



July 5, 2018

VIA ELECTRONIC FILING AND ELECTRONIC MAIL

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

Re: Proposed Amendments to the Low Carbon Fuel Standard 15 Day Package

Dear Sir/Madam:

Valero Refining Company-California, Ultramar Inc., Valero Marketing and Supply Company, and Valero Renewable Fuels (collectively, "Valero") appreciate this opportunity to provide comments regarding the Air Resource Board's proposed amendments to the Low Carbon Fuel Standard (LCFS), as proposed on June 20, 2018. Valero owns and operates two refineries in the state of California, with a combined throughput capacity of over 305,000 barrels per day, and further markets products on a retail and wholesale basis through an extensive bulk storage and pipeline distribution system. Moreover, Valero is a key supplier of renewable fuels marketed in California.

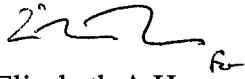
Valero is concerned that the proposed amendments to the LCFS program to authorize capacity credits for ZEV infrastructure run counter to the purpose of the program by allowing for the generation of credits with no measurable emission reductions. Further, the proposed amendments may leave regulated parties at risk of having to purchase additional credits if the carbon intensity of the actual fuel mix for a given compliance period exceeds the carbon intensity benchmark. ARB stated during the June 11th workshop that the Board directed them to move forward with capacity credits for ZEV infrastructure while retaining the 20% target carbon intensity reduction over the life of the program. Thus, capacity credits can be utilized by regulated parties to demonstrate compliance; however, capacity credits will be excluded from calculating the carbon intensity of the fuel mix at the end of a compliance period. There is no safeguard or alternative for regulated parties if the carbon intensity of the actual fuel mix exceeds the carbon intensity benchmark for a given compliance period. There is no defined recourse to address how the gap will be reconciled among regulated parties who have complied with the regulation by purchasing credits which may include capacity credits.

Valero proposes a technical correction to Section 95487 – Credit Transactions. Currently, parties are required to report the transfer of credits at the time of physical transfer. The proposed regulations require the transfers to be reported within 10 days of entering into the agreement. To effectively manage and reconcile the data gathered from deal reporting (prompt or delayed) CARB

will need a mechanism to tie the physical transfer of credits back to the previously reported deal execution. Valero proposes creating a separate reporting form for Type 2 transfers documenting the agreement for sale or transfer of credits over a termed period and a second credit transaction form to report the physical transfer of credits which is tied back to the reporting from.

Valero supports and incorporates by reference the joint comments submitted by the Western States Petroleum Association on July 5, 2018, to the extent they do not conflict with our position stated herein.

Sincerely,



Elizabeth A Hepp
Staff Fuels Compliance Engineer
Valero Companies
210-345-2438
elizabeth.hepp@valero.com