

Gary Grimes
15-7-2



Hand delivered at Board Hearing

September 24, 2015

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Comments on the LCFS Regulatory package

Alon would like to provide strong support the Board's decision over two years ago to recognize the differences between the State's smaller, lower-complexity refineries and its larger higher-complexity brethren. And we wish to thank your staff for quantifying this difference and developing a regulatory mechanism that is included in today's proposal. The LCLE provision, as it is known, appropriately accounts for the reality of California's two distinct refinery populations. Over the past four years, the policy construct behind recognizing the inherently lower carbon intensity of smaller, less complex refineries has been fully agreed upon by CARB staff, Alon and the Board. But the final LCLE refinery language creates a divide within the smaller refinery subsector and increases GHG emissions from California's transportation fuel sector. It also does not reflect true economic impact on Bakersfield and it locks into place a significant regulatory obstacle to restarting that refinery. **Alon urges the Board to direct staff to continue to work on this issue.**

Lower complexity refineries produce gasoline and diesel fuel using less than half the energy per gallon of the large complex refineries (refinery CI). This is the sound technical reason behind the policy recognizing the LCLE category. Alon owns three such refineries and strongly supports the LCLE as policy position.

Though Alon's Bakersfield refinery is currently operating in a very limited mode, Alon is actively working to bring production back to 2008 levels and spending millions of dollars in the process. The Kern County Board of supervisors have approved an Environmental Impact Report to allow Alon to reconfigure the Refinery the engineering work has commenced. The impacts of the LCFS and the potential mitigating effects of the LCLE refiner provisions are significant economic considerations for the facility.

Because the CI of the Bakersfield facility is materially lower than the average California refinery, when operating, the fuels produced by the facility would save to approximately 400,000 metric tons of GHG emissions annually over what would otherwise be emitted by an average in-state refinery.

The company through a joint venture project, has been diligently repurposing our Paramount Refinery to manufacture very low CI renewable fuel from tallow and vegetable oils. At our Bakersfield refinery we are pursuing permits to modify the facility to produce low CI products from light crude oils. Alon believes that the fuels produced at both these facilities will make a significant

contribution to CARB's efforts to combat global climate change. Alon is doing its part to produce lower CI fuels, and having staff revisit the LCLE provision can help us meet those goals.

In summary, the proposed LCLE provisions missed the mark because the LCLE definition (eligibility threshold levels) of "5/5" level isn't reflective of the complete category of refineries that fit its important policy goal. Alon has been and continues to recommend a complete review of how smaller refiners are treated within both the LCFS and the CT programs.

If you have any questions on these comments please contact Gary Grimes at 562-531-2060 (ggrimes@ppcla.com).

Respectfully submitted,

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