

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 07 25590 to July 11, 2007
POSITION: Oppose

BILL NUMBER: SB 140
AUTHOR: C. Kehoe

BILL SUMMARY: Vehicular Air Pollution: Renewable Diesel Fuel

This bill would require the Air Resources Board (Air Board) to adopt volumetric renewable diesel fuel standards. The standards would initially require that two percent of all diesel fuel sold annually in California must be renewable diesel fuel, increasing after two years to five percent. The bill would require the State Energy Resources Conservation and Development Commission (CEC) to determine if supplies of renewable diesel fuel are sufficient before the Air Board's regulations go into effect, and would authorize the CEC to suspend the regulations if fuel supplies become inadequate. The bill would require the Department of Food and Agriculture (CDFA) to enforce any diesel fuel specifications adopted by the Air Board, and to report to the Legislature by June 1, 2008 on the potential of California to produce renewable fuel feedstocks.

FISCAL SUMMARY

The Air Board estimates that implementation of this bill would require 2.0 positions costing \$260,000 Motor Vehicle Account (MVA) for two years, and \$500,000 (MVA) in contract funds. The CEC indicates a need for 2.0 permanent positions costing \$260,000 Energy Resources Programs Account (ERPA) annually, \$75,000 ERPA in one-time contracts to collect data on biodiesel production, supplies, and infrastructure issues, and \$100,000 ERPA annually for technical assistance contracts. CDFA indicates its costs would be \$500,000 General Fund (GF) initially for equipment and staff to test renewable diesel, with ongoing costs of \$250,000 GF for enforcement, plus \$150,000 GF one-time to complete the mandated report on feedstock potential.

COMMENTS

The Department of Finance is opposed to this bill because it would impose new costs on state entities and because it is unnecessary. The Air Board reports that it already has the authority to implement a renewable diesel standard to reduce greenhouse gas emissions.

This bill would establish minimum levels of renewable diesel fuel that would need to be included in California's diesel fuel supply once certain findings are made by the Air Board. The Air Board would need to adopt regulations governing not only the standard, but how it would be achieved. The CEC would need to concur that the standard is achievable based on existing fuel stocks, and the CDFA would need to enforce the requirement at the pump.

The bill would define renewable diesel fuel to be biodiesel fuel derived from renewable resources such as vegetable oils, waste grease, animal fats, or other renewable sources meeting certain specifications of the American National Standards Institute.

Expanding the use of renewable diesel fuel could be beneficial in terms of extending the supplies of petroleum-based diesel fuel. The Air Board indicates that existing diesel engines are capable of

(Continued)

Analyst/Principal (0623) D. Harper	Date	Program Budget Manager Karen Finn	Date
---------------------------------------	------	--------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

AUTHOR**AMENDMENT DATE****BILL NUMBER**

C. Kehoe

RN 07 25590 to July 11, 2007

SB 140

COMMENTS (Continued)

combusting mixtures of diesel containing up to five percent biodiesel without voiding engine warranties or violating the Air Board's clean diesel regulations. However, the feasibility of expanding the percentage of renewable diesel in diesel fuel beyond five percent is current unknown because biodiesel is known to produce higher levels of NOx emissions than petroleum diesel, and because it may not be compatible with all retrofitted diesel emission control devices. More research on these subjects is required.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP	2007-2008		2008-2009		2009-2010		Fund
RV	98	FC	FC	FC	FC	FC	FC	Code	
3360/Energy Comm	SO	No	C	\$130	C	\$335	C	\$360	0465
3900/Air Res Bd	SO	No	C	\$130	C	\$760	C	\$130	0044
8570/Food & Ag	SO	No	C	\$650	C	\$250	C	\$250	0001
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0044	Motor Vehicle Account, STF								
0465	Energy Resources Programs Account								