



Western States Petroleum Association
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Thomas A. Umenhofer, CCM, REPA
Vice President

November 21, 2016

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

sent via email: samuel.wade@arb.ca.gov

Re: WSPA Comments on ARB October 24, 2016 LCFS Workshop Staff Presentation

Dear Sam,

The Western States Petroleum Association (WSPA) is a non-profit trade association representing companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California and four other western states. WSPA appreciates this initial opportunity to provide feedback on the California Air Resources Board (ARB) staff presentation at the Low Carbon Fuel Standard (LCFS) Workshop Staff Presentation, held on October 24, 2016 in Sacramento, CA and the associated ARB Verification White Paper. WSPA is providing these comments as part of a continuous effort to provide feedback on the LCFS-related items presented by ARB.

While this letter addresses items presented by ARB staff at the October 24, 2016 LCFS Workshop, we would like to emphasize that the WSPA comments provided in our September 22, 2016 letter (enclosed and incorporated herein in by reference) regarding the LCFS pre-regulatory concepts presented at the July 29, 2016 ARB Workshop remain valid.

Comments on Workshop Staff Presentation

ARB's LCFS 2017 Mid-Year Review

WSPA understands that ARB plans to complete the required mid-term review by June 30, 2017. Even though the First Quarter 2017 reconciled reports will not be completed by this point in time, we request that ARB incorporate, in their analyses, the unreconciled data that will have been provided to ARB by mid-May for the First Quarter 2017. The required reduction target advances to 3.5% in 2017 which is a substantive change from 2016. It would be best for all stakeholders and the ARB Governing Board to understand the credit-deficit balance from even the preliminary information that is available in 2017.

Use of Biofuel Supply Module

The reduction targets will be significantly influenced by the Biofuel Supply Module (BFSM) introduced in September 2016. This model has not received the necessary level of peer review to be used in setting such critical goals. It is customary to present such a model to industry and academic experts for feedback long before it is put into use so that such peer feedback can be taken into account in the design of the final model. While WSPA is currently reviewing BFSM, ARB has indicated the BFSM is already in use. This runs the risk of setting targets before the tools used to assess the feasibility of such targets have been tested. Any formal use

of the BFSM should wait until a robust peer review has been completed.

Regulation Amendments Schedule

WPSA is concerned with the sequence of events presented by ARB for the development of targets for the LCFS program going forward. While the 2017/18 rulemaking schedule, specifically for the LCFS, appears to be reasonable, it appears likely that the AB 32 Scoping Plan will be updated far sooner, thus setting targets for the LCFS well ahead of the input necessary for an informed LCFS rulemaking. Given that the LCFS rulemaking will coincide with and will be based on the regulation review due January 1, 2019, this order of activities appears to be inappropriate as it suggests setting new targets before determining the success of the current targets. Setting new targets post-2020 must involve a strong re-assessment of the targets for 2019 and 2020, based on updated illustrative analysis. The regulations require that ARB assess the performance of the LCFS against established targets and prior scenarios. It also requires recommendations for any necessary adjustments to compliance schedules. WPSA believes that ARB staff should incorporate these assessments into the upcoming rulemaking activity and present a revised illustrative analysis of future compliance as early in the process as possible.

With regard to the revised regulatory schedule, WPSA understands ARB's decision to delay the completion of the overall regulation amendments. It is, however, disappointing that there will also be a delay in the regulation amendments related to enhanced verification requirements. We view this part of the regulations as an important improvement and appreciate ARB's collaborative approach in developing these requirements. As the reduction requirements become more stringent and credits more scarce, it will be of paramount importance that the credits are verified in a robust manner, and the potential for fraudulent credits is minimized. We urge ARB to move regulation amendments related to enhanced verification requirements forward at the earliest opportunity.

OPGEE and CA-GREET Model Updates

ARB staff has noted that the upcoming regulatory activities will include updates to the OPGEE and CA-GREET models. It is critical that the regulated community and other stakeholders be given sufficient time to assess these updates in order to provide detailed, meaningful feedback. A short feedback period presents a significant risk of errors and/or potentially inaccurate assumptions being used. A fully transparent and robust dialogue is essential to promoting accuracy and mutual confidence in the models.

Comments on Verification White Paper

Page 7, Verifier Qualifications: WPSA supports the concept that existing relationships with verifiers for other programs will not necessitate rotation for LCFS until they have worked as the LCFS verifier for six years. We support any efforts of ARB to build the available pool of verifiers for this program as there already appears to be constraints in that pool for MRR.

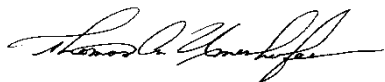
Page 7, Material Misstatement: WPSA supports the concept of providing reasonable assurance as ARB has proposed and the proposed 5% material misstatement threshold.

Page 8, Meter Accuracy: ARB is requesting feedback on meter accuracy provisions (fuel pathway verification versus fuels such as gasoline and diesel that generate deficits). WPSA requests clarification as to what is in the scope for meter accuracy that could impact refiners (note language on page 20 of the Verification White Paper where verifying crude inputs into the refinery is cited).

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WSPA appreciates this opportunity to provide our initial input regarding the LCFS Workshop Staff Presentation and the Verification White Paper. If you have any questions, please contact me at (805) 701-9142 or via e-mail at tom@wspa.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom", written in a cursive style.

Enclosure

cc: Catherine Reheis-Boyd - WSPA