

August 19, 2009



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

Tesoro Companies, Inc.
19100 Ridgewood Parkway
San Antonio, TX 78259
210 626 6000

Sent Via: Electronic Mail to <http://www.arb.ca.gov/lispub/comm/bclist.php>

**Subject: Tesoro Corporation Comments on the California Air Resources Board's
Modified Text and Additional Documents for the Low Carbon Fuel
Standard**

Dear Clerk of the Board:

Tesoro Corporation is an independent refiner and marketer of petroleum products. Tesoro operates seven refineries in the western United States with a combined capacity of approximately 660,000 barrels per day. We operate the Golden Eagle refinery in Martinez, CA and the Los Angeles Refinery located in Wilmington, CA, and are the second largest refiner of clean fuels for the state of California.

Tesoro is a member of the Western States Petroleum Association (WSPA) and have participated in the development of previous comments submitted to CARB regarding LCFS. Tesoro concurs with and hereby incorporates by reference comments submitted by WSPA.

Tesoro has participated in the LCFS process directly and through the Western States Petroleum Association. The LCFS is an unprecedented effort to reformulate California's gasoline and diesel supplies; and to a large extent, is relying on technology forcing regulations to eventually reduce fuel carbon content. The clear problem and most significant issue facing CARB and the state is that there are not adequate amounts of commercially available "low carbon" alternatives available to meet the goals of the LCFS in the short term. And there is no certainty of their availability in the longer term. The result is the very real potential that the LCFS will disrupt California's transportation fuel supply system.

There are portions of the regulation that are not yet complete that we believe must be addressed before the LCFS can be adopted and we urge CARB to complete the entire regulation before moving to adopt.

Tesoro Specific Comment: - Waste Oils and Tallow

Tesoro understands that waste oil and tallow are primarily used as animal feed. However, if these materials are upgraded to motor fuels, the current consumers of these oils will need to replace them with some type of feed – possibly distillers grain with solubles (DGS). The resulting CO2 emissions from making those replacement materials represent the GHG cost of taking waste oil and tallow to motor fuel feed stocks. We currently know the GHG “value” of DGS since it receives a credit as a byproduct of making ethanol. It is not correct to assume, as ARB has done, that the GHG cost of these materials is zero. ARB argues that these materials are “waste products”, so turning them into motor fuels does not incur any GHG “cost” for the feed stocks. If this is true, a refiner should be able to process fuel oil (arguably a waste product from the refining process) into gasoline and claim that the combustion of the gasoline has no GHG emissions.

However, this is not the case - neither feedstock should be considered to have zero GHG “costs” as feedstocks. The guiding principle should be CARB’s correct methodology to fully account for byproducts. The waste oil and tallow pathways should include a GHG cost for the feed stocks. If these oils are taken from animal feed and are replaced with DGS, the GHG cost would be equal to the GHG value of DGS as a byproduct of producing ethanol.

Tesoro appreciates the opportunity to submit comments on the proposed low carbon fuel regulations. If you have any questions concerning these comments please call Dwight Stevenson (925) 372-3149.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dan T. Riley", is written over a light blue horizontal line.

Dan T. Riley
Vice President
State & Local Government Affairs