

Energy Credit Banking and Selling Program Annual Report FT 2011-2012

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State Energy Office of the Department of Commerce

The Energy Policy Act (EPAct) State and Alternative Fuel Provider Rule requires state government and alternative fuel provider fleets that operate, lease, or control 50 or more light-duty vehicles (LDV) within the United States to acquire alternative fuel vehicles (AFV).

Since 2001, as a covered fleet, 75% of North Carolina State Government new LDV acquisitions must be AFVs. The State Energy Office is the designated entity to report acquisition activity to the U.S. Department of Energy (DOE) by December 31st of each calendar year.

The state earns one vehicle credit for every light-duty AFV it acquires annually beyond the base vehicle acquisition requirements. Once the state has satisfied the annual light-duty AFV acquisition requirements, it also earns one credit for every heavy-duty AFV purchased annually. Credits generated by vehicle acquisitions can be sold or banked for future use, and credit trading is allowed between fleets that need to buy or sell banked credits. However, only credits that are tied to alternative fuel use in an AFV can be sold or traded. In federal fiscal year 2010-2011 the State earned 102 AFV credits that can be banked or traded.

As directed by legislation, the State Energy Office in the Department of Commerce has compiled this report and attached the guidelines and rules on the Energy Credit Banking and Selling Program. The provisions for the Energy Credit Banking and Selling Program were enacted by the 2005 General Assembly through SB1149, approved by the Rules Review Commission in April 2007, and went into effect on May1, 2007.

Guidelines for the Energy Policy Act (EPAct) Credit Banking and Selling Program were developed, reviewed and approved at the May 9th, 2007 Alternative Fuels Consortium, and the May 14th 2007 meeting of the Energy Policy Council. The Credit Selling Working (CSW) group is a subgroup of the Alternative Fuel Consortium. The CSW group consists of NC Department of Transportation's equipment unit designee, Department of Administration Motor Fleet Management division designee, SEO designee, and designees of other state agencies and institutions that generate EPAct credits. The group meets to discuss the number of credits earned annually, the number that are deemed "sellable," and a price range with a minimum selling price for all credits.

The State of North Carolina, through the efforts of Motor Fleet Management (MFM) and the Department of Transportation (DOT), had 1797 excess credits to sell based on analysis of tradable credits earned through alternative fuel use during FY 04-05 through FY 09-10. Through Federal fiscal year 2011-2012, a total of 1296 credits have been traded leaving a total of 756 EPAct credits available for trade as illustrated in the table on the following page.

EPAct CREDIT BANKING & SELLING PROGRAM	CREDITS*	FEDERAL FISCAL YEAR TRADES
FY 04-05 credits	365	
FY 05-06 credits	424	
FY 06-07 credits	291	
FY-07-08 credits	353	111
FY- 08-09 credits	112	322
FY- 09-10 credits	252	372
FY-10-11 credits	102	200
**FY11-12		
TOTAL CREDITS	1,899	1,241
BALANCE	658	
* based on state FY, E85 fuel use tracking & annual FFV purchases (FFY 11-12 only)		
SEO will submit the annual State and Alternative Fuel Provider Report to DOE by 12/31/2012		

Since the EPAct Credit Banking and Selling Program's inception, the completed trades of 1,241 credits has yielded a total of \$1,002,455 which has been deposited into the Alternative Fuels Revolving Fund (AFRF), held by the Department of Commerce. These revenues and credit trades are listed in the following table.

FEDERAL FISCAL YEAR	DEPOSITS	CREDITS
FY-07-08	\$425,580.00	429
FY-08-09	\$3,800.00	4
FY-09-10	352,675	372
FY-10-11	220,400	236
FY-11-12	\$180,000	200
Total deposits	\$1,182,455	1,241

For the federal fiscal year ending September 2012, a total of \$585,968.80 had accumulated in the AFRF from the sale of credits and accruing interest from these trades. The EPAct credit sales are being handled through direct sales by the State Energy Office.

No AFRF funds were dispersed during the previous fiscal year. The table below lists the current account balance of \$789,968.18. The SEO received an inquiry about a credit purchase, but no transaction has occurred to date.

Alternative Fuel Revolving Fund Summary September 2012	Amount
Total deposits	\$589,968.18
Total interest	\$ 33,968.38
Subtotal	\$589,968.18
Total disbursements	\$0.00
Balance 08-30-12	\$589,968.18

The AFRF was established to receive and disburse revenue from EPA credit sales. One credit is earned for each original equipment manufacturer or U.S. Environmental Protection Agency (EPA) certified retrofit, flex fuel vehicle (FFV), compressed natural gas, propane, or electric vehicle that is purchased. Credits that exceed the annual minimum state AFV acquisition requirement of 75% of light duty purchases can be banked through the U.S. DOE Office of Freedom Car and Vehicle Technologies Program. Banked credits are used to meet future credit requirements, traded or sold. Credits are also earned through the use of B20. Although these credits cannot be traded directly, they can help the state fleet meet its minimum acquisition requirements. One vehicle credit is accrued through the use of 2,250 gallons of B20, or 450 gallons of B100. However, only credits that are tied to the actual use of alternative fuel in the AFV may be sold. This means that biodiesel used in diesel vehicles cannot be traded. State agencies must document and track the use of alternative fuel in AFVs for credits that are traded and/or sold.

The SEO currently lists credits on an open bulletin board on the U.S. DOE website. The SEO has an agreement with World Energy Alternatives, LLC, to offer credit brokering services for a 10% surcharge of the sale price.

The SEO annually informs the Alternative Fuel Consortium of revenue deposited in the AFRF account and the percentage of these funds that were generated by each participating state agency and institution. To date, MFM and DOT have generated 50% of the tradable credits. Technically the credits generated by DOT for B20 use are not tradable; however their use of B20 provides the opportunity for the state and MFM to exceed their minimum requirements. As a result, the credits generated by MFM through the use of E85 in FFVs are deemed eligible for trade.

The distribution of funds are prioritized by the Alternative Fuels Consortium based on maximizing benefits to the state for the purchase of alternative fuel, related refueling infrastructure, and AFV purchases. Both the Energy Policy Council and the Alternative Fuel Consortium deemed it necessary to establish a clear priority for the funds accrued by the sale of credits. The top priority identified was the development of more refueling options. As a result, the DOT requested and received one half of the accrued AFRF funds in November of 2009 to build two E85 refueling sites for DOT and other state fleet E85 capable FFVs. To date, DOT has completed construction on five E85 stations allowing more flex-fueled vehicles opportunities to fill up with the higher blend of ethanol. In addition to the stations in Marion and Asheboro, DOT has stations in Greenville, Charlotte, and Hillsborough. These stations were built with non AFRF

funds. MFM has shown interest in utilizing its share of AFRR monies to cover the incremental cost of hybrid electric vehicles in the future. State budget restrictions have continued to preclude the planned purchase of many vehicles of all types. It should be noted that there are many alternative fuel vehicles and hybrids on the state contract this year. MFM has been encouraged to consider purchasing some Chevy Volts and Nissan Leafs for the fleet, as these electric vehicles (EV) can be purchased or leased through the AFRR.