January 20, 2012
10-11:30 a.m.

1. Welcome and Self-Introductions


   Special Guests:
   - Frank Harris, Manager of Corporate Environmental Policy, Southern California Edison
   - Cathy Reheis-Boyd, President, Western States Petroleum Association

3. Discussion Item

   • Update on AQMD’s 2012 Air Quality Management Plan

4. Action Item

   • Approval of 2012 Energy, Water & Environmental Sustainability advocacy agenda

Upcoming Events:

• Land Use, Housing and Construction Council- Weds, January 25th, 12-1:30 pm
  Change on the Horizon: Is Development Reform Possible in 2012?
• Access Washington DC: Los Angeles on the Hill- March 5th-7th
• Access Sacramento- May 22nd-23rd

Next Meeting:
Friday, April 20, 10-11:30 am

*not Board member
Frank Harris is the Manager of Corporate Environmental Policy at Southern California Edison. In this capacity, he manages SCE’s greenhouse gas policy activities and represents SCE before the California Air Resources Board, the California Public Utilities Commission and the California Energy Commission. Additionally, he is responsible for evaluating environmental and energy legislation and regulation, providing policy recommendations to SCE management and coordinating and communicating SCE policy recommendations to external stakeholders.

Dr. Harris holds B.A. degrees in Economics and Finance from the University of Texas at Dallas and a Ph.D. in Economics from the University of California at Irvine where he specialized in Energy Policy and Public Choice. Dr. Harris’ main research interests include environmental policy and energy economics. His most recent publication “California Dreaming: The Economics, Politics, and Mechanics of Meeting California’s Carbon Mandate” was included in Generating Electricity in a Carbon Constrained World.
Catherine Reheis-Boyd
President
Western States Petroleum Association

Catherine Reheis-Boyd is the President for the Western States Petroleum Association (WSPA). Prior to joining WSPA, Reheis-Boyd was employed with Texaco, Inc.’s Bakersfield Division for seven years as an Environmental Regulatory Compliance Coordinator. She worked for three years prior to that as an environmental consultant.

Reheis-Boyd was appointed by the Governor as a California petroleum industry representative on the Interstate Oil and Gas Compact Commission and is a member of the California Chamber of Commerce Natural Resources and Policy Committee. She has chaired the Bakersfield Chamber of Commerce Air Quality Committee, and was past president of the Sacramento chapter of the Air & Waste Management Association. She has also served as past president of the Kern County Chapter of the American Lung Association, and is a past recipient of the Bureau of Land Management’s State Director’s Oil and Gas Award for Special Achievement. She is a graduate of the Bakersfield and California Leadership Programs.
Environmental Sustainability Council  
2012 Policy Agenda

The Environmental Sustainability Council focuses on actions to spur clean and green tech innovations, ensure cost-effective water and power delivery, and promote economic growth through sustainable, pro-jobs energy and environmental policies.

Strengthen Los Angeles’ position as a clean & green technology hub
California leads the nation in clean and green innovation and the development of sustainable business practices that will be an economic engine for next decade. The Chamber advocates for economic strategies to make the Los Angeles region a hub for innovative industry growth. This includes pursuing smart incentives, reducing government red tape, and working with organizations such as the LA CleanTech Incubator to increase collaboration among the private, public and academic sectors.

Responsible implementation of environmental regulations
The Chamber supports the state and region’s environmental improvement goals, but will advocate for a balance between regulatory implementation and economic growth and job creation. Working with the California Air Resources Board, the South Coast Air Quality Management District and the U.S. Environmental Protection Agency, the Chamber will seek market-oriented and cost-effective strategies that allocate emissions reduction and other environmental responsibilities fairly and do not damage the region’s competitiveness or unduly burden California businesses and families during a time of recovery. As the AQMD works on their 2012 Air Quality Management Plan, the Chamber will work to make sure stakeholders have a voice in the process, weighing in on the feasibility and impacts of guidelines and rulemaking.

Promote reliable, affordable and diverse energy supplies
The Chamber recognizes that Southern California businesses must have affordable and reliable energy supplies-- electricity, gas and motor vehicle fuels-- for the economy to remain productive and competitive. The Chamber supports fuel-neutral strategies, investments in infrastructure and the development of new technology that can improve energy delivery, promote energy-efficiency, lower energy costs or otherwise expand the region’s energy profile.

Improve California’s Environmental Quality Act
The California Environmental Quality Act (CEQA) must be modernized to preserve the law’s original intent while preventing abuse for purposes unrelated to environmental protection. The Chamber supports substantive improvements including frontloading CEQA, streamlining the approval and challenge processes, and reducing the risk of lawsuits that delay development, jobs and economic recovery.

Ensure a reliable and safe drinking water supply for Southern California
A single flood event or earthquake along the Sacramento-San Joaquin Delta could cause a $40 billion catastrophe and cut off the water supply to millions of people. The Chamber will continue to support key objectives including Delta levee repair, investment in local groundwater storage, and innovation in conservation and reclamation. Working with state agencies, local utilities and the Metropolitan Water District, the Chamber will seek to ensure the availability, processing and distribution of water supplies for the region.
Petroleum is a fuel of the future

Future U.S. Energy Demand
The U.S. will require 21 percent more energy in 2035 than in 2009.

*Excludes non-biogenic municipal waste and net electricity imports. Source: EIA, AEO 2011, Table 1.

Source: U.S. Energy Information Administration
Carbon intensity of ethanol blended into gasoline required to meet LCFS gasoline targets*

* Assumes no change to current 10% ethanol blend wall and no wide scale use of E85

Sources: CARB Tool for Calculation for Required Ethanol CI to Comply with Gasoline Standard, May 2011; Method 2A/2B Applications and Internal Priority Pathways (as of June 24, 2011); May 25, 2011 Clean Final Regulation Order Part 1 and 2 Combined; Detailed California Modified GREET Pathway for Cellulosic Ethanol from Farmed Trees by Fermentation, February 27, 2009
Canada has vast energy reserves

Comparative Oil Reserves (billions of barrels)

Source: Oil & Gas Journal, 2007
AB 32, Cap and Trade

Sector compliance obligations as a percent of sector emissions under existing cap and trade regulation

Source: WSPA calculations based on CARB regulatory packages, CARB emissions data

January 2012
Clean Fuels Outlet

- Proposed regulations require oil companies to build, maintain and supply hydrogen fueling stations at service stations they do not own or operate.

- Initial cost for fuel providers: $1.25 billion

Source: California Air Resources Board, Clean Fuels Outlet regulation; Clean Fuels Outlet Workshop III, July 13, 2011
Petroleum’s economic contribution to California

- 332,968 jobs (direct and indirect)
- $17 billion in labor income
- $22 billion in supplemental and proprietor income
- $9.2 billion in taxes and fees to federal, state and local governments*

* Excludes property tax revenues

Source: Purvin & Gertz, Assessment of Petroleum Industry Economic Impact to the State of California, June 2011, based on 2009 data
U.S. Court Finds California Low Carbon Fuel Standard Unconstitutional

The U.S. District Court in Fresno has ruled California’s Low Carbon Fuel Standard regulation is unconstitutional and cannot be enforced. The decision by District Judge Lawrence J. O’Neill effectively blocks the California Air Resources Board (CARB) from enforcing the LCFS regulation that was adopted in 2009.

Judge O’Neill, in response to lawsuits filed by the National Petrochemical and Refiners Association, a group of ethanol producers and others, ruled the California LCFS violated the U.S. Constitution’s Commerce Clause because it:

- Discriminated against crude oil produced outside the state;
- Discriminated against ethanol produced outside the state;
- Impermissibly attempted to regulate commerce outside of the state’s borders.

As a result, the Court immediately enjoined or blocked further enforcement of the LCFS.

Background

The LCFS was first introduced by Governor Schwarzenegger as an executive order in 2007, shortly after the adoption of AB 32 – the Global Warming Solutions Act. AB 32 attempts to regulate greenhouse gas emissions from stationary sources by requiring reductions of GHG emissions to 1990 levels by 2020.

The LCFS was an attempt to regulate GHG emissions from mobile sources by requiring a 10 percent reduction in the carbon intensity of gasoline and diesel sold in California by 2020. CARB adopted the regulation in 2009, along with several subsequent amendments, that include complex formulas for assigning carbon intensity values to crude oils, ethanol and other transportation fuels based on where and how those products are produced, distributed and consumed. It is these regulations the Court said violated the Constitution’s Commerce Clause.

WSPA Position

WSPA has worked extensively over the past three years with CARB and other stakeholders to develop a more workable and feasible LCFS. However, the process of developing specific implementation fixes for the regulations has revealed major questions about the feasibility and potential costs associated with a LCFS.

WSPA and others have strongly opposed any effort to differentiate crude oil under the LCFS and have questioned whether sufficient volumes of low-carbon biofuels will be available to meet LCFS targets. Judge O’Neill’s decision now draws into question whether there is any merit – legal or otherwise - in continuing to pursue a LCFS as a greenhouse gas emission strategy.

In December, WSPA asked Governor Brown to develop and analyze alternative approaches to reducing GHG emissions from transportation fuels that could provide a better approach than the LCFS.

In light of the recent court decision, WSPA believes the consideration of alternatives to an LCFS to reduce GHG emissions from the transportation sector is both timely and appropriate.
December 2, 2011

Edmund G. Brown, Governor
State of California
California State Capitol
Sacramento CA 95814

Re: California Air Resources Board - Low Carbon Fuel Standard (LCFS)

Dear Governor Brown:

The Western States Petroleum Association (WSPA) and its members, who collectively produce the majority of transportation fuels used in California, strongly believe your immediate attention to the California Air Resources Board’s implementation of the Low Carbon Fuel Standard (LCFS) is necessary.

As you know, the ARB adopted the LCFS as a “discrete early action” in 2009 in response to Governor Arnold Schwarzenegger’s Executive Order. Governor Schwarzenegger’s intention was to establish a “first-of-its-kind” policy to reduce the greenhouse gas impact from California’s use of transportation fuels and diversify the state’s transportation fuels supplies. The LCFS as adopted by the ARB, establishes a requirement that refiners, blenders, producers and importers of transportation fuels reduce the carbon intensity of transportation fuels by at least 10 percent by 2020.

The expectation then was that the LCFS would: 1) displace 20 percent of on-road gasoline consumption with low-carbon fuels, reducing consumption by up to 3.2 billion gallons of gasoline per year, 2) expand the size of the current renewable fuels market in California by 3 to 5 times, with more than half of the ethanol expected come from cellulosic feed stocks such as agricultural waste and switch grass, 3) grow California’s clean energy industry, 4) help discourage “unclean” energy development, 5) reduce California’s dependence on imported oil, and 6) reduce risk to the state’s economy.

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1 Executive Order S-01-07
3 Crane, Prusneck White Paper
Today, one year into the implementation of this first-of-its-kind fuels policy, the ARB’s rule design coupled with the realities of the alternatives fuels markets have led us to conclude that this policy will likely become infeasible and unworkable well before the 2020 compliance date. We have arrived at this conclusion based on outstanding issues related to an overly complex design, questions about adequate volumes of low carbon biofuels and potential high costs of designated low carbon intensity fuels or credits. These industry concerns and questions of volume availability and costs of low carbon fuels have also been expressed by the California Energy Commission (CEC). The CEC shared these concerns and their analysis of possible LCFS compliance scenarios recently in the context of developing the Commission’s Integrated Energy Policy Report (IEPR).

The CEC noted the LCFS as proposed by the ARB assumes significant expansion of the advanced biofuels and cellulosic ethanol markets and also assumes that 50 percent of the US supply of these fuels will be available for LCFS compliance in California. The CEC’s analysis also indicates that LCFS program costs may reach as much as $5 billion in 2020 and increase to $9 billion by 2024/2025. Given these concerns, we believe that it is necessary and timely for your Administration to consider whether this policy and its implementation schedule is the right fuels policy for California.

As you review this policy and the ARB moves forward with its planned implementation, we encourage you to consider the following recommendations as minimal safeguards:

- Creation of a crude oil treatment process that does not promote crude shuffling worldwide, and that treats all crude oils the same,
- Conduct annual reviews and analysis of LCFS program feasibility and costs in order to make needed adjustments,
- Develop appropriate triggers to alert of market concerns so the program can either be halted or altered
- Develop and analyze alternative approaches to reducing GHG emissions from transportation fuels that may be a better approach than the current policy.

Since 2007, WSPA has engaged constructively in the effort by the ARB to implement a workable LCFS and we will continue to do so in the future. At this point, however, we believe that your leadership and your attention to this fuels policy for California are critically important. WSPA and its members would greatly appreciate the opportunity to meet with you and your staff to discuss our concerns and the above recommendations in greater detail.

Sincerely,

4 California Energy Commission . . .

1415 L Street, Suite 600, Sacramento, California 95814
(916) 498-7752 • Fax: (916) 444-5745 • Cell: (916) 835-0450
cathy@wspa.org • www.wspa.org
cc: President pro Tempore Darrell Steinberg
    Senate Republican Leader Bob Dutton
    Speaker John Perez
    Assembly Republican Leader Connie Conway
    Nancy McFadden, Executive Secretary, Office of the Governor
    Cliff Rechshaffen, Senior Advisor, Office of the Governor
    Matt Rodriguez, Secretary, California Environmental Protection Agency
    Anthony Eggert, Deputy Secretary for Energy Policy, California Environmental Protection Agency
    Mary Nichols, Chairwoman, California Air Resources Board
    James Goldstene, Executive Officer, California Air Resources Board
    CARB Board members
    Commissioners, CEC
Join more than 200 delegates as we travel to the nation’s capital to secure investment in the Los Angeles area.

2012 Trip Schedule

**Monday, March 5**
- 7-9 p.m. Welcome Reception *(Willard Hotel)*

**Tuesday, March 6**
- 8-9:30 a.m. Delegation Breakfast featuring Keynote Speaker *(Willard Hotel)*
- All Day Meetings - Administration/Agency and Capitol Hill meetings
- 5-7 p.m. Delegation Reception *(Microsoft Innovation Center)*

**Wednesday, March 7**
- 8-9:30 a.m. Delegation Breakfast featuring Keynote Speakers *(Willard Hotel)*
- All Day Meetings - Administration/Agency and Capitol Hill meetings
- 7-9 p.m. Closing Night Dinner

Delegates in this year’s trip will participate in large group briefings and events, and will break into smaller teams for Capitol Hill meetings. Participants can choose one of six advocacy tracks:

- Economy & Infrastructure
- Energy & Environmental Sustainability
- Education & Workforce Development
- Health Care
- Homelessness
- Water

Early bird registration is $750 per person until Feb. 3. After that date, registration increases to $825 per person. This fee includes all of the trip’s scheduled events, as well as the costs associated with meeting planning and delegate materials.

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**Partners**

Los Angeles Area Chamber of Commerce • City of Los Angeles • Central City Association • Los Angeles Business Council • Los Angeles County Business Federation • Los Angeles Unified School District • Metro • Metropolitan Water District • MoveLA • Redondo Beach Chamber of Commerce • South Bay Association of Chambers of Commerce • United Way of Greater Los Angeles • Valley Industry & Commerce Association

As of 1/03/12