



California Independent Oil Marketers Association
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December 14, 2011

Mary Nichols, Chair
All Board Members
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Re: Low Carbon Fuel Standard; Request to Suspend

Dear CARB Board Members:

The California Independent Oil Marketers Association (CIOMA) *respectfully requests that you immediately suspend the Low Carbon Fuel Standard (LCFS)*. This regulatory package may have the most significant impact on California fuel costs that ANY previous legislative/regulatory endeavor has ever had. CIOMA represents independent marketers who purchase gasoline and other petroleum products from refiners and sell the products to independent gasoline retailers, businesses, and government agencies, as well as representing branded "jobbers" who supply branded retail outlets, especially in rural areas. Our members are primarily small, family owned businesses who encounter unique difficulties in meeting California's complex and increasingly expensive environmental requirements. We represent approximately 400 members, about half of whom are actively engaged in the marketing and distribution of petroleum products and fuels. We will be directly and materially affected by this regulation.

Our reasons for immediate suspension:

- There are MANY, MANY unanswered questions regarding how this program will be implemented,
- There is a significant lack of disclosure on possible consequences (intended or unintended), and
- There is entirely missing any assessment on how this program will affect the price of fuel to California motorists.

Here are some quick examples of how "uncooked" this social engineering package is:


- Lack of information to fuel marketers regarding blending below the rack – We have asked CARB staff on several occasions to provide a simple discussion on what our members, who might have an interest in blending low carbon components below the rack, will experience under LCFS. This information is critical to making an educated business decisions about the opportunities and risks of such a decision. We have not received this critical information and our members are "flying blind" on what risks and opportunities may be inherent in this program. CARB is legally obligated to assist small businesses (our members) in complying with and operating in your regulatory environment.

- Fuel labeling – We have been made aware that at least two common-carrier racks in this state will shortly begin supplying nothing but B-5 biodiesel blends for diesel fuel. Under current requirements this fuel can be sold simply as “diesel fuel”. Our members will not know how much biodiesel will be included in each load. For those that provide below-the-rack blending, this will create serious problems in how to label and market the further-blended biodiesel, with potential for excessive liability, mislabeling, and engine compatibility issues. LCFS creates this problem but does not address this issue.
- “Low carbon” is not “low carbon” – We understand, at these facilities, the low carbon additives will be comingled in common storage. Therefore, while the purchaser will receive a transfer document that contains carbon-intensity information from the fuel supplier, the actual fuel is likely to NOT be of the carbon intensity described. This may lead to false advertising and possibly product quality liability issues. LCFS creates this problem but does not address this issue.
- New fuels – not ready for prime time – As we have discussed in numerous pieces of correspondence before, there is a complex, ad hoc system for determining whether fuels are fully vetted and are legally dispensable in this state, and the nation. LCFS has made no attempt to unravel this nest of complexities. CARB merely certifies the carbon intensity of the fuel, not its passage of key check points on whether the fuel has met various certifications and checkpoints to be a legally dispensable fuel. Marketers and transporters are left holding the bag on potential liability and/or compliance status without any centralized assessment system.

Beyond these more-pragmatic examples, we contend that CARB has NOT performed an adequate economic impact assessment of the LCFS. There has, to date, been no calculation or estimate of what the cost per gallon might be to California motorists. ***This is a major failing and needs to be corrected immediately.*** Recently the California Energy Commission took a first-step assessment of LCFS costs to refiners and found that the LCFS could cost fuel providers nearly \$3 billion in 2018, nearly \$4 billion in 2019 and approximately \$4.5 billion in 2020. This expense will be passed on to fuel consumers. This analysis does not include the potential inflated cost of LCFS credits due to lack of “low-carbon” fuel, nor does it include other major costs to refiners such as the “cap & trade” carbon tax, or the escalating AB 32 administrative assessments. CARB is legally obligated to disclose such information to the public and certainly its Board members.

For all the above reasons we request that CARB immediately suspend the LCFS program, and perform its legally mandated due diligence and economic impact assessments before going forward with this latest “train wreck” social engineering experiment.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay McKeeman". The signature is fluid and cursive, with the first name "Jay" being more prominent.

Jay McKeeman, Vice President of Government Relations & Communications

cc: CIOMA Board of Directors
CIOMA Membership