



# 2014 General Meeting Business Team Breakout Session (Jan 28)

---

## CAAFI® Business Team reviews and revises priorities related to supporting alternative jet fuel business opportunities

The CAAFI Business Team held a breakout session on Day 1 of the 2014 General Meeting. We had a very diverse audience with representatives from airlines, airports, fuel suppliers, feedstock developers, universities, non-governmental organizations, OEMs, federal and state government agencies, engineering and consulting firms, members of the financial community, and logistics companies. The team had an open discussion of priority items to work as a group and identified a number of action items to pursue throughout the year.

### Session Highlights:

The topics discussed and associated action items are summarized below:

**1) Guidance on commercial terms:** The team indicated that it would be helpful for prospective suppliers to have a better understanding of typical commercial terms in jet fuel agreements. This document should complement the *Guidance for Selling Alternative Fuels to Airlines* prepared last year by the Business Team and available on CAAFI.org. An initial step would be to make IATA's *Aviation Fuel Supply Model Agreement (FSMA)* available to CAAFI stakeholders. A second step would be to annotate the FSMA with possible modifications to accommodate alternative jet fuels (the FSMA addresses conventional jet fuel, only).

➤ **Action items:**

- Contact IATA regarding distribution of the FSMA to CAAFI stakeholders
- Indicate where the FSMA may have to be modified to accommodate alternative fuels

**2) Finance:** The team indicated that it would be helpful for buyers to understand more clearly what terms in an off-take or similar contract can be financed. This is what prospective suppliers need to show investors to raise the necessary funds. It was suggested for buyers to issue an open RFI to suppliers with standard contract terms and to have suppliers indicate if those terms can be financed. This can be done using the IATA FSMA as a

starting point. In addition, there was discussion about developing innovative financing mechanisms.

➤ **Action items:**

- Explore the possibility of an industry RFI based on IATA's FSMA to solicit input from producers as to what terms can be financed
- Encourage stakeholders to propose innovative financing mechanisms

**3) Frequently Asked Questions (FAQs):** The team identified a number of questions that are frequently voiced by producers, airlines, and other stakeholders along the supply chain regarding key topics such as:

- *RFS2 & RINs* (e.g., how to deal with export restrictions on RINs tied to jet fuel?)
- *Blending logistics* (e.g., where in the supply chain is best to blend the neat alternative fuel with conventional jet fuel?)
- *Price parity* (e.g., what does "price parity" mean to buyers, to sellers?)
- *Price volatility* (e.g., how do airlines deal with price volatility today? is there a role for alternative fuels in the future?)
- *Delivery location* (e.g., what are the criteria that make a delivery location attractive to buyers?)
- *Lessons learned from government (e.g., DLA) procurement*

➤ **Action item:**

- Develop FAQs and related answers; consider adding them as an appendix to *Guidance for Selling Alternative Fuels to Airlines*

**4) Information on alternative fuel production:** The team discussed the desire to have access to information regarding alternative fuel production. In particular, team members would like to have a better understanding of commercial-scale facilities available today and potentially into the future.

➤ **Action item:**

- Investigate the development of a database of potential fuel producers

**5) Regulatory awareness and opportunity:** The team discussed the need to create more awareness with respect to regulatory considerations. This would include 1) keeping up with current and proposed regulations and 2) providing input as a group to potential regulations. Potential ideas, subject to A4A vetting, include:

- Approach the California Air Resources Board (CARB) with an industry position with respect to allowing alternative jet fuel to receive credit as part of California's Low Carbon Fuel Standard (LCFS)
- Investigate the potential to exempt alternative jet fuel consumption or sales from local, state, and federal excise or sales-and-use taxes

➤ **Action item:**

- Identify priority regulation-related topics and follow up with A4A to evaluate fully all regulatory and political considerations

**6) Sharing fuel approval costs:** ASTM approval is a critical element in the commercialization of alternative fuels. Given recent cuts in U.S. government funding, especially at the Air Force Research Laboratory, the availability of facilities to perform the fuel testing necessary for ASTM approval is lacking. Team members suggested partnering with other countries where such facilities might exist. This topic is being discussed by the Certification-Qualification (CQ) team; therefore, we recommend to follow-up with the CQ team and offer assistance, as needed.

➤ **Action item:**

- Follow-up with CQ team regarding availability of resources in other countries to support ASTM fuel testing

**7) Outreach and communication:** The team expressed the desire to increase awareness of alternative jet fuel commercial deployment and other forms of progress. Suggestions included using social media and other communication tools to share information and organizing an “industry alternative fuel day” at a specific airport where airlines would use alternative fuels.

➤ **Action item:**

- Discuss outreach and communication with the CAAFI Leadership Team

**Outcomes and Next Steps:**

The Business Team leadership will identify individual members to evaluate and pursue the action items identified above.

*CAAFI sponsors are the U.S. Federal Aviation Administration, Airlines for America® (A4A), Aerospace Industries Association (AIA) and Airports Council International-North America (ACI-NA). Additional information on CAAFI can be found at our website: <http://www.caafi.org>.*