

May 6, 2011

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Submitted Via: Arb.ca.gov Workshop Comments Submittal Form

Re: Advisory Panel Draft Work Plan and Topic 5 - Ultra Low Carbon Fuel Comments

Dear Michelle:

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 WSPA's comments on the recently released Low Carbon Fuel Standard Periodic Review Advisory Panel Work Plan and the Outline Paper Topic 5 – Ultralow Carbon Fuels. Tesoro concurs with comments submitted by WSPA and we would also like to provide you with the following comments.

1. WORKPLAN:

- No projection of future feasibility of the LCFS regulation can be solely, if at all, based on past compliance history because of the dramatic increases in CI reduction in future years. An evaluation of feasibility in future years must be based on the expected availability of the required low carbon fuels and the vehicles that would use them. Additionally, no HCICO penalty was applied in 2010 nor much of 2011 as compliance procedures and enforcement mechanisms for this feature of the program exists.
- The progress against targets and the review of the compliance schedule needs to look at least 5 years into the future and not merely look back at the data from 2011. ARB needs to reconstruct its 2008 to 2009 forecast base for each of the existing and potential LCFS fuels with volumes by year out to 2020. It will be impossible to recommend adjustments to the compliance schedule or to any aspects of the program unless this "outlook" review is performed. An infeasible compliance schedule could have significant adverse economic impacts on the state. The 5 year minimum time frame covers the 3 year schedule for the periodic reviews plus a 2 year allowance to respond to potential changes called for in the next review. In other words, the earliest that rulemaking could be effected based on the 2015 Periodic Review would be 2017. So this review needs to consider the feasibility of the LCFS up until that time.


- The review by the panel needs to clearly identify the specific fuels, the volumes, and the CIs projected to be available to comply with the program schedule – including the availability and potential market cost of credits generated by opt-in parties. Given the substantial volumes of low carbon fuels required, this type of concrete analysis will provide the only credible basis for assessment of program feasibility and description of potential compliance scenarios. Further, the review should consider what fraction of the scarce national/international low CI fuels are being redirected to California to satisfy the compliance schedule and if such redirection is indeed reducing GHG emissions in a holistic sense.
- We recommend the panel hears from independent technical experts in the developing technologies that are required for feasible compliance over the next 5 years. That will help inform us on the feasibility of that technology coming on-line with the volumes needed.
- The review should include an examination of the ramifications to the state economy if the compliance targets are unachievable.
- The Work Plan issues should be prioritized. The Advisory Panel should identify the urgent implementation issues and where needed recommend establishment of separate Implementation Work Groups to address them. Longer term policy issues should also be identified and consensus on timing, methodology, data sources, and review processes needed for policy decisions should be established so that as sufficient LCFS data becomes available policy implications can be assessed in a manner acceptable to all stakeholders.
- The goal of the Work Plan was not clearly stated. A statement of the work product that will flow from this Work Plan should be included. That is needed to provide direction to the panel.

2. ULTRALOW CARBON FUELS (ULCF)

- Tesoro does not support the addition of an ULCF category into the LCFS at this time. That said, we recognize that monitoring of the progress of these technologies can be a useful component of the program reviews, but only support an ULCF category for that purpose.

Tesoro appreciates the opportunity to submit comments, if you have any questions concerning these comments please call Dwight Stevenson 925-372-3149.

Sincerely,



Daniel T. Riley
Vice President
State & Local Government Affairs

cc: Dwight Stevenson