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Ms Michelle Buffington
Air Pollution Specialist
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Mr. Richard Corey
Division Chief
Stationary Source Division
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Via Email and Electronic Submittal to:

[http://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=lcfsadvpanmembers-
ws&comm_period=1](http://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=lcfsadvpanmembers-
ws&comm_period=1)

Re: Low Carbon Fuel Standard (LCFS) Advisory Panel – Draft 2011 Program Review Report - ConocoPhillips Comments

Dear Richard and Michelle,

ConocoPhillips appreciates the opportunity to provide comments regarding the draft *Low Carbon Fuel Standard 2011 Program Review Report* (Draft Report) which was released October 25th. Before commenting on the Draft Report however, we have some general comments about the panel and the panel proceedings and timing as it relates to the proposed LCFS Regulatory Amendment Hearing currently scheduled for December 16, 2011.

Advisory Panel Comments

Thank you for selecting ConocoPhillips as an Advisory Panel member for this first regulatory review. We appreciate the opportunities afforded us to provide our views orally and through written comments. We also appreciate that even though HCICO was not one of the original 13 topics specified in the regulation for review, CARB staff agreed to add this important item for discussion and dedicated an entire chapter in the report to this topic.

We are disappointed however with the timing associated with the release of the draft report and the release of the proposed amendments to the LCFS regulation. It is not clear what value (if any) CARB staff placed upon Advisory Panel input when drafting the proposed regulatory amendments as the amendments were released prior to the issuance of the Draft Report and in advance of the final Advisory Panel meeting and the supplemental Advisory meeting.

Draft Report Comments

It is our understanding that WSPA will be supplying detailed comments about many of the chapters in the report. As a WSPA member we are participating in the development of those comments. Our additional comments are as follows.

Even though it is early in the program, we have concerns about the overall feasibility and cost of the LCFS program. CARB's Draft Report attempts to address feasibility by developing various compliance scenarios that in our opinion are extreme and are unrealistic. Some (not all inclusive) examples of the questionable assumptions include:

- All original 8 gasoline scenarios employ ethanol blending in gasoline in the mid- to long-term that exceeds what is currently allowed by law (one case assumes as high as E29).
- Some scenarios assume high percentages of cellulosic ethanol consumed in California (up to 80-90% of U. S. production) and the volumes are based upon optimistic forecasts by EIA.
- A significant decline in the carbon intensity (CI) of corn based ethanol of approximately 25%.
- An assumption that E85 contains 85% ethanol (EIA assumes E85 actually contains 74% ethanol). Ethanol content of E85 can be even lower and must vary seasonally to meet vapor pressure specifications.

We also observe that compliance for the diesel pool and mid- to long-term compliance with the gasoline pool is based upon the generation and banking of credits in the early years. It is uncertain whether or not there will be sufficient volumes of low carbon fuels to generate substantial amounts of credits. It is also uncertain if any early credits will be made available to the market or if the credit generator will accumulate or bank them.

Regarding the economic analysis of the program, we have not seen what we consider valid cost estimates regarding fuel and incremental vehicle costs. Also missing are cost estimates of required infrastructure. Infrastructure examples include: import facilities for various biofuels (such as sugarcane ethanol); terminal storage and blending facilities for various biofuels (such as biodiesel); and retail dispensing devices for E85, electricity and hydrogen.

In summary, ConocoPhillips does not consider that the issues surrounding feasibility and cost are fully resolved. That, coupled with the uncertainty about how high carbon intensity crude oil (HCICO) may or may not be handled do not give our company and industry the regulatory certainty necessary for planning continued and future manufacturing operations in California. In light of these uncertainties ConocoPhillips requests that CARB staff (in consultation with the CEC) conduct annual reviews regarding fuel and vehicle availability on an annual basis prior to the next formal Advisory Panel review which is currently scheduled for 2014.

Thank you again for the opportunity to be a panel member and share our views. Please feel free to contact me if you have questions regarding our comments.

Sincerely,

<H. Daniel Sinks>