

Gary Grimes  
15-2-4



**Hand Delivered at Board Meeting**

February 19, 2015

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

**Subject:** Comments on the LCLE Provisions in the Proposed LCFS Regulation

Alon USA Energy (Alon) respectfully submits these comments on the proposed regulatory provisions for the re-adoption of California's Low Carbon Fuel Standard (LCFS or regulation) for Low Complexity – Low Energy Use Refiners (LCLE Refiners). Alon and the Board have been discussing the concept of a LCLE refiner provision since 2011. **Alon strongly supports the LCLE concept as the policy and technical basis for the provision are sound.** But Alon requests ARB also ensure its language includes the entire population of smaller, lower complexity, lower CI refineries located in California for which the policy was intended.

The LCLE provision is an important policy acknowledgment by the Board that there are refineries in California that produce transportation fuels while consuming substantially less energy per finished gallon. These refineries are very limited in numbers, have historically been acknowledged by the regulators that they operate at a market disadvantage, and are by their very design smaller and less complex. Alon owns three such refineries, including one in Bakersfield that seems to be forgotten in this regulatory process. Alon strongly supports the LCLE as policy position, but we have grave concerns over its proposed implementation by staff, specifically the complete omission, or mis-categorization of our Kern County facility.

Though Alon's Bakersfield refinery is currently operating in a very limited mode, and hasn't been in full operation since January 2009, Alon is actively working to bring production back to 2008 levels. The Kern County Board of supervisors have approved an Environmental Impact Report to allow Alon to reconfigure the Refinery and Alon is beginning the engineering work. 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 substantially lower than the average California refinery, when operating, the fuels produced by the facility would save approximately 350,000 metric tons of GHG emissions annually over what would otherwise be emitted by an average in-state refinery. The question ARB needs to be asking is "Do we want to encourage or discourage lower CI fuel production in California?". Establishing an appropriate LCLE eligibility criteria is critical to answering this question. This includes addressing LCLE status for the Bakersfield facility. As Attachment A shows, the Bakersfield refinery is most certainly NOT in the group of California's larger, more complex refineries.

The Board has an opportunity now to make the LCFS's LCLE provisions work for all refineries in California. Alon cannot wait multiple years for the next scheduled LCFS revision with only the possibility that CARB will amend the LCLE provision. The regulation needs to be adjusted prior to finalizing this package. A summary of Alon's position is as follows:

- Alon supports inclusion of a Low Complexity – Low Energy Use Refinery provision;
- Alon supports the staff proposal of a 5 gCO<sub>2</sub>e/MJ adjustment, for both gasoline and diesel, at the reporting tool level;
- Alon recommends eligibility metrics for the LCLE refinery category to be at 7 million mmbtu/year and 7 Modified Nelson Index.

Inclusion of the LCLE Refiner provision correctly recognizes that the carbon intensity (CI) associated with the refining portion of a California's fuels is not uniform. Along with other specific refineries, the Bakersfield facility is lower in complexity and energy input than the majority of the in-state fuel producing facilities. The challenge over these past few years has been how to define these separate groups in a manner that is publicly transparent, technically defensible, and provides the necessary eligibility "bright line" between the two. The issue was how to define the eligibility metrics, but it has never been in question that Bakersfield's refinery CI will be significantly lower than the statewide average.

Alon has demonstrated that the CI of the Bakersfield facility is very low for gasoline and diesel production. This is the metric that should matter the most in the LCFS, the fact that the facility is currently not in full operation, should not impact the eligibility criteria *that will be in effect when the facility comes back into more normal operations*. The fuels produced in Bakersfield will have a lower carbon intensity than the average of the larger, more complex refineries in the state, therefore inclusion into the LCLE category is consistent with the underlying policy and excluding the facility is inconsistent and would lead to increased GHG emissions associated with fuel produced in California.

The proposed eligibility metrics are Total Annual Energy Use and a Modified Nelson Complexity Index. Alon supports the use of these metrics, but rejects the notion that the proposed eligibility levels of 5 million MMBTU/year and a modified Nelson Index complexity below 5 are the right level. This "5/5" level isn't reflective of the entire category of refineries that the LCLE policy is trying to recognize. Alon has been and continues to recommend an eligibility criteria of "7/7". This recommended amendment would not have any ripple impacts throughout the remaining LCFS language, it truly is a stand-alone change. Additionally, this modification would not impact any other refinery in the state, larger or smaller than Alon Bakersfield.

Alon recommends the following actual language amendments:

§ 95481. Definitions and Acronyms.

(55) "Low-Complexity/Low-Energy-Use Refinery" means a refinery that meets both of the following criteria:

- (A) A Modified Nelson Complexity Score equal to or less than 5 7 as calculated in section 95489(e)(1)(A).
- (B) Total annual energy use equal to or less than 5 7 million MMBtu as calculated in section 95489(e)(1)(B).

In summary, the proposed LCLE provisions are technically sound, and convey the right policy, but 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 an eligibility criterion of "7/7". Such a level would not allow any existing California refiners to be eligible for the LCLE provisions, but would recognize Alon's lower CI values, assist the facility in producing lower CI fuels while advancing the goals of the LCFS.

We look forward to working through this issue in the coming months. If you have any questions on these comments please contact Gary Grimes at 562-531-2060 ([ggrimes@ppcla.com](mailto:ggrimes@ppcla.com)).

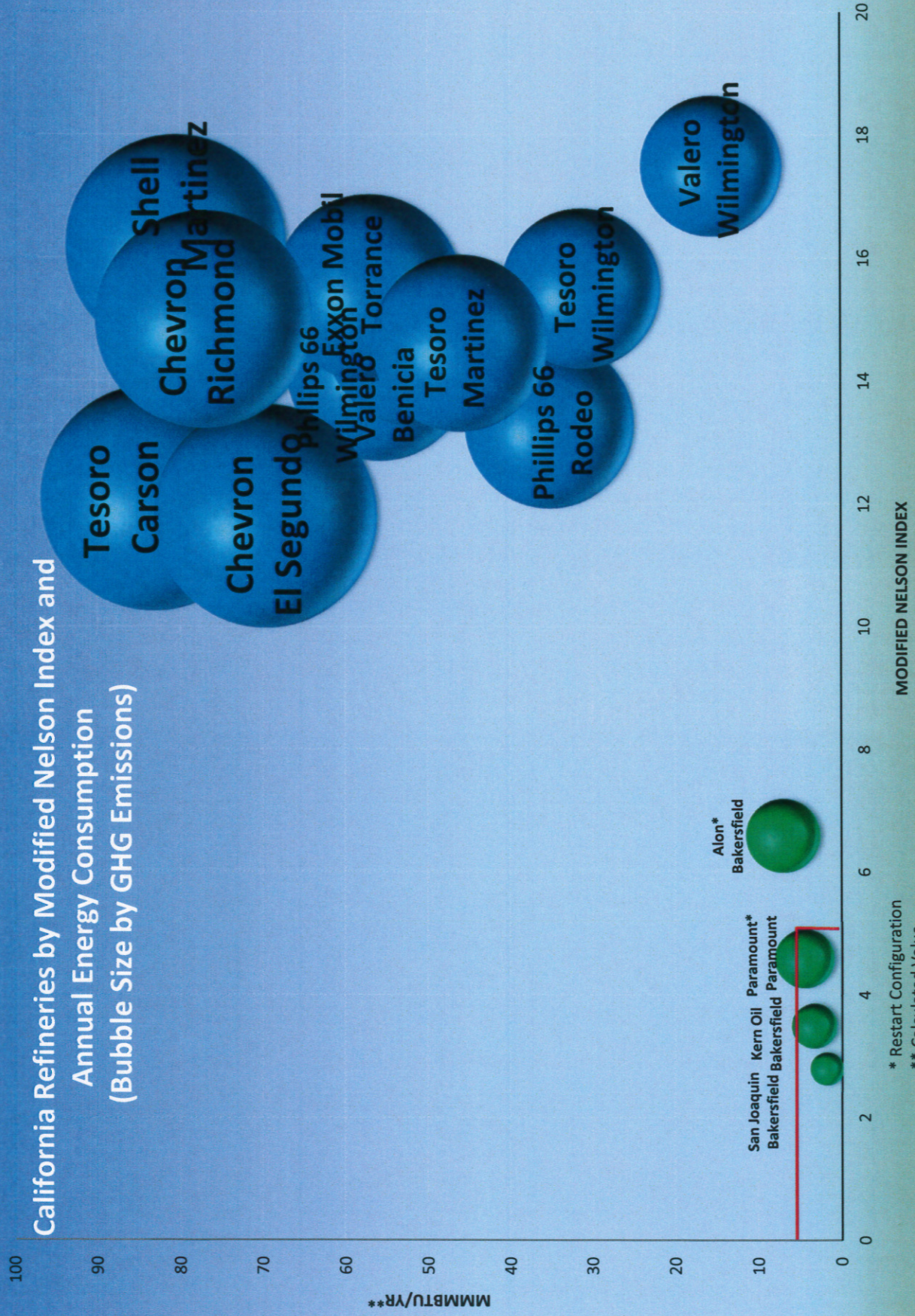
Respectfully submitted,



Glenn Clausen  
Vice President, Refining  
Paramount Petroleum

Enc: Attachment A

# California Refineries by Modified Nelson Index and Annual Energy Consumption (Bubble Size by GHG Emissions)



\* Restart Configuration  
 \*\* Calculated Value