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July 05, 2018

Ms. Rajinder Sahota  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

via e-mail at: [rsahota@arb.ca.gov](mailto:rsahota@arb.ca.gov)

Re: WSPA Comments on CARB's June 2018 Workshop on AB398 Implementation

Dear Ms. Sahota:

The Western States Petroleum Association (WSPA) is a non-profit trade association which represents companies that explore for, produce, refine, transport, and market petroleum, petroleum products, natural gas and other energy supplies in California and four other western states. We are concerned about the lack of transparency at this late date in the public stakeholder process on CARB's AB 398 cost containment measures.

In your preliminary February Concept Paper, staff suggested that the price ceiling value in 2030 would not be lower than \$81.90 (\$2015) and no higher than \$147 (\$2015). The Concept Paper also suggested that staff's initial thinking is to set the first speed bump in 2021 no lower than approximately \$70 (\$2015). When these cost containment measures come into effect as required by AB 398, these price ceiling and speed bump levels would be at \$91 and \$165 and \$82, respectively, in 2021.

Since February, ARB has had three workshops and is indicating that a regulation is under development for release in August or September. ARB has indicated in the second workshop that the concept paper's numbers are not its proposal. No additional information or a narrowing of the range has occurred in this entire stakeholder process, even though the Concept Paper stated, "As staff develops more refined proposals for potential amendments, additional analyses and discussion with stakeholders is planned ahead of any formal regulatory proposal."

**As a result, we write to express our deep concern over a lack of specificity on CARB's current thinking regarding the price ceiling and speed bumps.**

In addition to the lack of specificity, the February paper's range is very large and is too high compared to costs worldwide. The large price ceiling range reduces our ability to meaningfully analyze and participate in the stakeholder process. An additional element that hampers our ability to evaluate the proposal is that all the cost containment measures (i.e., price ceiling level, speed bump level, allowance volume in ceiling and speed bumps, amount of allowances in the cap, and

banking rules) work together to contain costs, and it stymies stakeholder input to be provided with some, but not all, of the measures in the package.

The price ceiling and speed bumps are intended to serve as a critical component of the state's cap-and-trade program, providing the cost containment safeguard that the Legislature intended as part of AB398. If the speed bumps are set too high, they will not be effective at dampening volatility and slowing the market to allow for proper oversight. The Concept Paper idea for the first speed bump at \$70 (2015) is problematic because it means that, barring emergency action by the Governor, the program would have no built-in cost containment mechanism that could be triggered prior to reaching that point. This leaves the program – and ultimately the state's economy – unnecessarily vulnerable to potential market volatility. Setting the speed bumps and price ceiling at such high levels would effectively mean they are *non-binding*. Thus, CARB would miss the opportunity to put sufficient safeguards in place. This would not meet the spirit or objective of AB398.

As noted in the summary of comments on the Concept Paper, the majority of stakeholders have made a strong, technically-justified case for a lower price ceiling. We urge you to respond to those comments with an updated proposal as soon as possible. Not having adequate information in time to fully analyze the rulemaking denies participation in the rulemaking and leaves stakeholders, the program, and ultimately the state's economy and consumers at unnecessary risk.

Thank you for your consideration of these critical points. We would welcome the opportunity to further discuss the issues raised here. If you have any questions, please contact me at this office at (916) 325-3088 or email troberts@wsa.org.

Thank you,



Tiffany Roberts,  
Director, Policy and Regulatory Affairs  
Western States Petroleum Association

cc: Richard Corey – CARB  
Edie Chang – CARB