



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8b

ACTION ITEM

Date of Meeting July 24, 2018

DATE: July 9, 2018
TO: Stephen P. Metruck, Executive Director
FROM: Stephanie Meyn, Sr. Env Program Manager, Aviation
SUBJECT: Sustainable Aviation Fuel Strategic Plan

ACTION REQUESTED

Request Commission approval of a scope of work for the Airline-Port Committee formed by execution of a memorandum of understanding to develop a strategic plan to reduce carbon emissions and air pollutants, primarily through the use of sustainable aviation fuel. Commission approval of the committee's scope of work is required as a condition of the memorandum of understanding attached as an exhibit to the current signatory lease and operating agreement (SLOA IV).

EXECUTIVE SUMMARY

In December 2017, the Port Commission passed a motion that contained specific sustainable aviation fuel (SAF) goals, and directed staff to develop a strategic plan by mid-2018 to meet those goals.

Subsequent to the motion, a memorandum of understanding (MOU) was signed in the second quarter of 2018 between the Port and 16 airlines/airline groups operating at Seattle-Tacoma International Airport, formalizing a commitment between the parties to work together (through an MOU Committee) to develop a separate plan to reach the Commission's goal of ten percent SAF available at Sea-Tac by 2028.

In discussions among Port staff, airlines, and the Energy and Sustainability Committee, it was agreed to merge these two planning processes. The strategies in Port of Seattle's SAF Strategic Plan show where the Port or other partners play a lead role in implementation, and where the work of the MOU Committee intersects with the broader strategies of the airport.

The MOU commits the parties to the MOU to present a scope of work to Commission for approval in open session within two months of forming (July 2018). Rather than providing only this scope of work to Commission for approval, the MOU Committee's scope of work is presented as part of the Port of Seattle's broader SAF strategic plan. However, only the MOU Committee's scope of work is subject to the Commission Action, while the remainder of the SAF Strategic Plan is provided as a briefing.

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GOALS FROM THE 2017 MOTION:

- By 2028, 10 percent of jet fuel available at Sea-Tac will be produced locally from sustainable sources.
- By 2035, 25 percent of jet fuel available at Sea-Tac will be produced locally from sustainable sources.
- By 2050, the maximum blend currently approved for jet fuel will be produced locally from sustainable sources.

SEA-TAC AIRPORT SAF STRATEGIC PLAN

The Port of Seattle’s SAF strategic plan is based on a foundation of regional and international research conducted since 2011, including the Sea-Tac SAF infrastructure and financing reports published in 2016 and 2017. This effort has moved the Port from the role of supporting research and development to supporting the development of a SAF market.

The strategies outlined in the SAF Strategic Plan reflect the most effective policies and approaches found around the world (e.g. AltAir Fuels in California, Scandanavian airports) that have helped build or support a SAF market. Specifically, these strategies work together to support an aggregated market signal and facilitate the development of a local SAF supply chain. The strategies are listed and described in more detail below:

1. Create an airline-airport cooperative model to aggregate demand and address infrastructure needs
2. Develop and/or support specific local, state and federal policies that incentivize SAF use and provide tax incentives to in-state production facilities
3. Obtain FAA support (approval) to use airport funds and/or grants toward SAF co-benefits
4. Enhance awareness of, and support for SAF use

Strategy 1: Airline-Airport Cooperative Model

Purpose: The incremental cost between SAF and petroleum Jet A is the most significant barrier to market growth and development. Estimates of SAF incremental costs do not typically include the costs to build and integrate a local supply chain and fueling infrastructure, which can be

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substantial. Airports in Europe have helped send a SAF market signal by bringing these costs down through participation in partnerships among airlines, governments, corporations, etc. A cooperative model is an agreement among an airport, airlines, and possibly other parties to aggregate funds and/or demand to send a SAF market signal. These cooperative models help send a market signal for SAF by guaranteeing a buyer for the fuel, and providing additional funds to cover the increased fuel and infrastructure costs.

Key Milestones:

- 2018: Explore airline-airport cooperative models or partnership funds from other regions (Port staff & airlines)
- 2018-2019: Develop a “made by airlines for airlines” approach/partnership fund, and issue RFP for consultants to develop structure (MOU Committee)
- 2020: Cooperative model operational (Port staff)
- 2021: Partner commitments finalized (All Partners)
- 2021-23: Market signal leads to SAF production commitments

Scope of Work for Commission Approval as Subset of SAF Strategic Plan

The work of the Airline-Airport MOU Committee established in Q2 2018 is a subset of the milestones presented above. Specifically, the scope of work identified by the Committee for the term of the MOU (May 2018 to May 2019) includes:

- 1) Project Initiation & Scheduling (Q2 2018)
- 2) SAF Information Workshop (Q3 2018)
 - Share the latest information on feedstocks, conversion technologies, fueling infrastructure, production capacity, SAF pricing, effective policies, and airline-airport cooperative models
- 3) Identify Barriers and Opportunities to Developing an Airline-Airport Cooperative Model (Q3 2018)
 - Examine existing airline-airport models (e.g. Oslo, Schiphol, Geneva, etc) and the potential legal and financial frameworks for similar models in the U.S.
- 4) Develop a SEA-focused Cooperative Model Structure (Q4 2018)
 - Using the findings from step 3, issue an RFP for consultants to develop a cooperative structure that will work at SEA. The consultants are expected to have experience

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developing a cooperative governance model (e.g. allocating rights, voting, commitments), providing legal and accounting expertise in partnership fund development, and structuring for private and public sector cooperation.

5) Provide outline of Cooperative Model to Commission (Q2-Q3 2019)

- While the model is not expected to be operational by Q3 2019, the airlines and consultants will develop an outline for the cooperative model structure by the end of the MOU term. This will be presented to Commission for approval.

Strategy 2: Policy Support

Purpose: The Port seeks to develop and/or support local, state, or federal policies that incentivize SAF use and provide tax incentives for in-state production facilities. Importantly, the Port seeks to find ways to create a level playing field with California, such that policies in Washington create an economic equivalency with California’s Low Carbon Fuel Standard (LCFS) and/or Cap and Trade.

Key Milestones:

- 2018: Build WA LCFS campaign with partners; Support tax incentives for in-state bio-refineries/SAF facilities (Port Commission & Staff)
- 2019: Support LCFS (with SAF opt-in) if carbon pricing ballot measure not passed in 2018; Identify production barriers and recommend further state legislative actions (Port Commission & Staff)
- 2020: Continue support for carbon pricing mechanisms similar or equivalent to California

Strategy 3: Approval for SAF Co-benefits Expenditures

Purpose: Airports have the potential to use federal grants or airport revenue to pay for the co-benefits of SAF to help reduce the incremental cost in a way that is consistent with current federal policy. This approach has not yet been approved by FAA. Research being conducted by FAA’s Aviation Sustainability Center (ASCENT) and other research teams has demonstrated air pollutant reductions when SAF is used. Airport staff aims to collaborate with FAA and other research partners to quantify these benefits in a manner that is consistent with other air pollution reduction investments, and obtain FAA’s approval to use airport revenue and/or

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federal grants towards this benefit. These funds would complement the airline-airport cooperative fund commitments in Strategy 1, further strengthening the regional market signal.

Key Milestones:

- 2018: Identify specific particulate matter (PM) and sulfur emission reduction co-benefit values and present to FAA (Port Staff)
- 2019: Work with FAA (with support from research teams) to gain approval to use airport revenue and/or Voluntary Airport Low Emissions (VALE) grants toward SAF co-benefits (Port Commission & Staff)
- 2020: Sea-Tac Airport or grants contribute revenue to complement airline commitments

Strategy 4: Education & Advocacy

Purpose: Public perception regarding new production facilities in WA is considered by SAF producers to be a barrier equal in magnitude to the imbalance of carbon policies between WA and CA. There are also many misconceptions about the volume of SAF currently in production, as well as the benefits SAF provides. A robust education and advocacy approach to audiences critical to SAF acceptance is necessary to increase local production.

Key Milestones:

- 2018: Develop specific messaging for policy maker, business, and general public/airport community audiences, and complete the “SAF 101” slide deck in partnership with Public Affairs; For specific policy outreach, see actions under Strategy 2
- 2019: Identify key audiences, and opportunities to present SAF 101 information
- 2020: Continue to identify audiences and outreach opportunities

ATTACHMENTS TO THIS BRIEFING

- (1) Powerpoint Presentation slides
- (2) Port of Seattle Sustainable Aviation Fuel Strategic Plan
- (3) Memorandum of Understanding between the Airlines and the Port (Exhibit to SLOA IV)

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- (1) Motion – February 27, 2018 - Authorizing the Managing Director, Aviation Division to (1) execute a 2018-2022 Signatory Lease and Operating Agreement between the Port and signatory airlines for the use of facilities at the Airport and (2) to approve the memorandum of understanding between the Port and airline(s) to work together to develop a strategic plan to reduce carbon emissions and air pollutants, and the community and environmental impacts from existing and forecasted aviation growth, at Seattle-Tacoma International Airport.
- (2) Motion - December 19 2017 to develop a comprehensive Port of Seattle Sustainable Aviation Fuels Strategy
- (3) Motion - October 10 2017 to extend signatory lease and operating agreement and contingent direction to implement resolution 3677 to further development of a sustainable aviation fuels program
- (4) Staff Briefing - August 15, 2017. Sustainable Aviation Fuels Program Update