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President

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Via web: www.arb.ca.gov/planning/vision/vision.htm

Ms. Carol Sutkus (csutkus@arb.ca.gov)
Air Resources Board
1001 I Street,
Sacramento, CA 96814

RE: Comments on ARB Vision Report (A Vision for Clean Air)

Dear Ms. Sutkus:

The Western States Petroleum Association (WSPA) is a trade association that represents 27 companies that explore for, develop, refine, market and transport petroleum, petroleum products and natural gas in the Western States. Many of our members operate extensively in California and are impacted directly by the ARB and air district air quality programs.

We have identified key issues where improvement is needed with the ARB Vision Report and made corresponding recommendations.

Scope of Vision Report

WSPA understands the importance of ARB's report; *Vision for Clean Air; A Framework for Air Quality and Climate Planning* ("Vision"). While we applaud ARB and the air districts' efforts to look at options and opportunities in the 2020 to 2050 timeframe, we are concerned that many fundamental issues were not included in the Vision report. Notwithstanding the challenges California faces to achieve the public health goals of the Federal and State Clean Air Acts and the state's climate change goals, we are concerned that the Vision Report goes beyond vision to fantasy because it expects actions and changes with potential significant economic hardships on huge areas of the State that would otherwise be unaffected. That is, Vision Report proposes that California address issues in the South Coast and San Joaquin Valley with a program designed to address the extreme needs of those regions and applies those measures unnecessarily to the entire state.

In other words, ARB “views” a future that is based virtually entirely on electric transportation due solely to an emissions requirement mandated for the South Coast and San Joaquin Air Basins. While that may seem reasonable to ARB, the huge change in infrastructure for the “other” regions of the State and implications for interstate and intrastate commerce were totally ignored.

Specifically, the Vision Report foresees a state-wide transportation system that is primarily electricity driven, and supplemented by renewable feedstock liquid fuels. Again, notwithstanding the fact that the vision document defines measures to only directly affect the South Coast and San Joaquin valley air basins, the document grossly ignores the fact that, even for the non-attainment regions in California, petroleum based fuels will continue to remain a critical source of transportation energy through 2020 and beyond. For example, the most recent IEPR for transportation fuels (2009) notes the following:

“Between 2007 and 2030, staff estimates total annual gasoline consumption in California to fall 13.3 percent in the low-demand case to 13.57 billion gallons, largely as a result of high fuel prices, efficiency gains, and competing fuel technologies. In the high-demand case, the recovering economy and lower relative prices lead to a gasoline demand peak in 2014 of 16.40 billion gallons before consumption falls to a 2030 level of 14.32 billion gallons, 8.5 percent below 2007 levels.”

Between 2007 and 2030, staff expects total diesel demand in California to increase 35 percent in the low-demand case to 5.138 billion gallons and 42 percent in the high-demand case to nearly 5.4 billion gallons.

Between 2007 and 2030 staff expects that jet fuel demand in California will increase by 51.2 percent to 5.12 billion gallons in the low demand case, and 67.2 percent to 5.75 billion gallons in the high-demand case.”

Yet, the ARB Vision Report appears to “see” virtually zero use of petroleum-based fuels by 2040. How will California manage the dichotomy in views that exist between those of the California Energy Commission (CEC) and those of ARB? How can an agency propose a view of the future that seems inconsistent with that of another agency? How can the ARB expect the public to understand the transition to an all-electric future that begins with today’s reality that fossil fuels are the backbone of the transportation fuel sector? Even more perplexing in the Vision Report itself, ARB recognizes fossil fuels will be the primary source of transportation energy through 2040.

Recommendation: WSPA believes that for the Vision Report to be useful as a public policy guide, it needs to: 1) recognize and address the technological and economic reality that exists today (and for the near future), and then 2) show how this reality can be changed in a manner that does not adversely impact the economy and jobs.

Economic Implications of Vision Report

WSPA also believes it is critical that ARB recognize the important economic role that petroleum based fuels and the petroleum industry play in California’s economy, including recognizing the thousands of jobs and billions in tax dollars the petroleum industry provides to both local and State economies and

how those jobs, their income, and tax revenues will be replaced [or displaced]. It is clear that before the Vision Report is finalized, ARB must prepare an economic scoping analysis that links the importance of environmental and economic policy to public health which ultimately must be the “bottom line” purpose of any vision of the future.

Recommendation: We encourage ARB to amend the Vision Report to incorporate a specific economic analysis of the options and provisions to mitigate negative impacts when they are identified. We make this recommendation, even if the ARB feels that it can adopt the report under the guise of a “vision” that ostensibly means that no economic impacts need be considered. Our view is, precisely because the vision outlines an objective 10-20 years into the future, the agency should consider it a duty to conduct an economic assessment that considers the advantages and disadvantages of mandates on key economic sectors such as utilities, transportation, fuel, and retail marketing. This analysis should discuss possible future economic impacts, cost-effectiveness, technical feasibility, and consumer acceptability among other factors.

Report Needs to Show Improved Nexus in Environmental Policy and Economic impacts

The draft report envisions transforming California’s transportation system into one that is almost exclusively dominated by electric vehicles -- light duty, heavy duty and trains all running on electricity. WSPA believes that such a transformation can only happen if the process is orderly and in a manner that can be sustained by a robust, healthy economy – an economy that can sustain a working population that is growing and that can provide the state the economic wherewithal to sustain the investment that will be needed for such a transformation. We believe that the plan needs to make a more definitive link between the environmental policy, the economic policy and public health.

In our view, Economic Policy is Public Health Policy. We believe that secure, reliable, and affordable fuels are critical to a strong robust economy and thereby to better public health. Any planning should take these factors into account. We cite the following as examples:

- “Economic Policy is Health Policy – the more income and wealth people have, the more likely they are to live longer, while people with less income and wealth can expect to live comparatively shorter lives.” - Bay Area Regional Health Inequities Initiative – 2009
- “A good economy, a job, is the most important factor to good public health” – Department of Public Health at Climate Action Team – Public Health Workgroup meetings – 2011
- “It is well recognized that ensuring secure and reliable energy supplies at affordable, stable prices is vital to economic and social development and should constitute an integral part of a sound and consistent energy policy.” - World Energy Council – 2008
- “California’s economy depends upon affordable, reliable and environmentally sound supplies of electricity, natural gas, and transportation fuels.” - California Energy Commission – 2007
- “Transportation systems are essential for business, economic development, and the welfare of all California residents” - The Department of Public Health - 2010

Recommendation: WSPA recommends ARB revise the Vision Report to incorporate a discussion of future environmental policy and possible economic impacts. For example, an analysis could outline the competition between directed outcomes (i.e., policy outcomes) with those that result from open competition. Another analysis could look at efforts to reduce emissions in the transportation sector

with how that might affect small business and consumers as well as local and regional economies. Yet another analysis could identify the impact of a loss of critical jobs in specific transportation or fuel industries and impacts to the economy. Such an economic analysis is critical regardless especially in regards to future energy use involving electricity or alternative fuels.

Transformation to a Regional (or Statewide) EV economy will be Challenging

WSPA acknowledges that meeting the air quality standards and the climate change goals is a very tall order, requiring a large and concerted effort by all concerned. We are concerned that the Vision Report starts out talking about the need for “plans for the future, transformational technologies, cleaner energy, and greater efficiency are expected to provide the foundation for meeting air quality standards and climate goals” but then it quickly concludes that: “More broadly, a transition to zero and near-zero emission technologies is necessary to meet 2023 and 2032 air quality standards and 2050 climate goals.” Again, while it may be the desire, or perhaps necessary for ARB and some Air Districts to plan for transition to zero or near-zero emission technologies, such a transition locally will be a challenge. Doing so on a state-level, given the state’s travel and commerce industry, will be next to impossible in that timeframe.

This transition seems unlikely because the Vision Report clearly states in Figure 8 (page 15) that even with all current rules, regulations and mandated initiatives (Clean and Cleaner Cars, LCFS, Clean Diesel, Fleet rules and 33% renewable energy), such initiatives will not change emissions by 2050. The Vision Report then concludes that by 2040, California must be an electric based economy, supplemented by liquid fuels derived totally from renewable feed-stocks.

In other words, even with an EV economy as envisioned by the Report, in 2050 it will be necessary to have two systems, an EV infrastructure to support EVs and a petroleum liquid fuels infrastructure to support the traditional fuel based vehicles. The vision is short on how that happens and more importantly how that happens in a manner that provides these fuels in a secure, reliable, and affordable manner.

The Vision Report also fails to describe how a transition to EV from a fossil fuels based system would occur? How will in-district electricity be generated for the EV system? How and where do the renewable feed-stocks come from? How will the new renewable-fuels refineries be permitted, constructed and operated? It is unclear but critically important to understand how such a transformation can realistically occur in the next 10 to 15 years.

Even more problematic, the Vision Report includes a need for land-use changes that support EV mass-transit, shorter commutes and other changes that make the need for vehicles less important. But, as we all know, changes in land-use, job-housing relationships and employment demands are even more difficult to mandate and then implement.

Recommendation: The Plan should more clearly define the “roadmap” from documenting the current transportation system (i.e., fuels, fuel-use, vehicles, infrastructure, economics etc.) to the future in 2040. In other words, ARB should show more detail in how the agency anticipates this change and how these changes would affect key factors described above.

Provide for Market Competition, Innovation and Development

As noted above, it seems clear that plans and programs need to consider the uncertainties inherent in projecting outcomes five or ten years into the future, as well as possible economic benefits, relative risks of identified programs, and the chance for success. This is especially true when considering the speed at which economies can transform. As an example, the improvement and expansion in use and variety of personal electronic communication equipment (laptops, cell phones, and other personal digital equipment) is unprecedented in terms of rapidity of growth, use and breadth of acceptance. Yet, this “revolution” took place with no government mandates, no government plans or programs, nor was the developments conceived by the government. Rather, the market place and demand spurred these developments. The tele-commuting emission reduction benefits of this revolution are significant and growing. There is no recognition of these types of transformations in the Report.

Recommendation: The Vision Report needs to include an analysis that shows how vision planning in the future is consistent with market competition and would be spurred by voluntary incentives as opposed to mandated outcomes. We recommend that every scenario include a specific socioeconomic analysis that investigates the roles of voluntary actions through competitive markets vs. mandated outcomes. Note that ARB should expressly state that near-zero emission vehicles should not be equated with electrically-powered vehicles because improved emission-control technology could allow vehicles to be powered by a variety of forms of energy including those from fossil-fuels (including natural gas).

Scenario Building

We note that and support ARB’s recognition that scenario-building has limits. And we agree with ARB that any vision, however preliminary, is not “a prediction of the future, a list of SIP-ready control measures, [or], a policy choice that favors certain technologies and fuels over others.” In fact, the limitations noted by ARB bear emphasis - specifically, that plans and visions must not identify outcomes or “winners and losers” in the competitive market, and instead should identify concepts to consider.

WSPA believes that plans should indicate directions to explore rather than indicate or prescribe how the progress is achieved. Take for example the Vision Reports Appendices that involve scenarios looking at the future of transportation. It seems clear than any vision must take into consideration the current and future requirements in transportation, current and future challenges to the infrastructure and opportunities and needs associated with economic and population growth. Many of the Vision Report’s options and opportunities are dependent on consumer acceptance, therefore it is largely impossible to predict with certainty, and hence regulate, how that growth will occur or how the future will be achieved.

Recommendation: While it may be tempting for ARB, and local air districts, to map out the emission reductions that may be needed or the growth of zero emission vehicles (ZEV) or related vehicles, ARB should provide more definition on how those plans are to be effectuated. Then these plans should be evaluated by other agencies, stakeholders, and the affected public through a rigorous evaluation that

looks at all facets of the issues rather than simply limiting analysis to single-purpose issues of air quality. The vision outlined by ARB simply must be evaluated by all agencies at all levels of government and interested stakeholders in a formalized process so that all input can be fully and completely evaluated.

Provide for Non-Duplication of Regulation When the Vision is Implemented

We have highlighted that many of the vision's conclusions will require construction and operation of new infrastructure. Hence, we think it imperative that ARB and other state agencies coordinate their efforts so that we all can avoid duplicative GHG regulatory requirements. For example, ARB and CalEPA would need to work with USEPA to exempt AB32 covered entities in California from the Federal PSD GHG Regulation.

Further, facilities complying with AB32 requirements should not be subject to GHG review under CEQA. While we all can point out examples where regulatory oversight and review have resulted in unnecessary and duplicative reviews and requirements that contribute to uncertainty and inhibit long range planning efforts on the part of the industrial sector in California, the Vision Report needs to include such non-duplication elements to streamline actions necessary to meet the vision goals.

The "Vision" in the Appendices

We note that many of the same concerns that we have expressed also relate to the assumptions regarding cost and feasibility of implementation discussed in the Appendices. For example in the "Actions" appendix to the Vision Report, ARB clearly states that SIP development is underway in both the South Coast and San Joaquin Valley to accelerate the penetration of advanced mobile technology. While it is certainly appropriate to note SIP commitments that may affect the vision, it seems premature to suggest, or let the reader infer that strategies, measures, or approaches included in the appendix that may be considered to address GHG emissions, have the same regulatory impact as SIP commitments for criteria pollutants. Again, as we noted earlier, any strategy or approach relating to integration of GHG emissions with criteria pollutants should have an analysis of economic impacts, cost-effectiveness and technical feasibility.

We encourage an integrated view by incorporating the numerous recommendations we provided above. We look forward to a truly well-thought pathway that avoids adverse economic impacts and eliminates duplicative requirements. We see an opportunity for ARB, together with local and regional government, business, industry and the public, to outline a future that is based on realistic social, economic and market factors. It seems clear that a comprehensive and fact-based vision will be essential as we continue to face challenges in the coming years.

Sincerely,



Cc: Ms. Lynn Terry (lterry@arb.ca.gov)