



Western States Petroleum Association
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Ms. Sunne Wright McPeak
Secretary, Business Transportation,
And Housing Agency
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Dr. Alan Lloyd
Secretary, Cal-EPA
1001 I Street, 25th Floor
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Re: Western States Petroleum Association Comments on the Goods Movement Action Plan (GMAP) and Working Group Workshops – November 14-16, 2005

Dear Secretary McPeak and Secretary Lloyd:

On behalf of the Western States Petroleum Association, we appreciate the opportunity to submit these comments covering the discussions held during the recent series of workshops in Los Angeles (November 14-16, 2005). It is clear from the three days of workshops, the extensive amount of time your staff spent on this issue, and the time volunteered by the many chairs, co-chairs, and facilitators, that this effort is a key action item for the Administration and indeed for the State. It is also clear, from the emotion and divergence of views expressed during the public comments that consensus among all parties will be a challenge.

In terms of context, we believe that the Goods Movement Action Plan (GMAP) is a critically important approach to developing a positive, proactive, integrated, attainment and performance based program that achieves environmental and health goals while improving goods movement efficiency. Keystones to this effort will be the need to address material health impacts, enhance flexibility in designing improved facilities and procedures, and encourage the development of high efficiency and cost effective solutions that facilitate investment in the Goods Movement sector. This systematic approach to goods movement will facilitate reasoned and balanced policies and programs while avoiding costly and time consuming project-by-project debates.

Our comments are intended to: 1) point out areas that need additional attention within the GMAP, and 2) define a process for going forward given the varying views of interested parties.

I. Integrating Workgroup:

As WSPA has indicated in previous statements, we strongly urge the GMAP include in the Integrated Workgroup List of Principles the recognition of the critical importance of maintaining and ensuring petroleum infrastructure facilities necessary to ensure that California as well as the West can meet its increasing energy needs in the next 20 to 30 years. Specific plans need to be made to maintain and expand needed storage, distribution and handling facilities for gasoline, diesel and jet fuels. This need will exist, irrespective of any other policy outcomes developed by the State, because for the foreseeable future, these fuels will continue to be the predominant energy source for trucks, locomotives, ships, barges, cars and airplanes that comprise the very backbone of our Goods Movement Industry.

In fact, we were encouraged to see, and strongly support, the paragraph in the Goods Movement Plan Action Plan Executive Summary (p.1-1), which stated the following:

“Of these uses, the loading and unloading of energy fuels at the Ports requires special consideration. The State’s interest in maintaining a reliable energy supply for its people and its economy requires that the specialized needs of delivering energy stocks be considered in land use decisions at the State’s ports. While the ports may search for means to increase containerized cargo handling facilities that might displace existing fuel handling operations, the feasibility of developing alternative energy fuel handling sites must be considered”.

WSPA strongly urges that the above wording be incorporated into the Integrated Workgroup List of Principles and Phase II Report which is currently under development.

II. Infrastructure

As WSPA has indicated in previous statements, it is clearly in the State’s interest to maintain a reliable energy supply for its citizens and economy. In that regard, the GMAP must ensure that plans are made to provide the needed petroleum infrastructure facilities that include the necessary storage, distribution and handling facilities for gasoline, diesel and jet fuel.

As mentioned above, the GMAP clearly recognized this importance in their Phase I, Foundations report, where they stated on P. V-25, the following:

“... However, of equal importance to the people of California is the necessity of maintaining adequate infrastructure capable of receiving, storing and distributing energy fuels including crude oil and refined products such as gasoline. In addition, other liquid and gaseous products including industrial chemicals and foodstuff, such as corn syrup, also require specialized infrastructure. The loading and unloading of energy fuels at the ports requires facilities that compete with valuable real estate that can otherwise be used for the loading and unloading of containerized cargo. The State’s interest in maintaining a reliable energy supply for its people and its economy requires that the specialized needs of delivering energy stocks be considered in land use decisions at the State’s ports. “

Hence, any successful Plan developed by the State must include specific plans, projects, and provisions necessary to provide these fuels. What is needed is a Comprehensive Plan for the ports that address local and state needs with the buy-in of stakeholders. We continue to hope that the GMAP is the foundation for that plan.

It is also important to note that GMAP's tasks becomes even more important, if the growth in population expressed in the workshops becomes a reality. Currently nearly 36 million Americans live in California (approx. 12%) – out of a total population of nearly 294 Million. If growth, estimated as up to 8 Million becomes a reality, that means at a minimum, a 22% increase in demand of goods and services. Any growth in the neighboring states will only add to these requirements.

Therefore, we agree that the GMAP needs to develop ways to improve efficiency and throughput velocity, while maintaining reliable service and environmental protection. Thus, the task will require the balancing of a variety of competing visions, as the plan comes to fruition.

III. Community Impact Mitigation and Workforce Development

WSPA recognizes that this topic is exceedingly controversial because of the conflicts that have arisen between the deeply held beliefs among the communities closest to the Ports facilities and the compelling need to provide goods and services for the State and all its residents. As was heard extensively this week, individuals living near the Ports feel that they have experienced disproportionate environmental impacts affecting quality of life, air and water quality, that in their views lead to environmental and health consequences.

These potential impacts may have occurred despite the fact that California, and in particular the South Coast and Bay Area regions, have the strictest environmental and air quality regulations in the World. Thus, while some would object to the word balance, it nonetheless applies here. The GMAP must balance the needs of the regions and the state with the environmental quality of affected neighborhoods. This is a tall task requiring much communication, the building of trust, and constant outreach to all affected parties (including residents and business and commerce interests).

A few speakers noted the potential for implementation of flexible market-based systems as a means to balance and perhaps better integrate environmental concerns with the market and transaction costs. WSPA strongly supports this principle and the need for its incorporation within the GMAP because market-based systems hold the promise of more efficiently integrating environmental and potential health impacts with the international and national economic competition in which we all find ourselves in– both individually and as a State.

This process will not, and can not, by its very nature occur overnight. It will require, as indicated above, a continuing process of dialogue, buildup of trust, and exchange of information that realistically characterizes the current economic competition that exists and the current community concerns. The process must culminate in a mechanism that allows views to be expressed and yet maintains a balance between current and future regional and state needs with those of the local communities. This balance requires that proponents accede to other's requirements – and that no proponent, on any side, is required to share the entire burden.

IV. Public Health and Environmental Mitigation

The Workshop on this topic also showed the conflict that exists between the needs expressed by communities and the enhanced need to transport goods and services. Many supported the mandated reduction of emissions from diesel fueled vehicles – without citing how this might be done in light of diesel use by a variety of trucks, trains and ships. However, as in all cases, such regulation comes with a price tag – even the Auxiliary Engine Rule proposed by CARB has serious implications because of the precedents that may be set in international and national law as well as some overriding safety concerns relative to fuel switching.

These regulatory proposals and others that would fundamentally affect goods movement need to be reviewed in the larger context of national and global competition rather than simply in the context of emissions reduction. Hence, WSPA suggests that the rule, if it cannot be deferred, include a provision to develop a market based performance program that achieves the required emission reductions through decisions in the marketplace.

We noted that both the Community Impact Mitigation Workgroup and the Public Health and Environmental Impact Mitigation work groups experienced great difficulty in defining metrics or criteria for identifying appropriate strategies. Despite repeated attempts by the Co-Chairs or facilitators to initiate dialogue, it was clear that “metrics” that suggested a balancing of requirements would not be acceptable to the majority of neighborhood representatives unless there was a strict “like – for like” pairing of environmental impact with mitigation measure. While that may seem reasonable, taken to its logical conclusion, it suggests that the last party satisfied with mitigation measures holds a disproportionate influence on the public process – something that most would agree should be avoided.

Hence, we again suggest that market-based approaches that link environmental improvement with economic development are the means by which this debate is better addressed. This then, suggests that in addition to development of metrics to improve decision-making that the GMAP process also includes the concept of market- based approaches to the decision-making process and an ability to further develop the concept going forward.

In closing we again urge the GMAP to incorporate specific language in the Integrating Workgroup List of Principles relative to maintaining and expanding the petroleum infrastructure as well as our suggestions based on a market approach to addressing community impact, public health goals, and environmental mitigation.



cc: Mr. Barry Sedlik – Undersecretary, BTH
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Ms. Catherine Witherspoon – Executive Officer, CARB
Mr. Kirk Markwald – California Environmental Associates
Mr. Jim Spinosa - International President, International Longshore and
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