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**VIA ELECTRONIC POSTING**

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

Subject: Paramount Petroleum Comments on CARB 45-Day Notice for the Proposed Amendments to California's Low Carbon Fuel Standard Regulation

Comment List: LCFS2011

Clerk of the Board:

Paramount Petroleum Corporation and its parent, Alon USA Energy (collectively, Paramount), appreciate the opportunity to comment on the proposed modifications to California's Low Carbon Fuel Standard (LCFS or regulation). The LCFS is a complex regulation which not only directly affects transportation fuel providers in California, but indirectly affects numerous consumers and support industries as well.

Paramount believes that a well-functioning fuel market is critical to California and ensuring that the LCFS program is workable is an absolute necessity. It is for this reason that Paramount supports certain amendments to the current version of the LCFS regulations. The implementing regulations must guarantee that the future competitive balance of California's transportation fuel market remains intact or is even enhanced. One way in achieving this goal is ensuring the continued operation of the state's remaining small independent refineries. Any regulatory changes that negatively affect these remaining market participants will further concentrate the marketing and manufacturing of fuel supplies to a chosen few multinational corporations with significant potential adverse effects on California consumers.

Paramount owns and/or operates three refineries in California. Its primary refinery is a 55,000-bpd facility located in Los Angeles County. The facility does not have sophisticated high energy consuming process units, and as a result, some of the products produced at that refinery must be shipped to other refineries for further processing to turn the intermediate product into gasoline and other transportation fuel. In fact, due to its simplistic profile, the product stream produced by Paramount can be broken down into three distinct categories. About a third of every barrel of crude oil run at the plant is converted to diesel fuel, jet fuel and gasoline for sale to all. A third of the products produced are intermediates, like vacuum gasoil, shipped to other refineries for further processing. The final third of a typical barrel of crude is converted into asphalt, which is used for road construction and roofing throughout California and western states.

Through the multiyear LCFS regulatory development process, Paramount and CARB staffs have worked through various issues that accompany a program this complex. Paramount believes that in-state production of lower-carbon transportation fuels can be encouraged with the correct regulatory structure. Our comments spotlight the concept of Low-Energy-Use Refiners and the need to not lump these types of facilities in with the massive 200,000 barrel a day refineries that these regulations were truly designed to regulate. This issue was discussed with staff numerous times including prior to the 45-day notice, but our request for changes to the proposed regulations was subsequently left out of the package and deferred until a proposed subsequent rulemaking in 2012. It is with this focus that we respectfully submit these comments and recommendations.

CARB staff notified all LCFS stakeholders that they did not believe that there was sufficient time to address two significant issues originally proposed for this rulemaking--Low-Energy-Use Refiners and indirect Land Use changes. As a result, CARB staff proposed a subsequent rulemaking in 2012 to address these issues with the intent of both rulemakings becoming effective simultaneously in 2013. We believe that conducting such a bifurcated rulemaking increases the difficulty in determining how all the regulatory pieces will eventually fit together and on predicting how these amendments, when enacted piecemeal, will actually affect Paramount's operations in the future. This is particularly true with the amendments surrounding High Carbon-Intensity Crude Oil and their potential to change the entire sector's compliance obligation, especially for those who have no crude production but must rely on their competitors for their crude supply.

The inventory of California refineries is diverse and includes several smaller independent refiners that do not require the level of energy inputs used by larger refiners to extract the maximum amount of transportation fuel from a barrel of crude oil. CARB staff has historically acknowledged the important competitive and supply role these smaller facilities play in California's tightly supplied fuel and refined product marketplace. The provisions previously discussed with staff for incorporation into this rulemaking related to Low-Energy-Use Refiners are critical in appropriately recognizing the Carbon-Intensity difference of these small unsophisticated facilities when compared to the energy intensive refining facilities owned and operated by giant corporations that the Low-Energy-Use small refiners are forced to compete with.

Though mentioned in Slides 3 and 6 of the staff presentation at the October 14, 2011, LCFS workshop, there is no mention of revisiting the Low-Energy-Use Refiner provisions in 2012 in the ISOR for the December amendments. Paramount respectfully requests that the adopting resolution for these amendments contain sufficient language to keep this very important issue on the 2012 LCFS regulatory agenda.

Paramount respectfully submits these comments, knowing how difficult it is to operate in such a resource-constrained system. We wish to recognize all the work staff has put into this very large and complex regulation and commend them on such a difficult task. But we also believe it is imperative for the Board to "get this right." In our discussions with CARB, from the Chairman on down, there has been recognition that the special plight of small, independent, Low-Energy-Use refiners needs to be addressed and that it is unfair to lump these facilities together with large sophisticated refineries that bear little or no resemblance to Paramount or similar facilities. There is much at stake for the independent refiners, including their survivability in this new regulatory landscape. In these times of "do more with less", we are prepared to assist CARB staff when the issue of Low-Energy-Use Refiners is worked through in the next rulemaking in 2012.

Respectfully submitted,

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cc: Mary Nichols
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