



**VIA E-MAIL**

August 11, 2011

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

Electronic submittal: <http://www.arb.ca.gov/lispub/comm/bclist.php>

**Re: Comments, CARB Mandatory Reporting 15- Day Rulemaking Package**

Dear Sir/Madam:

Valero Refining Company – California and Ultramar Inc (collectively “Valero”) appreciate this opportunity to provide comments regarding the California Air Resources Board (“CARB”) proposed amendments to the Mandatory Reporting Regulations on Greenhouse Gases (MRR), as posted for public comment on July 25, 2011. Valero owns and operates two refineries in the state of California, with a combined throughput capacity of over 305,000 barrels per day. Valero refines and markets products on a retail and wholesale basis through an extensive bulk storage and pipeline distribution system. Additionally, Valero’s affiliates own and operate one of the nation’s largest retail operations, which have a significant presence in California, as well as 37 other states. Valero, on behalf of itself and its affiliates, is providing the following comments and concerns regarding the above referenced revisions. Additionally, Valero herein adopts by reference the comments on the MRR submitted by the AB32 Implementation Group and the California Manufacturers and Technology Association (CMTA).

Valero applauds CARB’s decision to revise the MRR to be more consistent with Federal Greenhouse Gas reporting regulations. The harmonizing of these regulations will significantly reduce the regulatory burden of California industry without impacting the quality of data obtained in support of the State’s GHG management strategy. Nevertheless, Valero contends that the following issues should be addressed to further improve upon this progress:

1. CARB intends to modify Section 95112 (Electricity Generation and Cogeneration) to require a complete energy balance around both the facility and unit levels:
  - At the facility level, the additional reporting requirements include estimates of electricity purchased, destined for the grid, sold to particular end-users, and used by other on-site industrial processes and operations, as well as thermal energy that is purchased, and generated thermal energy provided or sold to an end-user, used to support power generation, or used for other on-site industrial processes and heating/cooling applications (§95112(a)).
  - At the unit level, reporters would provide electricity net generation and gross generation, and thermal energy including total thermal output (§95112(b)).

This is an excessive degree of information and unnecessary to characterize the GHG emissions from a facility for either the purposes of the MRR or any potential cap-and-trade program. This would particularly be the case for cogeneration located at refineries. While CARB ostensibly requires this information in support of cap-and-trade, a complete energy balance is no more necessary to

accomplish this task than requiring a complete mass balance around the refinery in order to prepare a criteria pollutant emission inventory. Valero requests that this proposed modification be eliminated from the final rule as it will only increase the regulatory burden without providing meaningful additional data to the inventory process.

2. Within section 95115 (Stationary Fuel Combustion Sources), CARB is proposing that allocations cannot be mixed between categories of sources (95115(h)). The example provided is that free allowances to refinery owned/operated hydrogen plants are not interchangeable with the refinery proper. Valero contends that this approach:
  - contains significant logistical issues in order to keep separate accounts, solely to track allowances for different units within the refinery, and;
  - will significantly limit flexibility within our own operations.

It is critical to the overall success of any GHG management program to adopt the principles of simplicity and flexibility. The proposed revision will significantly hamper industries' efforts in this regard if CARB is to begin segregating operations within a site for GHG allowances. While the proposed approach may simplify accounting for 3<sup>rd</sup> party hydrogen plants, CARB must provide an exemption from this approach to similar source categories that are owned, operated, and/or contiguous to the same parent entity.

3. Finally, in section 95115(i), CARB would require quantification of GHG emissions from pilot lights (we note that the Federal MRR rule does not require this). CARB states that pilots can be a significant source of GHG emissions and consequently a potential source of emission reductions. Valero contends that only a small minority of the very largest flares will have GHG emissions from pilot lights above the *de minimis* threshold. We recommend that CARB allow application of the existing *de minimis* threshold as the deciding factor for reporting these emissions, rather than automatically requiring the reporting of such small sources routinely. The inclusion of such small sources in most cases is immaterial to the verifiable accuracy of the GHG report and thus should be at the option of the reporter.

Valero strongly urges ARB to consider the above comments regarding the MRR. Valero believes that, if crafted consistent with our recommendations, ARB would be minimizing the impact of AB32 on industry without affecting the State's data-needs in support of the overall GHG management strategy. We look forward to working with ARB on the MRR in a manner that is reasonable, technically feasible, cost effective, and considers the practical impact of AB32 on jobs, the economy, and the consumer. On behalf of Valero and its affiliates, please contact me at (210) 345-4620 should you have any questions or need clarifications concerning our comments.

Sincerely,



Matthew H. Hodges  
Senior Manager, Regulatory Affairs  
Corporate Environmental  
Valero Companies