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Mr. Sam Wade
Branch Chief
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Dear Mr. Wade,

This is to comment on the July 29, 2016 ARB workshop in Sacramento, CA regarding the proposed rulemaking to add verification requirements to the California Low Carbon Fuel Standard. Chevron is a member of the Western States Petroleum Association (WSPA). We concur with the comments submitted by that organization and offer the following additional comments.

Chevron strongly supports the concept of required LCFS fuel pathway verification for alternative fuels being introduced into California. In general, we are in favor of the form that the verification framework is taking. We agree with those who have commented on the need for precise and explicit verification parameters and urge ARB to take into account the input offered by the verification bodies who have spoken at the workshops and submitted written comments.

Chevron supports the comments provided by WSPA related to buyer liability under the LCFS. We believe that the primary liability for any potentially invalid LCFS credits belongs with the producer or importer who initially introduced the alternative fuel to the state. ARB should include a clear hierarchy of liability in the regulations to indicate the order in which regulated parties are responsible for credit replacement. That said, we want to assert that the primary focus of any affirmative defense mechanism should be on relief from financial penalties. If ARB's motivation is to keep the LCFS program "whole," a hierarchy for credit replacement will effect that and there are commercial mechanisms that buyers can implement to ensure credit replacement in most cases. Innocent buyers of credits later declared invalid, however, should not receive Notices of Violation or be liable for financial penalties.

Regarding the proposal to move the point of obligation for the LCFS, Chevron is opposed to this change at this time. We recognize that there is some simplification in reporting and verification to be gained, but do not believe it is critical to make the change as part of this rulemaking. Significant processes and procedures have been developed over the last several years to manage the LCFS obligation and it will take some time to address the needed changes should the point of obligation move. There is also the risk of unforeseen complications as these changes are made. In addition to expensive changes to IT systems for regulated parties, there are commercial arrangements that will need to be unraveled. Transfer of LCFS obligation has become a ubiquitous element of contractual negotiations in the California fuels market and it will take some effort to remove it.

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California Air Resources Board
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We believe that additional analysis is needed before this change is made and that ARB should reserve its consideration for a future rulemaking. The focus of this rulemaking should be on the critical addition of verification procedures. If ARB is determined to make the change at this time, we urge you to set a clear implementation date in the regulations that is set no sooner than six months after approval of the rulemaking.

Chevron prefers switching away from defining the reporting deadline for entering credit transactions in the LRT from calendar days to business days. We recommend that CARB set that deadline at no less than five (5) business days, based on our experience to date.

Thank you for the opportunity to comment on these matters. If you have any questions, please do not hesitate to call.

Sincerely,

Nick Economides