



Western States Petroleum Association
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Gina Grey

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Katrina Sideco, Staff Lead LCFS Reconsideration Team
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814
Via electronic mail to ksideco@arb.ca.gov

September 15, 2014

Re: Western States Petroleum Association (WSPA) Comments on CARB's LCFS Workshop August 22, 2014 – CA-GREET Model Update

Ms. Sideco:

WSPA has provided below our initial comments on the information staff shared during the August 22nd LCFS workshop. WSPA is a non-profit trade association representing twenty-six companies that are involved with petroleum and other energy supplies in California and other western states, and they are the main regulated parties under the California LCFS program.

Impacts of Proposed Changes Need Robust Review

WSPA members were surprised at the announcement that ARB is planning on including model and CI changes between now and the January reauthorization hearing four months away since we had not understood this was one of the listed ARB activities for the 2014 reauthorization plan.

Staff is evidently focused on the evolving science and model revisions, but staff is not including a significant upfront discussion of the challenges with making these changes to the LCFS program and what the impacts of those changes would be on the program at this point in time.

We concur that model updates should be based on sound science, but this must include time for appropriate and thorough peer review and model validation. Such review and validation is not feasible given the lack of information published by ARB and the proposed time line presented at the workshop.

At the workshop, ARB staff proposed significant revisions to the carbon intensity (CI) values, which directionally raise CI values for most fuels currently used in the LCFS program. ARB staff did not provide any detail during the workshop as to the extent of the impact these revisions could have on investments and compliance plans. It appears clear this proposed action by staff will add to the uncertainty currently being experienced due to the ongoing annual program revisions. The proposed CI value changes may significantly impact credit/deficit generation

assumptions that were made based on current numbers. If adopted, these proposed revisions may have significant impacts and unforeseen consequences – even for current investments.

Staff has heard repeated testimony that an ever-evolving LCFS program that does not remain static for significant periods of time may have the effect of creating unknown consequences including market volatility. Making revisions simply because the program is being reauthorized and it's an opportunity to make changes, necessitates carefully thinking through the possible consequences of making changes in this area of the regulation.

In addition, this modeling update does not appear to have progressed as far as it should have by now given ARB's intent to present the full LCFS, with updated CIs, for re-adoption in January. Making the model available for public review "in the next month or two" or "as part of the 45 day review package" leaves no time for stakeholders to review the updated assumptions and calculations, much less for ARB to collect and incorporate feedback. Also, given the stated intent to complete the modeling in mid-2015, it is not clear how ARB intends to take the revised CIs into account when proposing revised compliance curves.

WSPA requests the following:

- The ARB considers the issues WSPA has raised here, and delay any revisions until an appropriate time in the future.
- The ARB carefully analyzes how the proposed update might impact both the ability of the LCFS program to meet the policy objectives and obligated parties' ability to comply. The outcome of such an analysis should be clearly discussed with stakeholders, including an opportunity to provide feedback to ARB.
- The ARB makes the model publicly available in its current form now and includes industry experts in its continued work on the model.
- The ARB not rush the process in order to meet the January timeline, and embark on a much more deliberative and transparent approach to consider these changes, including several public workshops where the information to be reviewed is released well in advance of the workshops. These revisions rise to the level of the ILUC changes, and as such should not be relegated to an artificially hasty staff process just to meet a January Board hearing deadline. Any changes that are determined to be appropriate at the end of a public process should go into effect only after a lengthy, well-noticed transition period.

The alternative is to present incomplete, unverified results to the ARB Board, and receive substantial criticism over the inadequate process.

Correction at Workshop

ARB made a verbal correction to the slide on page 8 of the CA-GREET Model Update presentation.

WSPA requests that ARB post a corrected version of this slide.

In addition, ARB should post a summary calculation of the current ULSD, CARBOB, average CA Ethanol and CARFG CI values:

- 1) Incorporating the updated 2010 average CA crude CI, the most recent draft ILUC values, and the CA-GREET V2.0 model values, and
- 2) Break out the effects of each of these changes in the calculation of the new CI values.

This request is in addition to the “Detailed Fuel Pathway Documentation” request below.

Changing Assumptions

Several significant changes in model inputs were discussed during the workshop, with little clarity provided around how or why those changes were occurring. There was no explanation given, for instance, for the change in assumed refinery efficiency that so dramatically increased the CI for diesel.

WSPA requests that, as ARB releases the model for review, they also release a white paper discussing all changes to model inputs or methods that have a material impact on fuel CIs. This will facilitate stakeholder review of the model.

Sunsetting Fuel Pathways

WSPA agrees it would be inappropriate to grandfather any existing fuel pathways once the updated model has been adopted. The sunset approach proposed by ARB in the workshop is the logical solution. However, ARB should give careful consideration to the resources required, both for ARB and regulated parties, to update the many existing fuel pathways to align with the new model. Even if most pathway updates involve entering existing assumptions into the new model, it will still represent a significant paperwork exercise.

WSPA requests that ARB set a sunset schedule that takes this into account to ensure that a delay or extension will not be needed down the road. This will give regulated parties greater certainty as they contract for fuel supplies in 2015 and 2016.

Will there still be default pathways for biofuels? WSPA is concerned that if there are not default pathways then every biofuel production facility will need to file a pathway submission which will substantially increase compliance costs for facilities that do not have a significant CI difference from the default and the volume of pathway submissions will be too great for ARB staff to handle in a timely manner.

Detailed Fuel Pathway Documents for CARBOB, CARB ULSD, and CaRFG

At the current time there is insufficient information to comment on the accuracy or assumptions regarding the baseline values presented at the workshop for CARB ULSD and CaRFG. In light of the substantial changes being made to the baseline fuels and the compliance implications related to the baseline, we request that CARB re-publish the “Detailed Pathway Documents” for CARBOB, CARB ULSD, and CaRFG. A re-publication and posting of these documents will provide more transparency into what changes in the baseline values are related to crude (and the OPGEE model itself) and what changes are related to migrating to the GREET 2.0 model (refinery efficiency assumptions, other assumptions, etc.). Currently we are unable to replicate how the new CARBOB number is used to calculate the new CaRFG CI value, for example.

Landfill Gas

During the GREET workshop there was a question from the audience about the landfill gas pathway that we would like to expand upon. The current pathway for CNG from landfill gas assumes that the landfill gas diverted for vehicle use would have otherwise been flared. As a result, a significant GHG credit is applied to that pathway reflecting the elimination of flaring emissions. For cases in which flared gas is captured and diverted for transportation fuel use, assigning a credit for the elimination of flaring emissions is entirely appropriate. However, to the extent that a landfill gas pathway has instead diverted the end-use from electricity generation (a common end-use for landfill gas) or other use to transportation fuel, assigning a credit for elimination of flaring emissions is not appropriate and results in a carbon intensity assigned to those landfill gas pathways that is likely much too low.

The proper way to model a landfill gas pathway in which the landfill gas has been diverted from electricity generation to vehicle fuel is to do a fair accounting of the difference in electricity generation with landfill gas versus the source of fuel that would displace that landfill gas (e.g., some mix of coal, natural gas, renewables, etc., depending on area of the country). A proper accounting for the displaced electricity from diverting landfill gas could actually result in a higher CI for landfill gas than for fossil-based fuels in areas that have a large fraction of electricity from coal.

We encourage ARB staff to work through this issue and do a proper accounting of displaced electricity for cases in which landfill gas has been diverted from electricity generation to transportation fuel use. Simply assigning a large credit for reduction in flared gas is not appropriate when the landfill gas was not being flared.

To conclude, WSPA is prepared to fully engage in an appropriately timed process to determine any appropriate revisions needed to this part of the LCFS program, but we do not support the current process. Our view of the LCFS program as currently structured is that it is infeasible, and these proposed revisions will only exacerbate that viewpoint.

Sincerely,



c.c. M. Waugh
H. Chowdhury
W. Ingram
C. Pham
T. Dooley