Attachment C

JULY 13, 1999 LETTER FROM ARB EXECUTIVE OFFICER MICHAEL P. KENNY AND CTA EXECUTIVE VICE PRESIDENT JOEL D. ANDERSON TO U.S. EPA

Air Resources Board
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Chairman

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Secretary for Environmental Protection

Gray Davis
Governor

CALIFORNIA TRUCKING ASSOCIATION

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U.S. Environmental Protection Agency
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Room M-1500
401 M Street SW
Washington, DC 20460

Regarding Diesel Fuel ANPRM:

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This is to comment on the recently released "Diesel Fuel Quality: Advanced Notice of Proposed Rulemaking" (ANPRM). We support national changes to diesel fuel to directly reduce emissions from diesel powered vehicles and equipment and to facilitate the use of future control technologies.

We support reducing sulfur content in diesel fuel to a maximum of 30 ppm because of the significant emissions benefits that can be achieved in existing and future diesel vehicles and engines. First, lowering the sulfur content in diesel fuel would immediately reduce particulate emissions and associated toxic emissions from existing diesel-powered engines. Secondly, it would enable advanced control technology to be used to further reduce both particulate matter and oxides of nitrogen emissions from diesel engines and vehicles.

We recommend that a single specification be set for all motor vehicle diesel fuel (on-road and off-road) and that refiners be notified of a specific implementation date. This would simplify the enforcement of a regulation and increase its effectiveness. Enforcement should be phased-in to allow the distribution system sufficient time for turn over. In implementing California's Cleaner Burning Gasoline Regulations, enforcement began at the producer level. A 45 day period was given for Cleaner Burning Gasoline to be distributed through the pipeline before enforcement began at terminals. Another 45 day period was given to allow user's storage tanks to be turned over before enforcement began at the other locations. This could also be a reasonable timeline for a new diesel fuel to be distributed.

The concept of phasing-in a change in fuel specifications for different markets is likely to be more difficult to implement and enforce than if a single specification is required for all motor vehicle diesel fuel markets. Light duty diesel vehicles represent a small part of the diesel fuel consumed and refiners may be reluctant to make the necessary investment. The investment needed for a typical refiner to meet a 30 ppm sulfur limit would be the same whether it was for 30% of his production or 100%. But, the refiner is more likely to recoup his investment if all of his diesel fuel sales were to a low

sulfur diesel fuel market. In the event that a few refiners chose to make the needed investments in an attempt to increase his share of the light duty market, there are likely to be several distribution problems to address in supplying a fragmented market. Further, if significant price increases occur at light duty service stations, light duty vehicle users would be likely to fuel at truck stop locations. These uncertainties could reduce the likelihood that a low sulfur diesel fuel producer would recover his costs, and could defeat the benefits of any exhaust treatment device on the light duty vehicle.

Based on the experience in California, the average cost of reducing sulfur content in diesel fuel should only be a few cents per gallon. As you may know, the California diesel fuel regulations were implemented in 1993 and required low sulfur (500 ppm) and a low aromatic hydrocarbon content (10 volume percent). When implemented, the average cost of producing California grade diesel fuel was estimated to be about 6 cents per gallon; the actual costs have been lower. However, the actual price has varied with market conditions. The California diesel regulations allowed fuel producers to develop an alternative diesel formulation if they could demonstrate that their alternative diesel formulation would produce the same or lower emissions. Almost all refiners have taken advantage of this provision to lower their diesel fuel production costs. Many refiners have found it to be advantageous to produce California grade diesel fuel with sulfur levels below 100 ppm and some even produce diesel fuel with sulfur levels well below 30 ppm. The investments necessary for a typical U.S. refinery to only lower the diesel fuel sulfur content to 30 ppm would be expected to be less.

Finally, if other changes to diesel fuel or other motor vehicle fuels are being considered, it would be best to inform refiners of these potential future changes. This will allow refiners to design and plan process changes in a way to avoid or minimize future investments.

Thank you for the opportunity to provide comments on the diesel fuel ANPRM. If you have any questions or need additional information please contact us.

CALIFORNIA AIR RESOURCES BOARD

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