CIOMA

California Independent Oil Marketers Association

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Petroleum Marketer Concerns About CaRFG III Regulations

The California Independent Oil Marketers Association (CIOMA) is very much concerned about several aspects of the California Air Resources Board's Phase III Reformulated Gasoline regulations. Our members believe that these regulations will reduce both the sources of gasoline supplies as well as the overall amount of gasoline available, especially for unbranded retail and wholesale sale or consumption. We urge the staff and appointed members of the California Air Resources Board to amend the current regulations to address key issues that will affect the supply, distribution, and price of gasoline to consumers. These issues include:

Sufficient Availability of Gasoline Supplies to All Consumers

- Refinery operational problems and insufficient alternative sources of supply have increased the frequency of supply shortfalls
- These supply shortfalls have markedly decreased the amount of gasoline available for unbranded sales to retail or wholesale consumers and have resulted in far higher than normal prices for these consumers
- Current industry and government estimates indicate that supplies of gasoline may be further reduced by the implementation of CaRFG III regulations
- State officials must ensure that sufficient supplies of unbranded gasoline are available for unbranded consumer usage, particularly government and commercial unbranded gasoline consumers
- CARB & CEC should conduct thorough studies to fully determine the full spectrum of gasoline products that will be produced and if the amounts of production anticipated by in-state refineries will meet both branded retail and unbranded retail and wholesale demand

Fungibility of Gasoline Products

- Some refiners have indicated they will produce both oxygenated and non-oxygenated gasoline for sale in California
- CEC & CARB must determine if fungibility issues will arise with storage and transport of these fuels and if all fuels marketed in California will be available to both retailers and wholesale petroleum marketers
- These agencies should outline in a report with aggregate information how the California refining industry plans to meet the demands for CaRFG III oxygenated gasoline, CaRFG III non-oxygenated gasoline, Las Vegas & Arizona specification gasoline, and federal RFG specification gasoline
- This report also should identify sources and anticipated distribution or blending methods for ethanol-blended gasoline

Drivability Issues

- If refiners choose to produce CaRFG II without oxygenates, questions arise about the need for alternative octane boosters to ensure CaRFG III will not create drivability problems, particularly in high altitude areas
- CARB & CEC also should release information about the fuel economy effects of CaRFG III
- Emissions impacts should include any additional amounts of gasoline needed to meet current fuel economy ratings

Variance Procedures

- CARB should amend the current variance procedure to enable non-refiners to import gasoline when significant refinery operational problems create insufficient supplies of gasoline based on historic seasonal demand
- Under current variance procedures only refiners are able to bring non-specification gasoline into California due to variance procedure requirements to demonstrate when the entity seeking a variance will be able to comply with the CARB RFG regulations
- CARB should work with non-refiner industry representatives and environmental groups to develop an alternative means of addressing substantial supply shortfalls