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# AB 32 Implementation Group

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Working Toward Greenhouse Gas Emission Reductions  
And Enhancing California's Competitiveness

May 8, 2007

Mr. Michael Robert  
California Air Resources Board  
Via email: mrobert@arb.ca.gov

RE: AB 32 Implementation Group Comments Regarding Discrete Early Actions

Dear Mr. Robert:

## **General Comments**

Thank you for the opportunity to submit written comments regarding the draft Discrete Early Actions proposed by your staff. As your agency identifies discrete early actions, we urge you to apply the following principles to that analysis:

- Are they cost-effective as required under AB 32;
- Do they use technologically feasible processes as required by AB 32;
- Are they based on sound science;
- Do they promote market-based solutions;
- Do they provide for regulatory certainty; and,
- Do they minimize compliance costs.

## **How Does CARB Define Cost-Effectiveness?**

The staff report presumed the proposed discrete early action met the cost-effectiveness and technological feasibility standards required under AB 32. In addition, CARB staff indicated at the April 23, 2007 hearing that some regulations had not been placed on the list of discrete early actions because they would not be cost-effective.

However, staff did not provide any guidance on their definition of cost-effectiveness nor was any information provided on the methodology or legal basis for such a definition. We hope that such information will be forthcoming in a reasonable period of time before the Board acts on the discrete early action items so that stakeholders and the public can fully understand the basis for the staff recommendations and any Board action adopting discrete early action items.

## **Low Carbon Fuel Standard**

The Air Resources Board in proposing a Low Carbon Fuel Standard (LCFS) for transportation fuels is embarked on the most far-reaching change to California transportation fuels ever contemplated, beyond even the changes made to produce California's unique cleaner burning gasoline.

In the process of reducing greenhouse gas emissions under AB 32, we need to ensure that we do not inadvertently disrupt or limit the critical supplies of transportation fuels that keep our economy growing and citizens moving.

Governor Schwarzenegger ordered ARB, the Energy Commission and the University of California to conduct the initial studies for the LCFS. The following questions should be answered before final decisions are made:

Are milestones being put in place to ensure that the Energy Commission is closely monitoring the petroleum industry's ability to meet the LCFS and provide reliable supplies of transportation fuels? (Major changes in fuel regulations require lengthy times for design and engineering, permitting and construction. Recall, that when MTBE was phased out, the Energy Commission closely monitored the process and found that due to delays in local permit processes, some companies would not be able to meet the MTBE phaseout deadline. This information allowed the Governor to avoid potential fuel supply problems by extending the deadline.)

In light of the existing infrastructure challenge, what additional fuels infrastructure (marine terminals, pipelines, storage tanks, etc.) will be needed to meet expected demand for in-state produced and imported transportation fuels under the LCFS? The Energy Commission has reported that the state will increasingly rely on imports of crude oil and fuels. It's estimated by the Commission that somewhere between 3 billion and 6 billion gallons of gasoline alone will need to be imported to California in 2025 to meet current demand. The Commission is rightly concerned that there be adequate marine terminals, storage tanks and pipelines for these products.

How will the LCFS meet other requirements of AB 32? For example, what research is underway to determine the cost-effectiveness of the low carbon fuel standard as required by AB 32? Does the timeline for completion of LCFS studies meet the timeline for the AB 32 decision-making process? What impact would the LCFS have on California fuel supplies? Are technology reviews being planned to assure that advancements in science & technology commercialization are suitable to meet the standards envisioned as required under AB 32?

### **Ban on Automotive Refrigerants**

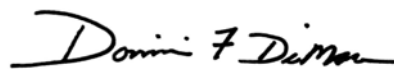
We also have concerns about the proposed ban on the retail sale of automotive refrigerants. Staff has not demonstrated that this discrete early action will be cost-effective. It is likely that the proposed ban would have only a negligible greenhouse gas emission impact at a very high price. Also, Staff should explore whether requiring smog inspections to include a refrigerant tightness test would be a more cost-effective alternatives.

Thank you again for the opportunity to comment on the draft discrete early action proposals.

Sincerely,



Dorothy Rothrock  
Vice-President  
California Manufacturers &  
Technology Association



Dominic DiMare  
Vice-President  
California Chamber of Commerce