Industry Roundtable
USDA/DOE/DON/DOT-FAA
Advanced Drop-In Biofuels Initiative

Bulk Fuel Procurement Process &
Alternative Drop-in Fuel

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Bulk Petroleum Products

Uses and Unique Characteristics

- **F76**
  - Navy Distillate fuel
  - Pour point
  - Stability

- **JP5**
  - Marine Aviation fuel
  - Flashpoint (140 degree F)
  - Fuel System Icing Inhibitor (FSII)

- **JP8**
  - ‘Single Fuel’ (ground & air)
  - FSII
  - Freeze point
**Bulk Fuels Purchase Program**

- Centralized procurement process
- Purchase fuel to meet demand
- Procure petroleum products in very large volumes
  - Award annual Indefinite Quantity Contracts
  - Estimated Qty with a 75% minimum lift guarantee
  - Fixed Price with Economic Price Adjustment
    - Weekly/Daily Price Change
    - Based on Commercial Market for petroleum prices
- Focus on Inventory and Distribution alternatives
  - Utilize Bid Evaluation Model (BEM) for award and distribution patterns
  - Set and Maintain Peacetime Operating Stocks and War Reserve Materiel Management Levels
- Funded through DWCF
  - Services charged Standard Price
DLA Energy’s Role with Alternative Fuels

• Support the Services Testing and Certification Efforts
  – Procurement of product for testing
  – Collaboration

• Integration of Product into the Supply Chain
  – Use existing infrastructure
  – No separate NSN for blended bulk mobility fuels

• Fuel Procurement for Operations
  – Driven by Service Requirements
    – Specifications
    – Quantity
  – In compliance with FAR and DFAR
Alternative Fuel Procurement Process

• Past/Current
  – Individual procurement actions per Customers’ Requirements
    • Fuels used for testing and certification
    • Product is not capitalized
    • DLA Energy utilized Service funds for purchases
  – Procurements are done via Low Price Technically Acceptable on a Full and Open Basis
    • Price is fixed for “neat” product
    • DLA Energy provides transportation to customer identified locations
    • Services responsible for blending of product

• Potential Near Future
  – Individual procurement actions per Customers’ Requirements
  – Indefinite Quantity Contracts
  – Lowest cost based on Bid Evaluation Model
  – DLA Energy would buy blended product (drop-in) through larger competitive procurement actions
Alternative Fuels Procurement Process Continued

• Envisioned Future
  – Alternative fuel is fungible within the market
  – Operational quantities purchased using Bulk Purchase Program Process
  – Compete directly with petroleum suppliers
  – DLA Energy would purchase blended product

• Pillars
  – Must be a drop-in-replacement fuel
  – Meets specifications
  – “Competitive” price
  – Environmentally compliant with Section 526
  – Complies with existing procurement statutes/regulations
  – Leverage private sector demand
Bulk Petroleum Supply Chain – Now & Future

“Traditional” Class III(B) Supply Chain

- Crude Oil – Petroleum Refinery
- Military Specification Fuels
- Intermediate Storage
- Fixed Storage
- Forward Distribution
- End-users & Forward Operating Bases
- Point of Sale

Current Peacetime Operating Stocks / Reserve Levels (Inventory and Infrastructure)

“Future” Class III(B) Supply Chain

- Crude Oil – Petroleum Refinery
- Alternative/Bio Fuels Refinery & Blending
- Alt/Bio Fuels and Commercial Spec
- Intermediate Storage
- Fixed Storage
- Forward Distribution
- End-users & Forward Operating Bases

Optimized and Properly Maintained (Sustainment, Restoration, & Modernization Investment)

Rightsizing Inventory/Infrastructure While Balancing

Increased: Oversight – Visibility – Controls While fully supporting customers Initiatives and Requirements

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Risks = Efficiencies
Bridging the Gap

Testing and Certification Volumes

“Traditional” Class III(B) Supply Chain

- Crude Oil in Petroleum Refinery
- Intermediate Storage
- Forward Distribution
- Point of Sale
- Military Specification Fuels

“Future” Class III(B) Supply Chain

- Crude Oil – Petroleum Refinery
- Intermediate Storage
- Optimized and Properly Maintained (Sustained, Restoration, & Modernization Investment)
- Forward Distribution
- Point of Sale
- Alternative Bio Fuels and Commercial Spec

• Continued support of testing & certification efforts
  – Must have approved specifications to solicit

• Continued intergovernmental & private sector collaboration
  – Synergism required to make alternative aviation fuels a reality

• Develop a blueprint with feasible objectives
  – DoN/DoE/USDA Bio-refinery Initiative
  – Right-sized, scaled demonstrations

• Continued unified commitment: Budget, Requirements
Summary

• DLA Energy responds to customer requirements

• Need to be in sync with commercial customers, and the development of a commercially viable production base

• Bio-refinery Initiative, scaled demonstrations as a potential links between test/certification and full scale production

• Patience (with persistence) is the key