California Independent Oil Marketers Association

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Ms. Rajinder Sahota

California Air Resources Board

1001 I Street

Sacramento, CA 95814

Re: CIOMA Comments on ARB’s 2030 Scoping Plan

The California Independent Oil Marketers Association (CIOMA) represents about 300 members, including nearly 90% of all the independent petroleum marketers in the state and about one quarter of the state’s 10,000 service stations. Our members provide services to local governments, law enforcement, city and county fire departments, ambulances/emergency vehicles, school district bus fleets, construction firms, marinas, public and private transit companies, hospital emergency generators, trucking fleets, independent fuel retailers (small chains and mom-and-pop gas stations) and California agriculture, among others. CIOMA appreciates ARB’s consideration of our comments on the 2030 Scoping Plan.

CIOMA believes the best path to achieve the state’s long-range environmental goals is through an integrated and flexible policy framework that optimizes technologically feasible, cost-effective, and sustainable greenhouse gas (GHG) emissions reductions in all programs and sectors.

**Cap-and-Trade**

CIOMA believes that the most comprehensive and effective scenario alternative the ARB staff has developed is Alternative 3 – All Cap-and-Trade. We urge the Air Resources Board to adopt this alternative to the “Proposed Scoping Plan” as it allows a truly market based solution that will help California achieve its GHG goals, in conjunction with the existing Low Carbon Fuel Standard and the Renewable Portfolio Standard.

We consider Cap-and-Trade to be an effective scenario, however we believe it is being relied upon far too much as a funding mechanism for other programs. Due to its declining revenues, it seems imprudent for California Air Resources Board’s (CARB) 2030 Scoping Plan (Scoping Plan) to project increasing spending from revenue generated by the cap-and-trade program from greenhouse gas (GHG) emission reductions, as well as increased funding for other programs.

At a time when California continually postures to be at odds with the federal government, there is a dangerous potential for ARB to attempt to go beyond its statutory authority, as defined in 42 U.S. Code § 7543 Section 209(a). to be able to proclaim success for under-performing or under-funded programs by attempting to extend the program to commercial and passenger mobile sources.

Increasing consumer costs and regulation is not the answer to programs that currently lack funding mechanisms or realistic reduction goals. If a market based solution is artificially affected by constant intervention, restriction, redesign, or reallocations, the solution becomes nothing more than command and control with an expensive, confusing, ineffective, and overall flawed implementation.

By picking winners and losers, CARB defeats the market-based solution created by cap-and-trade. When the government intervenes, stakeholders lose faith in the program and the enforcing agency. Even today’s chosen winners become disenfranchised when the next winner is chosen and their investments and hard work are cast aside in order to reach the next deadline. This leaves companies, and communities, stranded with high sunk costs, infrastructure too specific to adapt to the new en vogue choice, and many employed in an industry deemed no longer viable by an obscure process.

**Funding Mechanism Shortcomings**

The Scoping Plan relies on programs, such as Mobile Source Strategy, that lack not only funding mechanisms but also estimated costs through 2030. Nearly half of the 13 plans do not have “Total Cost of Control through 2030” available. Its goal is to put 4.2 million zero-emission vehicles (ZEV) on the road at an estimated cost of $41.5 Billion dollars (Revised 2016 SIP Strategy). A $10,000 cost per ZEV of tax payer money is a ridiculously high price point for the average Californian to have to bear. The 2030 Scoping Plan is premature for implementation if this is the exceptionally high cost that Californians must pay. Further, historically these programs have run over budget and the Mobile Source Strategy appears to be no different. When the money for this program will need to be provided to BEVs in the short term and FCVs in the future, with little mention of planning for infrastructure adaptability or construction beyond “…there will be some costs associated…” (Economic Impact Analysis, Mobile Source Strategy pg. 15). We ask that ARB either completes these economic impact analyses or provides a guarantee that regulations will not be added or changed in order to fund these programs prior to the approval and implementation of the 2030 Scoping Plan.

**Effect on CA Economy and Growth**

The Executive Summary makes the proposed Scoping Plan out to be a boon for California’s economy and employment rate but when examining the environmental and economic analyses, this may not be entirely accurate.

The Executive Summary claims “Overall, under the Proposed Plan the California economy is anticipated to grow $3.4 trillion, roughly one-half percent less growth by that date when compared to a scenario where we did nothing at all”. As with most of the economic impact analyses provided with ARB strategies, there is a large focus on an intangible benefit and little mention of direct costs to consumers, businesses, and the economy of California. In most of these analyses, there is not a single dollar value attached to the costs. It is difficult to estimate costs 20 years in the future due to renewable energy industries that have yet to come to fruition, technology that is still in the early stages of deployment if not development, and other lurking externalities. However, the optimism applied to projecting California’s economic growth and emissions reduction is applied too freely in a state with crumbling infrastructure, a housing crisis that cannot be solved due to building restrictions, and the highest poverty level in the nation. When combined with our steadily climbing cost of living, these budgetary and humanitarian constraints are not appropriately addressed in the modeling of economic and job growth.

The Environmental Analysis (Appendix F, 168) states, “As discussed, effects on the California economy are anticipated to be modest, and would not result in substantial economic growth. Thus, no substantial growth-inducing effects would occur as a result of implementation of the Proposed Plan.” This directly conflicts with what is stated in the Executive Summary in two locations: “significant opportunity for California investors and businesses”. The Proposed Plan cannot be both a significant opportunity for businesses and investors and provide no substantial growth-inducing effects”.

Again, the Environmental Analysis provides a less optimistic look into the expected impacts of the Proposed Plan when discussing employment. “While some sectors of the economy could see job growth, particularly in the clean energy sector as a result of implementation of measures in the Proposed Plan, this would not result in substantial increases in employment opportunities or otherwise induce substantial population growth in the State.” (Appendix F, 138). This tricky language contradicts itself in the same sentence. There cannot be possible “job growth” if, in your own words, you state “this would NOT result in substantial increases in employment opportunities.” The economy and working families of California are being lead down a road to fewer jobs in the state, as stated in CARB’s own words.

Since the state seeks to double our GHG emissions reductions, robust and regular oversight and informational hearings must accompany any post-2020 climate program. We believe ARB or a third party should, at a minimum, review each current regulation resulting from AB 32 and determine if, (1) the regulation has accomplished the intended objectives or, (2) if the regulation has failed to achieve its goal and may simply have placed undue burdens on California’s businesses and consumers without reducing our GHG emissions levels.

Stakeholder input and providing a true “seat at the table” for California’s business community will be extremely important in reaching the 2030 goals while maintaining our state’s history of economic growth and leadership. In lieu of an Industrial Advisory Board, the ARB should consider the appointment of an Industrial Representative to the Board. This would enhance the Board’s expertise and provide additional depth to the Board’s knowledge base.

Since Governor Pat Brown, California has worked to avoid an environmental versus business impasse; we need to ensure all needs are being met in a balanced manner to achieve the highest policy and environmental integrity. ARB and stakeholders all have a stake in the integrity and the success of the program.

**Biofuel and Ethanol Assumptions**

Missing from the Scoping Plan is a sufficient acknowledgement of the difficulties in transitioning to biofuel and ethanol. All storage, production, and transfer equipment will need to be updated in order to be fully compatible with more corrosive fuels, such as ethanol or increased blends of ethanol or biofuels. The need to test and replace this equipment for a variety of biofuel and ethanol blends will put a large burden on fuel locations and service stations, not to mention the companies that deliver fuel. CIOMA’s member companies that help keep California’s economy running are small businesses that will struggle to be able to update their equipment to ensure compatibility with the mandated low carbon fuels. One highly likely outcome of the strategy contained within the 2030 Scoping Plan is the reduction in the number of companies able to survive and serve California residents, therein creating fewer and bigger companies to continue to serve the market demand within our state.

We ask that a more complete plan is considered and put forward to ensure California’s workforce is able to access the fuels they need in order to live their lives and small businesses are able to keep their doors open. Unfortunately, the 2030 Scoping Plan does not meet the level of review to be considered complete in its analysis.

**Conclusion**

The amount of missing information and lack of thorough investigation of downstream effects in the various strategies shows an incomplete assessment of ARB’s own vision of how to decrease GHG emissions. It would appear that exhaustive and thorough planning has been sacrificed in order to rush the implementation of the Scoping Plan. We ask that ARB take the necessary time to fully address the issues we have mentioned in these comments.

The issues are included below for convenience:

* A true market based solution in cap-and-trade without continued government interference, to allow the competition and flexibility necessary for the program to work
* Fully developed, described, and publicly available funding mechanisms
* Greater evaluation of stakeholder input to determine the effects on California’s economy and workforce
* Transparency and tracking guarantees to ensure the proper use of taxpayer money
* Plans to help the small businesses of California obtain the necessary equipment to be compatible with biofuel and ethanol, and the changing landscape of fuels in the state.

Thank you for the opportunity to submit these comments and we look forward to your response. Please contact Samuel Bayless at bayless@cioma.com or (916) 646-5999 with any questions.