



CONFIDENTIAL, NOT TO BE DISTRIBUTED OR PROVIDED TO A PUBLIC DOMAIN

June 21, 2024

California Air Resources Board
P.O. Box 2815, Sacramento, California 95812

RE: Amendments to the Cap-and-Trade Regulations

As one of California's largest propane wholesale companies, we feel that the existing Cap and Trade process, as it pertains to imports of propane into the state has a couple flaws and agree it should be modified/improved. Our propane supply is made up of in-state purchases from refineries and natural gas plant production, as well as imports from other out of state jurisdictions via truck and railcars. We have the largest network of propane import/storage terminals in the state, so feel we are a meaningful participant in the cap-and-trade program.

We believe the lack of clarity around definition of importer, and the minimum reporting volume thresholds have created 'loopholes' for parties selling propane in the state of California, which creates an un-fair advantage for those using those loopholes (not for the intended purposes), and it also reduces the cap-and-trade revenue that should be realized by CARB.

Our recommendation/suggestion is that the reporting importer should be defined as the owner/lessee of the receiving facility for the imported propane (by either truck or railcar). This will reduce the confusion that exists with the current definition of importer and ensures that the party receiving the imported product is the one who is required to report. Using the owner of the imported product as the criteria for reporting may still create confusion, as the owner of the product being imported would need to be defined by each purchase/sale agreement and can vary with each arrangement, making it onerous to verify. Using the owner/lessee of the receiving facility concept to define the importer dramatically reduces the number of parties required to report and removes the need to verify each purchase/sale contract to determine who is declared the importer. KivaUnited Energy, being an owner/lessee of several receiving facilities in the state would be responsible for increased reporting in this proposed methodology, but we believe it is the clearest and most easily verifiable method.

Also, we believe there should be no minimum volume reporting threshold. Any party who is defined as importing propane into the state should be required to report their volumes and have the required Cap and Trade responsibility. We feel any minimum volume threshold creates incentives for companies to come up with ways to circumvent the reporting obligation and avoid the appropriate cap and trade obligation, for their own benefit. There should be a rule that allows any importing entity (as defined above) to deduct 2% of their total imports to allow for the typical volume losses that are associated with unloading and measurement inaccuracies, but we believe it's best to capture all the gross imported volume into the state as part of the reporting requirements.

We know there are concerns about how these changes will impact the small propane retail customers, who might import their own supply and create an unfair burden. We believe these situations are few, as most small retail companies buy their supply in-state, so won't be affected. Any who do feel it creates an unreasonable burden can work out an arrangement to buy their supply in-state from the various facility owners/producers.



We also believe that biogenic feedstock sourced (non-fossil) propane (renewable propane) sold within California should be exempt from the Cap-and-Trade requirements to support and promote the adoption of carbon friendly renewable fuels by the industry. This exemption should apply to all propane used in the state, as a large portion goes to non-transportation applications, such as agricultural and commercial uses, as well as residential heating/hot water usage.

Please let us know if you'd like any further information or clarity, or to discuss this further. We are happy to have a conversation to insure the best outcome for both our industry, the State, and the Cap-and-Trade program.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Vammen".

Shawn Vammen,
Senior Vice President

svammen@superiorgasliquids.com Ph (403) 796-4561