



July 5, 2018

**VIA ELECTRONIC FILING AND ELECTRONIC MAIL**

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

**Re: Valero Comments on the Proposed Amendments to the Low Carbon Fuel Standard 15 Day Package, *Notice of Public Availability of Modified Text and Availability of Additional Documents and Information for the Proposed Amendments to the Low Carbon Fuel Standard Regulation and to the Regulation on Commercialization of Alternative Diesel Fuels (LCFS18)***

Dear Sir/Madam:

Valero Refining Company California, Ultramar Diamond Shamrock Wilmington Refinery, Valero Marketing and Supply Company, Valero Renewable Fuels and related subsidiaries and affiliates of Valero Energy Corporation (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.

Valero is concerned that the proposed amendments to the LCFS program run counter to the purpose of the program and the underlying statute. The Agency’s proposal undermines the fuel neutrality of the LCFS program and creates a technology forcing regulation which favors ZEV fueling alternatives over liquid fuels. Furthermore, the proposal allows for the generation of credits with no measurable emission reductions.

ARB has taken the position that the Governor’s Executive Order B-48-18 and Board Resolution 18-17 grant them authority to incentivize ZEV infrastructure construction through the LCFS program. Valero contends that the executive order which requires, “all State entities work with the private sector and all appropriate levels of government to spur the construction and installation of 200 hydrogen fueling stations and 250,000 zero-emission vehicle chargers, including 10,000 direct current fast charges, by 2025” can be achieved through development of other regulation or incentive programs without jeopardizing the integrity and intent of the LCFS program. Thus, mitigating the

need to generate capacity based credits through the LCFS program to incentivize ZEV infrastructure growth and abiding by the statute.

ARB stated during the June 11<sup>th</sup> workshop 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 of how the gap will be reconciled amongst regulated parties who have complied with the regulation by purchasing credits which may include capacity credits. Thus, leaving regulated parties at risk of having to purchase additional credits to comply with the benchmark carbon intensity.

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 form.

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

Sincerely,



for,

Elizabeth A Hepp  
Staff Fuels Compliance Engineer  
Valero Companies  
210-345-2438  
[elizabeth.hepp@valero.com](mailto:elizabeth.hepp@valero.com)