

Coalition for Fair and Equitable Allocation



September 26, 2013

Dr. Steve Cliff
Assistant Division Chief
California Air Resources Board
1001 I Street
Sacramento Ca, 95814

Dear Dr. Cliff:

The undersigned organizations are writing to clarify common positions we hold in the current Cap and Trade Program regulatory review of refinery benchmarking. Together these organizations essentially represent the entire California refining industry. We support the switch to the Complexity-Weighted Barrel (CWB) benchmarking methodology, but oppose additional “grouping” of CWB factors. Additionally, we support the inclusion of CWB “adjustment(s) for off-sites.”

Grouping of Unit Factors: Grouping of what CARB deems similar processes does not make practical sense for a number of reasons. Grouping loses the granularity that is intentionally provided by the distinct processes in the CWB methodology and unduly sacrifices accuracy for simplicity by dismissing distinguishing details that make each refinery process unique. Indeed, refineries already have all of the data needed under the more robust CWB methodologies. The act of grouping together what may appear to be similar, but are actually very different, processes is inappropriate and may lead to misrepresentative facility CWB numbers. Grouping process units would blur the unique specificity characteristic of individual refinery operations. Inappropriate grouping such as what was suggested at the last workshop would penalize operations decisions that optimize energy use. The goal of any benchmarking methodology is to accurately portray actual refinery operations; therefore, CWB factors must be consistent with existing refinery operations. Grouping only serves to undermine this.

Offsites and Non-Crude Sensible Heat: We further support inclusion of CWB “adjustment(s) for off-sites and non-crude sensible heat.” CARB should adopt the CWB methodology as recommended by Solomon including CWB definitions and provisions for “Offsites and Non-Energy Utilities” and “Non-Crude Sensible Heat.” As described in Solomon’s report of May 17, 2013, page 2-8 and 2-10, these are real energy demands at refineries and are therefore critical in determining appropriate allocation. Again, every refinery configuration is different, and these adjustments are necessary in portraying each refinery accurately, taking into account the full gamut of operations – beyond just the process units – that are required to make a refinery run.

Lastly, CARB also needs to appropriately define the boundary for CWB calculation purposes. Without a clear and timely proposal, the refining industry can not accurately review and evaluate the proposal(s) in front of us.

Thank you for your attention to this important matter. Any questions or follow-up comments can be directed to Jon Costantino at 916-552-2365 (jcostantino@manatt.com) or Mike Wang at 310-808-2149 (mike@wspa.org).

Sincerely,



Jon Costantino
Coalition Director

Sincerely,



Catherine H. Reheis-Boyd
Western States Petroleum Association

Coalition Members: Phillips 66
Alon USA
Kern Oil and Refining Co.
Lunday-Thagard Co.
San Joaquin Refining Co., Inc.

cc: Virgil Welch
Richard Corey
Edie Chang
Rajinder Sahota
Elizabeth Scheehle
Eileen Hlvaka