



Golden Eagle Refinery

150 Solano Way
MARTINEZ, CA 94553-1487

July 17, 2011

Michelle Buffington
Air Pollution Specialist
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

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

Re: Advisory Panel Outlines and Draft Technology Assessment (6/30-7/1) 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 your draft technology assessment chapter and chapter outlines released at the last LCFS Advisory Panel meetings. Tesoro concurs with comments submitted by WSPA and we would also like to provide you with the following comments on our behalf.

Draft Technology Assessment

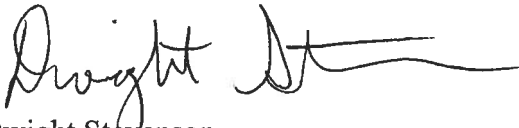
This draft chapter is completely lacking in substantive detail on the technological development of the production of advanced, low CI biofuels. And there is no realistic assessment of the availability of these alternative fuels during each of the next 4 years. Because we see that the LCFS is not feasible in this first time period without large quantities of such fuels, we believe this important chapter draft is entirely inadequate for the task at hand and should be redrafted for later review.

Chapter Outlines

Economic Impacts: It was entirely speculative in 2009 to assume a trajectory for the production costs of cellulosic ethanol when the first data point for cost had not even been established by an operating plant or even a plant under construction. And over the past two years, actual experience is proving that CARB's initial estimate was extremely optimistic. A proper economic analysis of the LCFS requires that first a realistic technological feasibility assessment of each key fuel's specific process be undertaken. Then realistic project scopes would have to be set for a technology found to be feasible. Next the cost could be estimated including both capital and operating costs. Finally, a profit would have to be allowed for to put each fuel into a realistic market pricing basis. And that profit would need to consider the situation where there was a shortage of enabling fuel and how that situation would influence pricing and base fuel production (as well as overall economic activity).

So updating the 2009 analysis with some factors for cost escalation is entirely inadequate. To make a proper assessment of the economic impacts of CA LCFS, we strongly recommend that our above outline must be followed. Otherwise, we do not think CARB would be making a legitimate estimate of the potential costs and would then be risking a huge, unexpected bill for California from this regulation.

Sincerely

A handwritten signature in black ink, appearing to read "Dwight Stevenson", with a long horizontal flourish extending to the right.

Dwight Stevenson
Clean Products Advisor