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**California Natural Gas Vehicle Coalition**

**Talking Points for Senate Transportation Committee Hearing**

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**Overview**

Natural gas is a clean, low carbon, low cost fuel which is abundant in North America.

Natural gas can help California meet its Low Carbon Fuel Standard and longer term environmental goals.

With the growth of Renewable Natural Gas (aka biomethane) natural gas has great potential to get cleaner over time as the renewable fuel is used on its own or blended with fossil fuel natural gas.

Honda’s natural gas Civic has been voted the Greenest Car in America 8 years in a row.

Transit agencies, taxi fleets and private companies such as Waste Management; United Parcel Service, AT&T, and Verizon have purchased thousands of small, medium, and large natural gas vehicles. These purchases have been driven by clean air policies and fuel cost savings.

The United States and California are behind the rest of the world in the use of this clean fuel in transportation. There are approximately 13 million NGVs in use globally and less than 150,000 in the U.S. and less than 30,000 in California. [The relatively low number of vehicles in the U.S. masks an important transition that is underway. NG fuel consumption in the U.S. is about 300 million gallons per year (Energy Information Agency numbers). If these were consumer type vehicles as exist in the rest of the world – at an average annual consumption of 500 gallons per vehicle in the U.S. – this amount of fuel consumed would require 600,000 light duty vehicles. The U.S. however is pioneering the transition to heavy duty natural gas vehicles, with a much higher per vehicle fuel consumption.]

The heavy duty vehicle sector seems to show the greatest promise for natural gas because of: 1) the fuel cost savings; 2) lack of other viable alternatives to diesel

The increasing price of diesel will be the biggest driver in the growth of natural gas as a transportation fuel.

The industry is targeting the addition of 150,000 heavy duty trucks by 2016 with an additional 44,000 Light Duty/Medium Duty fleet vehicles in the same time period. [This would displace nearly 2 billion gallons per year of petroleum by the end of 2016.]

**Benefits and Challenges**

Each of the fuels and technologies you will hear about today has its benefits and its challenges.

**On the benefit side** natural gas has at least 20% less carbon than petroleum.

Renewable Natural Gas has 90% less! In fact RNG is one of the lowest carbon fuels ARB has evaluated. It is starting to be developed on a larger scale. Sources include landfills, agricultural operations like dairies, and waste water treatment plants.

Natural gas has a significant price advantage over gasoline or diesel on an energy equivalent basis. Fuel savings will be $1-$2 per gallon.

You can get a home refueling unit for your garage or car port assuming you have natural gas at your home.

Natural gas is also abundant in North America.

**On the Challenge side** the complaints I hear most are that the vehicles cost more and there aren’t enough refueling stations.

Relative to vehicle cost –

Today natural gas vehicles are still produced in small numbers in this country and are still more expensive than their gasoline and diesel counterparts - ~$6,000 for Light duty vehicles and ~$50,000 for heavy duty trucks depending on model and size. The price will come down as the production numbers continue to increase. [in the highly competitive refuse industry, we are seeing price differentials between diesel and natural gas drop to $10,000 when the advantages of removing Selective Catalytic Reduction (SCR), urea and diesel particulate traps are factored in.]

Relative to infrastructure -

There are now more than 450 public and private natural gas refueling stations in California however this is still a small number when compared to 10,000 or more petroleum stations in CA.

The good news is that unlike other alternative fuels most natural gas stations today can be financed 100% by private capital.

This summer there was a dramatic increase in private investment going into natural gas refueling infrastructure.

* $300 million invested in Clean Energy to build ~300 stations along major goods movement corridors across the country (~1,000 stations today)
* Fortune 500 company, Integrys Energy Group, purchased Trillium USA and Pinnacle CNG.
* Shell is building LNG stations in British Columbia with an eye towards building more stations further south.

There are also concerns about hydraulic fracturing and the chemicals used in that extraction process.

* Today about 15% of U.S. natural gas comes from hydraulic fracturing but that number is projected to grow to 50% over time.
* USEPA just announced their plan for stronger environmental controls over this process.
* For the record my member companies supported the California hydraulic fracturing bill this session that focused on chemical disclosure and public notification.

**California Policy**

Natural gas can be and should be a fuel of the future in California. There are a few changes to California policy which would have a very beneficial impact.

Beyond the LCFS

* In response to AB 1007 the Air Resources Board and California Energy Commission developed an alternative fuels growth plan in 2007.
* Quite a bit has changed since then but we continue to believe that the moderate growth strategy in that plan - 26% alternative fuels by 2022 - is achievable and should be state law.
* Assembly Member Skinner introduced legislation this year on this and we hope to continue that effort with this committee’s support in 2012.

Pipe line access for renewable natural gas in California.

* There is tremendous potential for RNG in California but today primarily because of some utilities’ concerns RNG is not allowed in California pipelines.
* The good news is that the Gas Technology Institute will complete a major study of RNG in December and we are pretty confident the results will allay the concerns of the utilities. We will still need legislation to remove obstacles to developing and distributing this very clean fuel in California.

Air Resources Board can do much more to support natural gas as a transportation fuel.

* For all the good work ARB has done to support and develop alternatives to gasoline for light duty vehicles they have done very little to support alternatives to diesel in the heavy duty vehicle sector.
* With a focus on protecting public health in the near term ARB has invested lots of money in diesel particulate traps for older diesel trucks. The problem is that diesel particulate traps are not a fuel of the future.
* More than 12 years after diesel PM was identified as a toxic air contaminant California still does not have a plan for where we want to go with heavy duty transportation beyond diesel. I have an idea for a fuel that can be part of the solution. A California plan would be helpful.
* In the next year CARB can and should shift more of its incentive funding to clean fuel alternatives to diesel.

The California state fleet is not living up to its leadership potential relative to alternative fuels.

* Senators Lieu, DeSaulnier, Lowenthal and others have pushed on this issue for at least 4 years but the progress has been pitiful.
* We are hopeful because the new leadership at the Department of General Services seems much more committed to using alternative fuels and technologies.
* We are clear the State is not buying a lot of vehicles today but we want to get good policies in place for when the state starts buying again.
* Assembly Member Butler introduced Legislation on this issue earlier this year and we are working with her on amendments for the new year.