



Global Marketing



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Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: 07-6-3, Public Hearing to Consider 2007 Amendments to the Phase 3 California Reformulated Gasoline Regulations

On the behalf of Chevron, I am pleased to provide comments on the proposed amendments to the Phase 3 California Reformulated Gasoline Regulations. These comments pertain to the proposed amendments as described in the Staff Report: Initial Statement of Reasons, released on April 27, 2007. We appreciate the ARB's efforts to update the regulations to better reflect emissions impacts and protect the environmental benefits of the program.

Chevron supports the ARB's objectives in the proposed amendments: to update the California Predictive Model to include the effect of increased permeation emissions due to ethanol and to add the latest data on fuel effects on vehicle emissions. These changes are necessary to preserve the benefits of the California Reformulated Gasoline program. However, these changes will significantly increase the stringency of the fuel requirements and will require significant reformulation of California gasoline. To that end, our California refineries and distribution system are working to define the processing equipment and other changes that will be required to meet this new formulation and to ensure that we can comply with the regulations as soon as possible.

While we fully support the ARB's objectives in the proposed amendments and support some of the specific proposals, we find several aspects of the implementation of the objectives to be less than perfect. We support the comments submitted by the Western States Petroleum Association. The following items highlight Chevron's specific concerns:

- **Implementation Timing:** It is common practice in implementing regulations for ARB to leave adequate time after the regulations are finalized for the affected industry to carry out the necessary changes: conduct engineering studies, obtain permits, construct new facilities and

modify existing facilities. Historically, the lead time for the petroleum industry has been four years after the regulations are reviewed, approved by the Office of Administrative Law (OAL) and published. Our experience has been that the full amount of available lead time may be necessary. In addition to the historical timing constraints, implementation of these regulations will require a determination of future ethanol content levels by common-carrier pipeline operators to insure that the proper CARBOB is used as a design basis for refinery modifications. Furthermore, adequate lead time is necessary because of the potential for the unavailability of necessary specialized contractor resources to carry out implementing projects; tightening the compliance timing will increase the competition for such resources.

Instead of providing adequate lead time, staff has proposed the AERP that imposes a penalty on refiners simply based on the fact that refinery projects require more time to complete than has been provided in the proposed regulations. The AERP is not an acceptable substitute for adequate lead time for refineries to comply.

- Alternative Funding Mechanisms: Chevron supports amendment of the regulation to include potential alternative funding mechanisms that may be identified and that will accelerate the reductions of emissions of both VOC and CO₂ and potentially provide increased gasoline supply. This flexibility to use additional ethanol should be available for use as soon as such a funding mechanism is in place.
- Emissions Averaging: Chevron supports staff's proposal to allow limited emissions averaging based on inadvertent exceedance of the intended sulfur content. The ability to offset emissions rather than resort to reblending of batches provides useful flexibility to refinery operations. We also believe that the proposal has been crafted in such a way that results in incremental emissions benefits without explicitly requiring a higher standard. We also believe that T₅₀ should be treated similarly to sulfur in the emissions averaging program, given the high sensitivity of final blend T₅₀ to small changes in CARBOB T₅₀.
- Vehicle Certification Fuel: Given the potential for an increase in permeation evaporative emissions from ethanol blended gasoline, there is cause to reexamine the regulations under which most vehicles sold in California today are certified using an MTBE containing fuel. The regulations should be changed to require certification on E10 as soon as possible.
- Proposed Exhaust Model: We are concerned that the proposed model does not reflect the best available science. We disagree with staff's decision to exclude the bulk of the available data on the sulfur impact on emissions for the most recent vehicle technology class. This decision has the greatest impact on the proposed NO_x model, greatly increasing the predicted sensitivity of NO_x emissions to changes in sulfur content. The practical impact is that the NO_x increase observed for E10 can be offset by decreasing sulfur to very low levels; however, this offset depends on the modeled NO_x impact to truly represent what actually occurs in the vehicle fleet. We are concerned that the proposed model over-predicts the benefits of low sulfur fuels and that NO_x increases will result in the real world.

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Conclusion

Chevron is working to provide reliable, affordable energy, produced in a safe and environmentally responsible manner. We regard the California Reformulated Gasoline program to be an important part of ensuring protection of the environment.

We recognize the competing considerations that staff has had to deal with in formulating the proposed amendments, and we appreciate their efforts. We are doing our best to evaluate the impact of the amendments and to convert those findings into actions that ensure compliance in a timely manner.

We appreciate your consideration of our comments. Please contact me at (760) 731-0361 if you have any questions or would like more information.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. Uihlein". The signature is written in a cursive style. To the right of the signature is a vertical red line.

James P. Uihlein

cc: Catherine Witherspoon
Michael Scheible
Dean Simeroth