



From: Marc Ventura
Fuel Issues Advisor
Phillips 66
1380 San Pablo Avenue
Rodeo, California 94572
Email: marc.v.ventura@p66.com
Phone: 510-245-4405

To: Anil Prabhu, Ph. D.
Manager, Fuels Evaluation Section
Transportation Fuels Branch
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

December 23, 2021

Re: Phillips 66 Company
LCFS Tier 2 Pathway
Application No. B0241

Dear Mr. Prabhu,

Phillips 66 Company ("Phillips 66") provides this letter in response to the joint comment letter submitted by Communities for a Better Environment and the Natural Resources Defense Council (collectively referred to in this letter as "Commenters"), dated December 17, 2021. The joint comment letter makes several assertions that lack factual support, each of which are discussed in greater detail below, and requests that the California Air Resources Board ("CARB") delay further action on Application No. B0241. For the reasons described in this letter, Phillips 66 believes that such delay by CARB would be improper. Further, it should not go without notice that Commenters have attacked Phillips 66's efforts and plans to transition its Northern California refinery away from petroleum-based refining and into a renewable fuels manufacturing complex at every turn, with their December 17 comment letter regarding Application No. B0241 being the most-recent attempt.

BACKGROUND INFORMATION

Phillips 66 owns and operates a petroleum refinery in Rodeo, California. Phillips 66 submitted LCFS Tier 2 Pathway application B0241 on September 9, 2021, following the detailed, required regulatory process. An initial step was the facility registration that required independent third-party engineering review and verification based upon a site visit. The application was deemed complete on September 30, 2021. The pathway application was validated by a CARB-approved, third-party verifier based on a site visit and data review. The validation report produced from this process was reviewed by CARB prior to the agency posting the application for public comment, which is the last step in the process prior to approval.

The refinery has a hydroprocessing unit known as "Unit 250". On April 6, 2021, Phillips 66 began processing renewable feedstocks in Unit 250. Since that time, the refinery's Unit 250 has produced more than 69 million gallons of diesel fuel from treated renewable feedstocks (mostly soybean oil and some canola oil). Based on a provisional carbon intensity of about 55 gCO₂e/MJ, this represents a reduction in lifecycle CO₂ emissions of approximately 700,000 MT (on an annualized basis), which is analogous to removing 115,000 light duty vehicles from California's roads (these calculations were produced on an emissions-equivalent basis assuming an average fuel economy of 25 miles per gallon).

COMMENTERS' ALLEGATIONS

First, Commenters allege that Unit 250 "appears" to operate without a permit from the Bay Area Air Quality Management District ("BAAQMD"). This allegation is not true. Phillips 66 operates Unit 250, which is permitted as Source 460 and Source 461 under the facility Permit to Operate issued by BAAQMD. Phillips 66 undertook a comprehensive permitting applicability review and determined that while the Unit 250 air permit did not require modification to process renewable feedstocks, several Contra Costa County building permits were required and we submitted applications for those permits to the Conservation and Development Department of Contra Costa County. As part of that process the County evaluated the scope of the project and specific construction activities and determined that the project was ministerial and issued the building permits after completing its regulatory and engineering review.

Phillips 66 previously had and still has the current capability to process either renewable feedstocks or petroleum-based feedstocks in Unit 250. The feedstock to be processed at any given time will be dictated by market, transportation, logistics, economic, supply, refinery, and other considerations.

Commenters complained to BAAQMD via letter dated July 30, 2021 that an air permit "appears" to have been required for Phillips 66 to process renewable feedstocks in Unit 250 (although not

stated, Phillips 66 interprets this to mean that Commenters believe a modification to the existing permit or some type of new permit authority was required). BAAQMD, via letter dated August 31, 2021, requested information from Phillips 66 regarding Unit 250 and the processing of renewable feedstocks, presumably in response to Commenters' July 30 letter. Phillips 66 provided the requested information on September 30, explaining that the Unit 250 permit allows renewable feedstocks, such as a wide range of vegetable oils, to be processed at Unit 250, just as it allows and has always allowed a wide range of non-vegetable oils to be used as feedstocks for the unit.

Second, Commenters allege that the manufacturing of treated renewable feedstocks in the refinery's Unit 250, which began in April 2021, is part of Phillips 66's Rodeo Renewed Project. This allegation is not true either. The Rodeo Renewed Project is slated to commence operations in 2024. Somewhat incredulously, Commenters claim that processing renewable feedstocks in Unit 250 earlier this year is "functionally part of the [Rodeo Renewed] Project," the latter of which is not scheduled for operation until three years from now. Commenters allege that Unit 250's current operations are "integrated with and functionally interdependent with the proposed [Rodeo Renewed] Project operation," which, if Commenters have their way, would never progress through the CEQA process or receive the permits needed from Contra Costa County and others. Quite simply, the past or current processing of renewable feedstocks in Unit 250 has nothing to do with the future Rodeo Renewed Project, which involves different units and equipment at the refinery. Contra Costa County, which is the Lead Agency for the Rodeo Renewed Environmental Impact Report, properly concluded the same.

Lastly, Commenters take CARB on a strange detour south in claiming that a Port of Los Angeles Project involving renewal of a marine terminal lease and an associated dock upgrade to comply with California's MOTEMs requirements somehow requires CARB to refrain from certifying an LCFS pathway. The lease involved in that project has been the subject of negotiation for more than 20 years, which predates even the most prescient among us who believed that a renewable fuels market would develop at California refineries in the 2020's. And MOTEMs is a California regulatory program, the application of which to a dock in the Port of Los Angeles and that has been underway in design status for several years has nothing to do with the conversion of the Rodeo Refinery to a renewable feedstock manufacturing complex. Phillips 66 is not certain of where Commenters wish to lead CARB with this argument such that we can comment upon it further, other than perhaps to speculate about Commenters' desire to raise even the most arcane arguments in the hopes that "something sticks" and derails the transition away from petroleum-based feedstocks at the Rodeo Refinery.

COMMENTER'S REQUEST OF CARB

Commenters request that CARB delay action on Application No. B0241 until after the CEQA processes for two unrelated projects are complete (or, alternatively, until an undefined

"investigation" by BAAQMD is complete). There is no basis for CARB to honor Commenter's request for such delay. In fact, Commenters' only attempt to identify authority for CARB to do so is section 95495(a) of the LCFS regulation. The list of infractions for which the regulation provides CARB discretion to suspend or invalidate credits involves fraudulent and other types of malfeasance incurred with the generation of credits (such as submission of incorrect information used to generate or support the Certified Carbon Intensity, changes to process information following submission, material omission of information, incorrect fuel transaction data, and failure to provide required records). *See generally* 17 Cal. Code Reg. §§ 95495(b)(1)(A)-(H).

Even if the exchange of information between BAAQMD and Phillips 66 regarding Unit 250 leads to or otherwise gives rise to further discussions regarding the scope of Unit 250's permit, which to our knowledge it has not, such action does not give rise to an exercise of CARB discretion under section 94595(a). That section provides CARB with authority to "suspend, restrict, modify or revoke an LRT-CBTS account; modify or delete a Certified CI; restrict, suspend, or invalidate credits; or recalculate the deficits in an LRT-CBTS account." It does not provide discretion to delay approval of a Tier 2 pathway application that has been properly submitted and meets every requirement for approval.

PHILLIPS 66 REQUEST

Phillips 66 requests that CARB approve Application No. B0241 without further delay. Please let us know if you need any further information from Phillips 66.

Sincerely,

Marc Ventura