



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT SUPPORT LOGISTICS AGENCY



## 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





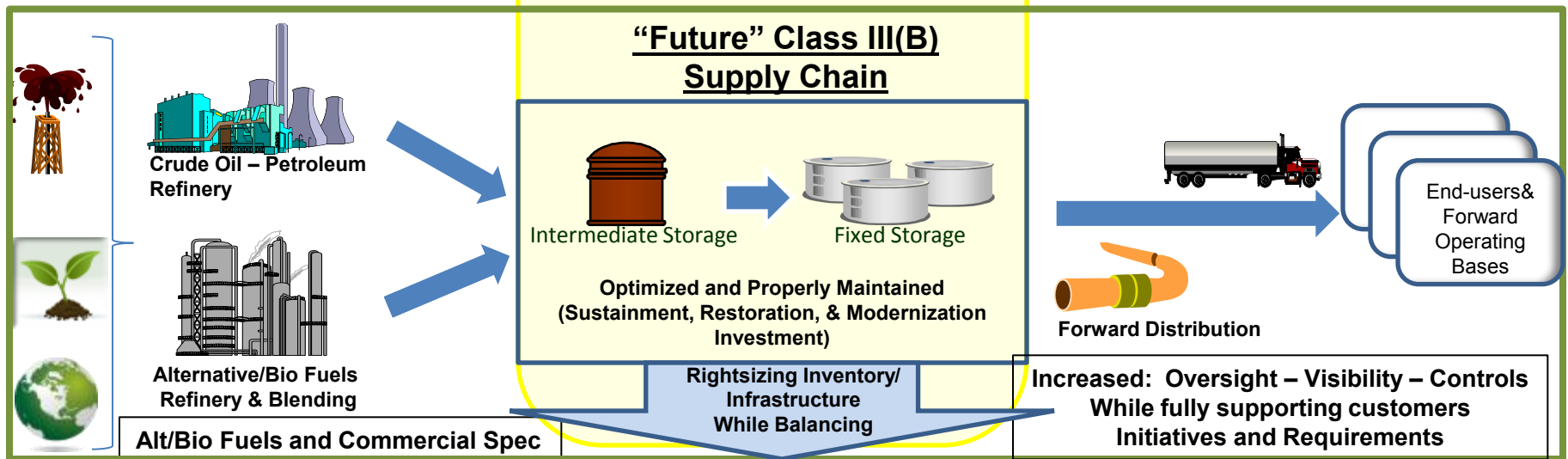
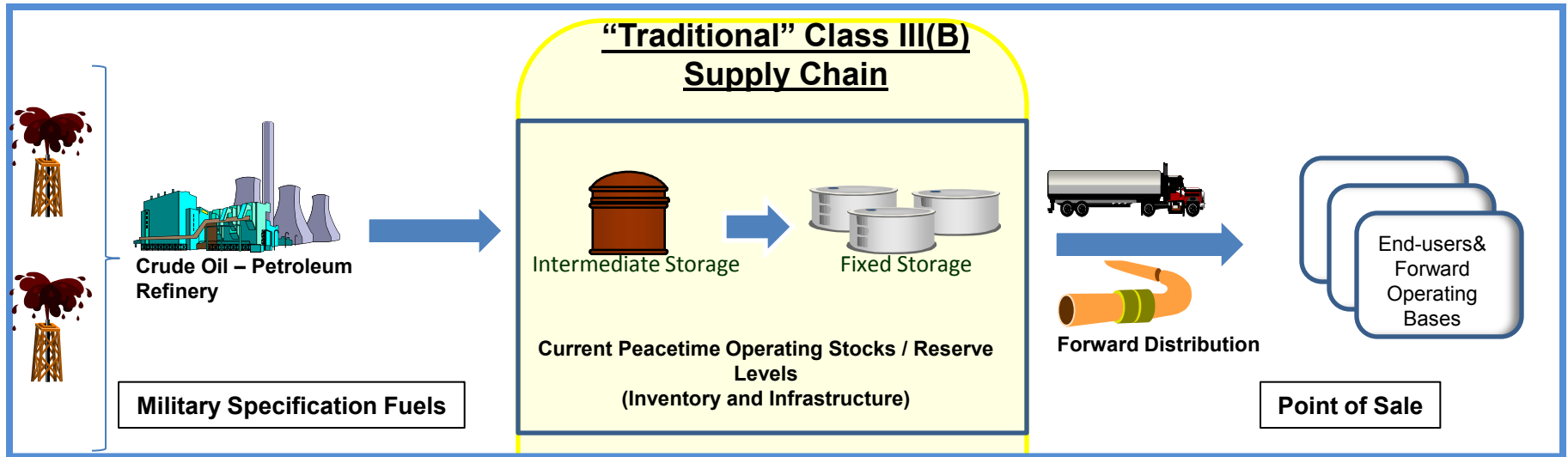
# Alternative Fuels Procurement Process Continued

- 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



Risks  Efficiencies



# Bridging the Gap

Testing and  
Certification  
Volumes

Full Production  
Level  
Volumes



- 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

