California Senate Committee on Transportation and Housing

Meeting the Goals of AB32 - Fuels of the Future

October 24, 2011

Testimony of

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on Behalf of the Advanced Biofuels Association

Chairman DeSaulnier and Members of the Committee, I am Denise Gitsham, Director of Corporate Affairs and Legislative Counsel for Sapphire Energy, headquartered in San Diego. I am testifying today on behalf of the Advanced Biofuels Association. Thank you for the opportunity to discuss the role advanced biofuels will play in helping the State of California meet the goals of AB 32.

The Advanced Biofuels Association, commonly referred to as the ABFA, is a national trade association located in Washington DC, representing 39 of our nation’s most promising advanced biofuels companies. Our membership spans a wide variety of platform technologies, from synthetic biology, to biomass to liquids, to cellulosic biofuels, and my personal favorite, algae-based drop-in fuels. A quarter of our membership consists of California-based companies, including Amyris, LS9, Solazyme, and Sapphire, to name a few. Consequently, California’s policies regarding carbon intensity values and the Low Carbon Fuel Standard are important to our members, either because they are located in the state, or because of California’s significant influence on federal energy and environmental policies.

AB32 has set bold and aggressive GHG emissions reduction targets for the transportation fuels industry, which we all strive to meet and exceed. The Federal Government and other states have looked to California for leadership in developing environmental and energy policies. AB32 strengthens California's legacy in this realm.

However, the ABFA does have concerns regarding certain elements of AB32’s implementation. Specifically, California’s protracted technical discussions regarding modifications to lifecycle carbon intensity values have introduced crippling uncertainty into our industry. This uncertainty limits the private investment we need in order to commercialize. Consequently, we urge you to establish mechanisms to stabilize the LCFS compliance market. Such an approach could involve, for example:

       Establishing alternative compliance mechanisms that reward investments in qualified low-carbon advanced biofuel projects, and

       Establishing grandfather or other provisions that protect a low carbon fuel’s carbon intensity score from the volatility of ever-evolving academic models

We also ask that all transportation fuel technologies – including advanced biofuels – be assessed similarly for their environmental impact. Currently, the LCFS only assigns indirect land use effects for biofuels. Additionally, CARB is assessing sustainability reporting criteria that would apply primarily to the biofuels industry. Neither of these elements have been meaningfully evaluated for their potential application to any other transportation fuels.

The last four years have brought enormous momentum to the advanced biofuels industry. California companies are leading the way, and creating jobs in the process. Amyris has grown from 30 employees in 2007 to over 400 today, while LS9 boasts 77, Solazyme has150, and Sapphire has 155. In the past year, six member companies have transitioned to become publically traded. Additionally, five of our member companies have produced and successfully tested their alternative jet fuels in commercial flights. I’m particularly proud of the fact that, in January 2009, Sapphire Energy became the world’s first algae-based fuel company to successfully fly a commercial jet on a 50/50 biofuel blend. More recently, the Thunderbirds and the Blue Angels flew in air shows on a 50/50 blend of renewable jet fuels made by UOP/Honeywell.

In spite of their significant accomplishments, ABFA companies still require commercial funding to move forward at an expeditious pace, which is challenging in this economic environment. Our industry constantly manages three risks in its quest to commercialize: technology risk, commodity volatility and regulatory volatility. While the state can do little to affect technology risk and commodity volatility, California *can* establish a stable policy framework that offers regulatory certainty to our industry and its potential investors. This, in turn, will help commercialize the growing California-based advanced biofuels industry, to the benefit of our state, its economy, and our environment.

The ABFA thanks you for your leadership on these issues, and we’d like to offer ourselves as resources to you in the development of these important policies.