere.

In an effort, however, to reduce those carbon emissions, CE&P is evaluating the capture of this carbon dioxide for industrial refrigeration and other types of innovative uses. For example, there is developing technology that allows CO₂ emissions to be absorbed through algae plantations. CE&P will continue to assess this technology and others and would also look toward ARB in assisting industry in evaluating those technologies for carbon sequestration.

Water

CE&P will undertake measures to increase water use efficiency and re-use within our plant design. CE&P is committed to water recycling and will be interested in the participation of estimating and documenting the GHG reduction from water efficiency efforts.

Recycling and Waste

As with water, CE&P is committed to the recycling of its organic by-products. The prospect exists for CE&P to generate and capture methane emissions. ARB should assess and state the opportunity to scope the reduction of methane emissions from other types of industrial activities as well. CE&P would be interested in exploring with ARB programs and initiatives that promote more innovative uses for captured methane; such as pipeline quality natural gas, compressed natural gas for fuel, and fuel cell technology.

CE&P is also planning on utilizing the by-products of the sugarcane process to produce various types of organic fertilizers. These organic fertilizers will be applied to our sugarcane fields and will offset the carbon emissions from petrochemical derived fertilizers (i.e. nitrogen) that are usually used. CE&P proposes to include this offset as part of the life cycle impact of our fuel and asks that ARB further scope the CO₂ offsets of replacing chemical fertilizers with recycled organic fertilizers.

Agriculture

Sugarcane is a perennial crop and is one of the highest carbon absorbing crops grown in California. CE&P wishes to work with ARB in developing sound quantification protocols on the carbon sequestration of sugarcane. As stated above, the sugarcane and its residual biomass will be combusted within emission limits for onsite power and for renewable power to the electric grid. Excess biomass will be utilized either as a fuel at another planned power production facility or as cattle feed to support the existing markets. Since the power will be produced through the combustion of locally grown biomass, we request that ARB confirm through their scoping that the combustion of this biomass is carbon neutral. By combusting the locally grown sugarcane derived biomass, CE&P is able to offer more of a “closed-loop” process that promotes the return of the energy value of the crop back to the area it is grown. Special consideration should be given to agricultural projects similar to CE&P which capture and advance this process.

CE&P is thankful for the opportunity to comment on the Draft AB 32 Scoping Plan in relation to our proposed project. We believe our project is consistent with the ambitious reductions laid out in AB 32 and we are excited about the opportunities our project will bring to Imperial Valley and the State of California. We look forward to working with ARB as we develop our project and we hope that through the AB 32 process we can demonstrate that production of energy from sugarcane is “growing energy the right way”.

Please feel free to contact me at 310/545-8887 or drubenstein@CaliforniaEthanolPower.com if you have any questions or concerns regarding our project.

Respectfully submitted,



David R. Rubenstein
Chief Operating Officer
California Ethanol & Power, LLC

sugarcane: growing energy the *right* way