



Western States Petroleum Association
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Gina Grey

Vice President, Fuels, Climate Policy, Northwest and Southwest Regions

Mr. Michael Waugh
Chief, Transportation Fuels Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95814
Via electronic mail to mwaugh@arb.ca.gov

May 9, 2014

Re. WSPA Comments on ARB's April 4 and April 18 Workshops for the Proposed LCFS Amendments Regulatory Activity

Dear Mr. Waugh:

The Western States Petroleum Association (WSPA) appreciates the opportunity to provide ARB with our thoughts on the proposed regulatory amendment concepts presented by staff in the two April LCFS Workshops. WSPA is a non-profit trade association representing twenty-seven companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California and four other states.

While we understand many of the proposed amendments are still in the conceptual stage, it is very difficult for stakeholders such as ourselves to provide detailed comments and suggestions when the amendments discussed at the workshops are not detailed enough or formulated sufficiently for a clear understanding of what exactly is being proposed. We therefore reserve the right to provide many more comments as the concepts evolve towards the regulatory language stage. Moreover, we note that WSPA submitted a nineteen page letter on April 11th which addressed our views on the proposed amendments, and those comments still stand, and need to be carefully considered by ARB staff.

WSPA does have a few comments/questions provided below that are subsequent to the two April Workshops:

1. PTD Definition

WSPA thanks ARB for including a PTD definition in the regulation consistent with past WSPA comments. We propose ARB staff include a definition of the PTD consistent with what is in the Guidance document.

2. Diesel Obligation Transfer

ARB proposes to modify language regarding the transfer of obligation for diesel. Without proposed language, it is difficult to comment – but, regardless, WSPA does not believe that such a change is necessary. Existing provisions in the regulation (95484(a)(2)(B)(1) thru (5)) address all combinations of transactions – those between two regulated parties and those where the buyer is not a regulated party; and in each combination, the options for handling obligation transfer.

WSPA would oppose any effort by ARB to limit the obligation to the refiner or importer. This would create an un-level playing field with bulk marketers or resellers who compete with refiners in the unbranded market and may have similar ability to blend biodiesel or renewable diesel and generate LCFS credits.

3. Crude Oil

WSPA has commented consistently over a several year period that we believe crude oil in the regulation should be treated without any carbon intensity differentiation, and we do not agree with ARB staff's very complex, unnecessary and restrictive crude oil approaches - in the past as well as the amendments being proposed. Similar to crude differentiation, therefore, we believe the innovative crude credit proposals will lead to additional complexity in the regulation. If ARB continues with including these amendments this year we have decided to provide two comments:

Limits on Innovative Crude Credits

WSPA opposes the proposed limit on credit generation from innovative crude technologies. ARB has proposed to limit the credits that can be generated from such technologies to the level of the deficits that would otherwise be generated by the production of petroleum products, citing a concern that credits from such technologies may negatively impact the growth of low-CI alternative fuels. While fuel diversification was one of the stated reasons behind Governor Schwarzenegger's original executive order for the establishment of the LCFS, the primary goal of the LCFS, and AB32 overall, is greenhouse gas reduction. Any artificial limit placed on the generation of credits from GHG-reducing technologies will only serve as a deterrent to the adoption of those technologies, thereby hindering the progress desired under AB32. ARB should encourage the adoption of all low-CI technologies and not limit the credits generated from any given solutions, allowing the differing approaches to greenhouse gas reduction to compete on their merits.

Consistency in Credit Allowance for Prior Projects

WSPA requests that ARB use consistent treatment for proposed LCFS amendments that create credits. ARB's proposal is to allow credits to be generated for innovative crude technology projects implemented since the adoption of the LCFS. If ARB allows the generation of credits for greenhouse gas-reducing projects at refineries as proposed, the same treatment should be applied. It is important that a consistent approach be taken in the generation of credits from investment projects to ensure that regulated parties are treated evenly

and fairly. There should be no retroactive application to a regulated party's deficit/credit balance for any program changes adopted in this year's rulemaking.

4. Reporting

Slide 4 from the "Recordkeeping and Reporting Provisions" April 18, 2014 Workshop presentation, contains a statement that all LCFS fuel transaction types (including exports) will be required to be reported. Since exported volumes of gasoline and diesel are not "sold, supplied or offered for sale in California" they are not subject to the LCFS and should not be required to be reported (see 95480.1(a) of the regulation).

In addition, conventional gasoline and EPA ULSD imported into California, produced in California, or exported from California, are likewise not subject to the regulation and are, therefore, not subject to the reporting and recordkeeping provisions of the LCFS.

If you have any questions or comments on the above, please do not hesitate to contact me at 480-595-7121 or gina@wspa.org.

Sincerely,



c.c. Manisha Singh
Stephen d'Esterhazy
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Elizabeth Scheehle
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