



October 15, 2013

Dr. Steve Cliff
Chief, Climate Change Program Evaluation Branch
California Air Resources Board
1001 I St Sacramento, CA 95814

Re: Benchmarking California Refineries in the Cap-and-Trade Program

Dear Dr. Cliff,

On behalf of the BlueGreen Alliance, the United Steelworkers and its members in the ten unionized California oil refineries, and the Natural Resources Defense Council and its more than 250,000 California members and activists, please accept the following recommendations on developing benchmarks for the purpose of allocating emissions allowances to California's refineries under the cap-and-trade program.

All three of our organizations have been strong supporters of AB 32 since its passage. California has shown time and again that a healthy environment and strong, job-creating economy work hand in hand, and we see the same opportunity in AB 32, which has already helped position California as a leader in clean energy.

We also share the goals of the cap-and-trade program to attract investment and drive innovation in achieving emission reductions at the least cost. We want to see companies investing more in California, keeping production and jobs in-state, and creating new jobs by upgrading their facilities in response to the market signal created by the program.

To maintain progress towards those goals, ARB must remain steadfast in its commitment to ensure the program adheres to AB 32's requirement to minimize leakage and maintain a level playing field. Those objectives are particularly important in California's refining sector, which is both diverse and complex. California's refineries range in throughput capacity from under 10,000 barrels/day to over 260,000, and make an array of refined products depending on their size and configuration.

We support ARB's recognition of the diversity within the refinery sector by proposing to establish a separate benchmark for "atypical" refineries.¹ Rather than attempting to draw a line between "typical" and "atypical" refineries, however, we recommend ARB establish additional benchmarks that reflect the varying size, complexity, and corresponding emission reduction opportunities at California refineries.² By grouping

¹ ARB Staff Presentation, "Refinery Allocation Under Cap-and-Trade Proposed 2013 Amendments," October 7, 2013, available at: http://www.arb.ca.gov/cc/capandtrade/meetings/100713/refinery_workshop_presentation_10_7_13.pdf.

² As data on refinery throughput and other market sensitive information is not publically available, we defer to ARB on how many benchmarks to establish based on efficiency breakpoints in the data.

comparable facilities, this approach would adhere to the fundamental principle of benchmarking to compare 'like against like,' and encourage all facilities to be the best they can be within their respective class.

While staff's latest proposal is a step in the right direction, we remain concerned about the ability of smaller, less complex, and otherwise atypical facilities to have fair opportunities to compete. We ask that staff evaluate establishing additional benchmark categories to ensure incentives are properly aligned to drive additional investment in emission reduction projects throughout California's refinery sector.

We thank ARB staff for their commitment to developing the cap-and-trade program in an open and public process and look forward to continuing to work together to ensure AB 32 is implemented in a manner that achieves the state's emission reduction goals, maintains high quality jobs in California, and creates new jobs across the clean energy economy.

Thank you for considering our views.

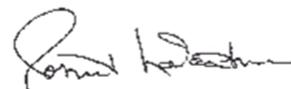
Sincerely,



Alex Jackson
Legal Director, California Climate
Project, NRDC



David Foster
Executive Director,
BlueGreen Alliance



Robert LaVenture
Director,
United Steelworkers District 12

Cc: Board members
Virgil Welch, via email (vwelch@arb.ca.gov)
Elizabeth Scheehle, via email (escheehl@arb.ca.gov)
Eileen Hlavaka, via email (eileen.hlavka@arb.ca.gov)