Chair Randolph, Members of the Board and CARB staff;

My name is Pete Montgomery and I am testifying today on behalf of Kern Energy, California’s last remaining small refinery producing CARB gasoline and diesel.

Kern Energy is an independent, family-owned and operated transportation fuel producer located in the Southern San Joaquin Valley that has proudly fueled California for 90 years. Kern is the only refiner between the major refining complexes in the Bay Area and Los Angeles producing both gasoline and diesel according to California’s strict standards. At a capacity of 26,000 barrels per day, Kern Energy serves as a critical fuel supplier, reliably supplying the needs of the agricultural breadbasket and major transportation corridors of the state. While California’s regulatory landscape has created one of the most challenging operating environments in the world for a small refiner, Kern has thrived while many others have failed. CEC’s own data illustrates the demise of 80% of California’s small refineries in the last 30 years.

As a renewable fuel pioneer, Kern Energy embraced the challenge presented by California’s Low Carbon Fuel Standard (LCFS) and the federal Renewable Fuel Standard, becoming just the second refinery in the U.S. to produce renewable diesel by co-processing bio-feed and the first small refiner in California to blend biodiesel. Kern Energy has produced more than 58 million gallons of renewable diesel since 2009 and blended more than 74 million gallons of biodiesel in the last 12 years.

Kern has been an active participant in the LCFS since its inception and has seen how powerful a tool it has been to drive down the carbon intensity of California’s transportation fuels. We have worked closely with CARB staff and leadership over the years to help provide an understanding of the challenges of operating a small refinery in California and the uniqueness of a facility like Kern relative to the large refineries of the SF Bay Area and LA.

I am here today to emphasize those challenges and the impending precipice where continuing to reliably provide transportation fuels to our neighbors, local businesses and communities is jeopardized. Kern is a privately held company but you can see from recent public comments from leadership of major refiners that the industry, particularly in California, is experiencing a prolonged period of negative margins. Layering on the significant additional costs that Kern will incur with these amendments, combined with the certain additional costs from the Cap & Trade amendments, will be very difficult to bear for a small, CA only, refiner like Kern. Even as our state evolves electrification and zero-emission alternatives , we cannot ignore the established reality that Californians, particularly in the Central Valley, will be relying on conventional transportation fuels for decades. Continuing to drive out small refineries that provide those fuels will only increase costs for consumers and increase the burden on those who can afford it least.

I implore you to consider, when voting today or when implementing the LCFS, the impacts on a small California business that has for 90 years provided reliable transportation fuels, including renewable fuels, to California. As the Governor, Legislature and CEC have recently put increasing emphasis on retail gasoline prices, now is not the time to jeopardize the continued operation of current, local, fuel providers.

Thank you.