July 10, 2014

Mike Waugh, Chief, Transportation Fuels Branch
California Air Resources Board
Headquarters Building
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

Re: Comments on the Refinery Provisions to Low Carbon Fuel Standard presented at the April 18, 2014 CARB Workshop

Dear Mr. Waugh:

The BlueGreen Alliance, Natural Resources Defense Council and United Steelworkers join to thank you and other CARB staff for your efforts to improve the Low Carbon Fuel Standard (LCFS) as part of its re-adoption process. We remain strong supporters of AB 32 and the LCFS, which is reducing the carbon intensity of our transportation fuels and transforming the industry.

Our support of the LCFS rests in our shared interest to address today's environmental challenges in ways that can create and maintain quality jobs and a stronger, fairer economy. We are guided by the principle that Americans deserve both environmental sustainability and economic prosperity. We should not have to choose between them and instead, we can and must implement solutions to ensure the health of people and our environment while also strengthening our economy.

To that end, we support CARB's efforts to establish a cost containment mechanism and LCFS pathways for refinery improvements. In light of the various new pathways and other CLFS changes CARB is considering, a cost containment mechanism (CCM) should be viewed as a safety valve. In developing a CCM, CARB should evaluate how it would provide compliance certainty for refineries under a variety of scenarios, and how refineries can return to regular compliance in the following years after a CCM is triggered.

We also support CARB moving forward to implement refinery improvement pathways to foster new investments that are above-and-beyond other requirements or business-as-usual, and result in real, verifiable additional reductions. More specifically, we support the following concepts:

- **A Cost Containment Mechanism should be linked to a process or plan to ensure future compliance with the LCFS.** A CCM can result in a more robust and resilient program if well designed. After evaluating five potential options, CARB staff is narrowing down to either a "credit window" or "credit clearance" option, the latter establishing a clearance process for excess credits followed by providing additional time for regulated parties to carry over deficits to the next compliance period. This will allow for greater certainty for all parties in terms of their maximum compliance costs, providing flexibility if reduction opportunities are too limited in a given year, while ensuring the signal to invest in emission reductions remain. ARB should also consider how the mechanism would work under a variety of scenarios and whether refineries should provide ARB with investment plans to make up any deficits accrued.

- **Credits for GHG emission reductions for refinery improvement projects should be tied to net reductions in carbon intensity.** We believe credits for refinery improvements represent a significant opportunity to spur additional investment in refineries and create refinery jobs, while reducing the carbon intensity of transportation fuels and fostering additional benefits such as reductions in criteria pollution. CARB staff has proposed a project-based approach that has the advantage of being discrete and customizable for individual refineries. This approach may be appropriate in light of the large emission variations between refineries—between four grams to nearly 18 grams per mega joule. However, ARB should ensure that net reductions in carbon intensity at a refinery are credited under any project-based approach, so that one project improvement is not offset by another project that increases carbon intensity. Credits associated with refinery project improvements should only be granted when there is a net reduction in carbon intensity at the refinery-level.
- **To earn credits, refinery improvement projects should be above-and-beyond business as usual.** We believe the LCFS, in calling for a 10 percent reduction in the carbon intensity of fuels, should spur investment and innovation that address climate change while creating new jobs and protecting existing jobs. Rewarding "business as usual" or for past projects that have already been completed or are part of normal maintenance or industry practice should not generate LCFS credits. CARB should ensure credits are granted only to new projects that generate emission reductions from improvements beyond routine maintenance and operations or compliance with other requirements.
- **Only projects implemented in 2015 or later should be eligible for credits.** Granting credits for past projects undermines our position that refinery improvements associated with LCFS credits should spur "additional" projects to reduce GHG emissions. As a result, we support CARB staff's recommendation to limit credits only to projects implemented in 2015 or later.
- **We support the LCFS awarding credits to producers and project developers that invest to reduce emissions from the oil production process.** We support the inclusion of innovative reduction technologies to generate credit under the LCFS, such as solar thermal and other renewable inputs that can reduce the carbon intensity of petroleum directly. Because petroleum-based sources represent 94% of the current market in California, it is also critical to encourage improvements across the petroleum supply chain.

Again, we thank ARB staff for their hard work on the LCFS re-adoption and ultimately to help address climate change. We look forward to working together on the successful and smooth implementation of the LCFS.

Sincerely,

Robert LaVenture
Director, District 12
United Steelworkers

Simon Mui
Director, California Vehicles and Fuels
Natural Resources Defense Council

JB Tengco
California Director
BlueGreen Alliance