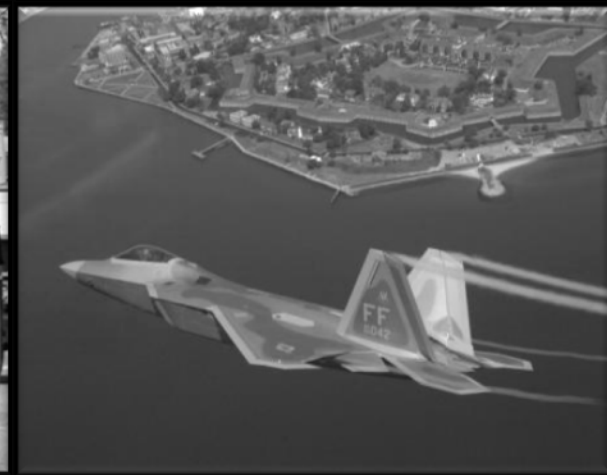




DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT SUPPORT LOGISTICS AGENCY



DLA Energy Supply-Chaining Alternative Aviation Fuels Within the DoD

Frank Pane
Director, Energy Plans & Programs
DLA Energy
Aug 25, 2010

DLA Energy

Mission

To Provide the Department of Defense and Other Government Agencies with Comprehensive Energy Solutions in the Most Effective and Efficient Manner Possible

Vision

Our Customers First Choice for Energy Solutions

Values

- People
- Service
- Excellence
- Innovation
- Trust





DLA Energy Enterprise

Military Fuel FY09

Inventory	59.6M barrels*
Storage Locations	625
Transactions	23.8M
Barrels Sold	129.0M
Fuel Cards	\$829M
Aerospace Energy Sales	\$79.6M

Petroleum Sales: All Customers

FY05 Net Sales	132.5M barrels	\$ 8.5B
FY06 Net Sales	133.9M barrels	\$12.7B
FY07 Net Sales	132.4M barrels	\$12.6B
FY08 Net Sales	132.5M barrels	\$17.5B
FY09 Net Sales	129.0M barrels	\$12.2B
FY10 Estimate	129.0M barrels	\$15.2B

Foreign Military Sales FY09

Net Sales 3.0M barrels - \$202.2M

* 42 Gallons = 1 Barrel

Expanding Energy Solutions FY09

National Gas Business	\$292M
<i>Electricity Business</i>	\$863M
<i>Coal Contract Business</i>	\$68.9M
Renewables	\$819K
<i>Estimated U.P. Awards</i>	\$1.2B
<i>multi year awards</i>	

Forward Presence FY09

Co-located: 3 Service Control Points
5 Geographic Regions: approx. 254 personnel

Personnel On Board FY09

Civilians	1,033
Military	63



“Now, the Pentagon isn’t seeking these alternative fuels just to protect our environment; they’re pursuing these homegrown energy sources to protect our national security. Our military leaders recognize the security imperative of increasing the use of alternative fuels, decreasing energy use, reducing our reliance on imported oil, making ourselves more energy-efficient.”



Remarks by The President on Energy Security at Andrews Air Force Base, 3/31/2010



Focused Customer Change

Air Force

- *AF Energy Plan 2010* – “Increase Supply” Goals
 - By 2016, be prepared to acquire 50% of domestic aviation fuel via alternative blends greener than petroleum
 - Increase facility renewable energy at annual targets
 - Increase non-petroleum-based fuel use by 10% per annum in motor vehicle fleet

Army

- *Army Energy Security Implementation Strategy* – 2009
 - ESG 3: Increased use of Renewable/Alternative Energy
 - ESG 4: Assured Access to Sufficient Energy Supply
 - ESG 5: Reduced Adverse Impacts on the Environment
 - Established a Tactical Fuel and Energy Implementation Plan Working Group (DLA Energy supporting)

Navy

- *Navy Energy Goals*, published Oct 2009
 - Green Strike Group by 2012
 - Reduce petroleum by 50% in the commercial vehicle fleet by 2015
 - Produce 50% of shore based requirements from alternative sources by 2020
 - Supply 50% of total energy consumption from alternative sources by 2020

Other

- NDAA FY10 Section 334 mandated study
 - Comprehensive assessment of the use of renewable fuels as alternative fuels in aviation, maritime and ground transportation fleets



Alternative Fuel Supply Chain “Pillars”

- Must be a drop-in-replacement fuel
 - Use existing transportation and distribution infrastructure
 - No modifications to weapons platforms
- “Competitive” price
 - Requires Departmental/Service definition (i.e. what is the acceptable premium for “greenness” and/or energy security)
- Environmentally compliant with Section 526
- Complies with existing procurement statutes/regulations



Synthetic Fuel Support

- Fischer-Tropsch (FT) contracts supporting AF platform certification (JP-8)
 - June 2007 – 315,000 USG – Gas-to-Liquid
 - June 2008 – 60,000 USG – Coal-to-Liquid
 - July 2008 – 335,000 USG – Coal-to-Liquid
- FT contracts supporting Navy platform certification (F-76)
 - Sept 2009 – 20,000 USG – Gas-to-Liquid
- Specification exists
 - AF seeking to certify all platforms by 2011



Biofuel Support

- Hydrotreated Renewable Jet (HRJ)-8
 - Camelina & Tallow derived - 100,000 gal basic / 100,000 gal option each
- HRJ-5
 - Camelina derived - 40,000 gal basic / 150,000 gal option
 - Algae derived – 1500 gal total quantity
- HRF-76
 - Algae derived – 20,055 gal total quantity
- Army HRJ-8
 - 34,950 gal
 - Awarded 7/26/10.



Alaska Fischer-Tropsch Initiative

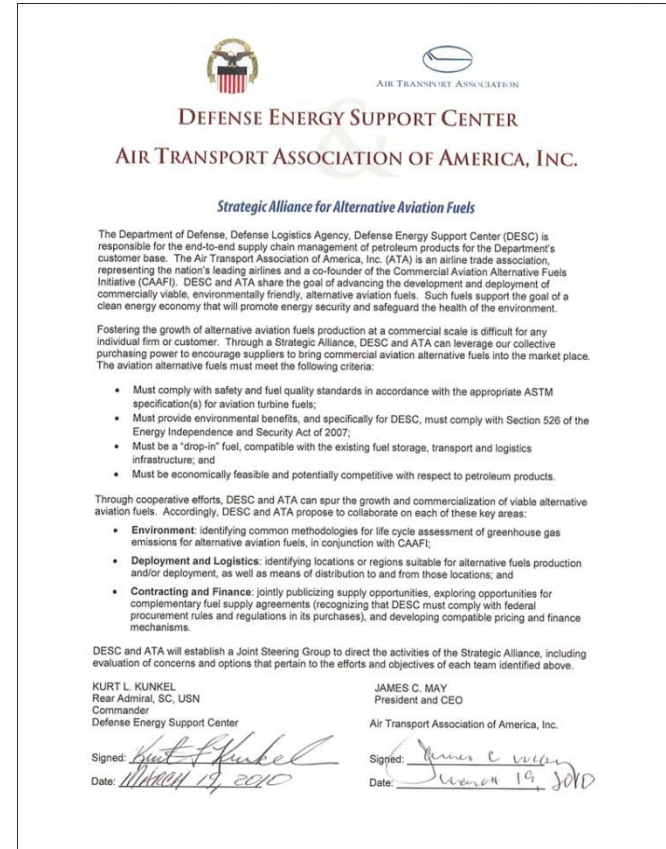
- Encourage commercial production of synthetic fuel
 - Feedstock neutral
 - All jet requirements in AK , WA, OR, under 50/50 blend specification
- Lessons learned from industry
 - Feedstock availability challenges
 - Credit availability challenges
 - Requirement size challenges
- Currently on “strategic pause”



Strategic Alliance for Alternative Aviation Fuels



RDML Kurt Kunkel and ATA President and CEO James May sign the Strategic Alliance for Alternative Aviation Fuels agreement Mar. 19, 2010.





Air Transport Association Strategic Alliance

- Shared goal
 - Advancing the development & deployment of commercially viable, environmentally friendly, alternative aviation fuel
- Joint Steering Group established to direct activities
- 3 Collaborative Teams
 - Contract and Finance
 - Environment
 - Deployment and Logistics



GIFTPAC

- Green Initiative for Fuels Transition Pacific (GIFTPAC)
 - PACOM initiative
 - Displace at least 25% of the fuel used by the DoD in Hawaii with locally produced “green” fuel
 - Support PACOM energy security requirements by developing organic capability to replace 100% reliance on outside sources
 - DLA Energy as Acquisition Manager
- Request for Information issued
 - Elicit industry interest
 - Sharing of information
- Industry Day Sep 2010

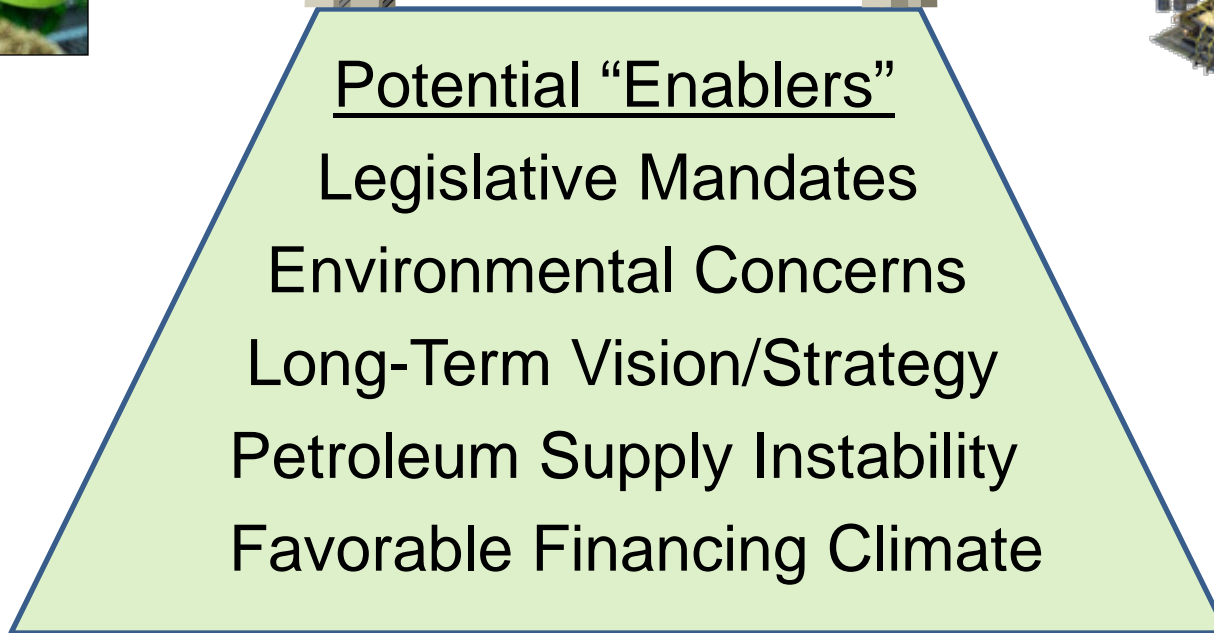
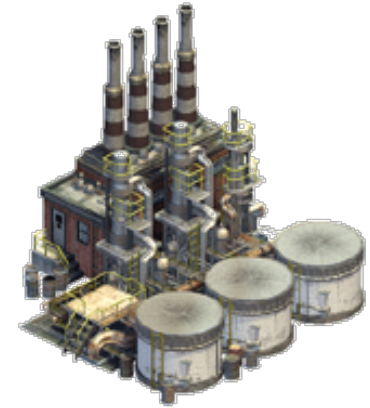


Challenges

- RFS2 - Renewable Identification Number
 - Credits only apply to ground fuel, not aviation fuel
- Long Term Contracting Authority
 - DLA Energy-drafted legislative proposal seeks 20 years
- Specifications
 - Services still testing/approving platforms for Fisher-Tropsch specification
 - Hydrotreated renewable biomass specification tracking for 2011 approval
- EISA Section 526 compliance
 - Applies to Government only – causes potential market challenges
 - Acceptable life cycle green house gas measurement criteria/methodology



Bridging the Gap



- When is the best time to create this industry?
 - *Five years ago is probably a good answer*
 - *So is “today”*



Next Steps

- Continued support of testing & certification efforts
 - Must have approved specifications to solicit
- Continued intergovernmental & private sector collaboration
 - DOE, USDA, DoD, FAA, ATA, CAAFI, others
 - Synergism required to make alternative aviation fuels a reality
- Blue-print to feasible objectives
 - A game of “singles” vs. home runs



QUESTIONS?