

MYTH vs. FACT

THE TRUTH ABOUT CALIFORNIA'S LOW CARBON FUEL STANDARD

California is embarking on a transition from dependency on oil to clean, safe and renewable forms of fuel through its Low Carbon Fuel Standard (LCFS). By stimulating investments and a market for clean fuel businesses, the LCFS can continue to attract clean energy jobs in California while reducing our reliance on more polluting fuel sources.

Not surprisingly, oil companies are urging the California Air Resources Board (CARB) to weaken the standard. They are claiming that clean fuel companies are not ready for prime time and their products will be too costly.¹ Don't be fooled. Here are the facts about how the LCFS is already spurring clean fuel companies to produce low carbon fuels that will meet the standard and providing economic benefits to the state.

Myth: The LCFS picks winners or losers in terms of fuel options.

FACT: The LCFS simply requires oil companies to reduce carbon pollution from their gasoline and diesel fuel, similar to the limits California has placed on carbon pollution for power plants and cars. The LCFS is technology-neutral: it lets oil companies decide which technologies to invest in to produce cleaner fuels that meet the standard.

Myth: Clean fuel alternatives to oil are not available and the standard cannot be met beyond 2015.

FACT: The LCFS is readily achievable. Hundreds of companies are ready to supply lower-carbon fuels to help meet and even exceed the standard.² The problem is, instead of investing in lower-carbon fuels, the oil industry has continued to invest in dirty fuels like tar sands and oil shale. In fact, for each dollar the oil industry spends on conventional oil and gas exploration and drilling, it invests less than a penny on clean energy and even a smaller fraction on cleaner fuels for our cars and trucks.³ The LCFS aims to change that, all the while giving oil companies complete flexibility to meet the standard. Options include advanced biofuels, electricity, natural gas, hydrogen, or even cleaning up existing oil production facilities.

Myth: The LCFS will lead to higher gasoline prices and hurt our economy.

FACT: The LCFS benefits our economy and reduces our vulnerability to volatile gas prices. California residents and businesses spend \$65 billion annually at the pump, and the majority of

¹ Western States Petroleum Association, Video News Release. <http://www.wspa.org/lowcarbonfuelstandard.aspx>

² Environmental Entrepreneurs *Advanced Biofuel Market Report 2011: Meeting the California LCFS, August 22, 2011.* <http://www.e2.org/ext/doc/E2%20Advanced%20Biofuel%20Mkt%20Report%202011.pdf>

³ *An Analysis of the Finances and Investments of the Major Oil Companies*, May 24, 2010. Democratic Policy Committee. <http://dpc.senate.gov/docs/fs-111-2-89.pdf>

this money leaves the state.⁴ The LCFS will help California's economy by attracting new investments and jobs in the growing clean fuels industry. Many clean fuel sources, such as biomass, electricity, and natural gas, are already being domestically sourced and produced, meaning more of our money will stay in California. And many clean fuels are already less expensive than gasoline. Fuel provider Fulcrum Bioenergy, based in Pleasanton, expects to produce fuel at \$1.30 per gallon for their initial facility and \$0.90 per gallon with their next plants.⁵ South San Francisco-based Solazyme is currently manufacturing renewable oil below current oil prices, at \$3.44 or less per gallon.⁶ The cost of electricity as a fuel is currently one third the cost of gasoline according to the Edison Electric Institute.⁷ CARB's economic analysis shows that the LCFS will create net savings for Californians at today's gasoline prices.⁸

Myth: The LCFS will negatively impact our fuel supply reliability and lead to shortages, thus diminishing our energy security.

FACT: The LCFS will help diversify California's fuel supply and provide consumers with more fuel choices. California transportation fuel supply is over 95% dependent on oil. The LCFS creates incentives for the fuel industry to provide consumers with greater choices, to reduce our oil dependency, and to increase our energy security.

Myth: The LCFS will lead to California refineries being less profitable resulting in fewer jobs.

FACT: The best way to protect and grow jobs in California is to make the state a net exporter of cleaner fuels and technologies through policies like the LCFS. Oil companies have been selling off U.S. refineries in search of even bigger profits extracting oil overseas. While the LCFS doesn't change these trends, it at least ensures investment in clean, domestic alternative fuels and technologies. The clean energy industry is growing three times faster than the rest of the California economy.⁹ Analysis has shown that an LCFS will have a net positive jobs impact.¹⁰

⁴ State Board of Equalization. Assuming latest year figures and average prices over October 2011 through September 2011. <http://www.boe.ca.gov/news/2011/65-11-R.pdf>

⁵ Biofuels Digest, *Fulcrum Energy's \$115 M IPO: The 15-minute version* <http://biofuelsdigest.com/bdigest/2011/09/26/fulcrum-bioenergys-115m-ipo-the-10-minute-version/>

⁶ <http://gigaom.com/cleantech/solazyme-prices-ipo-up-at-18-raising-198m/>

⁷ Edison Electric Institute. http://bpiconference.com/blog/wp-content/uploads/2011/10/Tempchin_Rick.pdf

⁸ ARB found a net savings from the program under a scenario assuming oil prices were at \$66 per barrel in 2010 rising to \$88 by 2020 (\$2007). Current prices are \$99 per barrel (WTI crude oil, 11/11/11). ARB (2009), *Initial Statement of Reasons*. Low Carbon Fuel Standard.

⁹ Next 10, *Many Shades of Green: Diversity and Distribution of California's Green Jobs*.

http://next10.org/next10/publications/green_jobs/2011.html

Environmental Entrepreneurs, *What Clean Energy Jobs? These Clean Energy Jobs*,

<http://www.e2.org/ext/doc/E2%20Clean%20Energy%20Jobs%20Report%2011-17-2011.pdf>

¹⁰ NESCAUM study (2011), *Economic Analysis of a Program to Promote Clean Transportation Fuels in the Northeast/Mid-Atlantic Region*, <http://www.nescaum.org/documents/nescaum-cfs-economic-analysis-final.pdf/>