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Carlsbad, Calif., Switches Municipal Fleet to Renewable Diesel

Carlsbad, Calif., has begun using renewable diesel in all 70 vehicles in its municipal fleet under a deal it signed recently with clean fuel retailer Propel Fuels, city and company officials said.

Under the agreement, the city, which uses about 30,000 gal of diesel fuel each year, has replaced conventional diesel with renewable diesel produced by Neste. Most of the vehicles are in the city's Public Works and Fire departments, Steve Hodges, management analyst with Carlsbad's Department of Public Works, told OPIS in an email.

Renewable diesel is competitive with the price of conventional diesel, but because of delivery charges, Hodges said Carlsbad will pay about a 6-ct/gal premium for the renewable fuel, boosting the city's annual fuel costs by about \$1,500.

"Prices change daily, but we have found renewable diesel to be about on average [a penny] cheaper per gal than our previous supplier of petroleum diesel," Hodges said. "However, since the product is not widely available locally, we do pay an additional 6cts per gal for delivery. We anticipate this cost to go down over time as consumption increases and the product becomes more readily available."

The switch to renewable diesel also reduces the city's carbon output, and is another reason for municipal governments to make the switch, according to Kaisa Hietala, Neste's executive vice president for renewable products.

"Many cities and corporations worldwide are now looking at ways to reduce emissions and carbon footprint. In the United States, California is leading the way and Neste Renewable Diesel is a solution to reduce both greenhouse gas emissions and tailpipe emissions, which municipalities can greatly benefit from. Switching to it doesn't require any additional investments on infrastructure or engine modifications. Thus, fleets can switch to renewable diesel overnight," Hietala said.

Carlsbad joins other California fleets, including the cities San Francisco, Oakland and Walnut Creek, Google and UPS. The move was in sparked at least in part by the state's Low Carbon Fuel Standard (LCFS), which aims to reduce the carbon intensity of transportation fuels in the state.

In an interview with OPIS, Propel CEO Rob Elam said the retailer was approached by Carlsbad about making the transition to renewable diesel in its fleet including fire, dump and vacuum trucks.

"For Carlsbad they have their own in yard fueling and storage tank, so we deliver it to them in bulk," Elam said. "In general, any diesel vehicle can use [Neste's] Diesel HPR. The product itself can be blended with diesel fuel at any

ratio, so [for example] you can have a half tank of diesel and fill it up with renewable diesel."

Elam believes Carlsbad chose to work with Propel because of the company's experience with implementing new fuels into existing fleets.

"We've been able to collect the most data by far of actual real world application of this fuel across all kinds of vehicle types and duty cycles and use cases. We've worked very diligently to collect all of that data, record any challenges, understand that certain vehicles are having issues and we really see our role at Propel when we introduce these new clean fuels. We need to be available to assure their market adoption is smooth and guided."

Elam said the switch provides not only significant carbon reductions, but also additional air quality benefits that reduce particulate matter (PM2.5) and nitrogen oxide (NOx).

"You have air districts in California that are out of compliance with the EPA air quality standards, and primarily that's driven by NOx and particulate matter, PM2.5. ... Clean fuel is a really significant opportunity to reduce those harmful air emissions."

The Diesel HPR generates LCFS credits and their value is priced into the product at the wholesale level. Elam, however, said he could not disclose the details of the credits.

"Renewable diesel is a significant contributor to the [LCFS] targets ... [and] is really critical to the [program's] success in California."

Largely because of the LCFS, California provides the best growth opportunities for Propel and Neste, Elam said.

"We think about growing in other places all the time, but California is the largest petroleum market [of any state] by far, the largest vehicle market by far and has the most interesting policy dynamic and margin economics for us, so there's a lot of growth for us to continue to do in California. We're the largest alternative fuel retailer in the state already and we feel like we could grow a lot more, quite comfortably just within this state, but we're always looking at opportunities to go to other states. We have conversations regularly with folks about supply of various fuels to all kinds of places and internationally too," Elam added.

--Molly M. White, mmwhite@opisnet.com

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