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Washington CFP Regulation CR-102 Comments
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August 31, 2022

Ms. Rachel Assink
Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Submitted Electronically via On-Line Public Comment Form

RE: Washington Clean Fuel Program (CFP) - Comments on Proposed Rule (CR-102)

Dear Mrs. Assink,

Phillips 66 Company (Phillips 66) appreciates the opportunity to comment on the proposed Clean Fuels Program (CFP) regulation under development by Washington Department of Ecology (Ecology) on July 18, 2022, Chapter 173-424 WAC.

In Washington, Phillips 66 operates a fuels refinery in Ferndale, a fuel terminal in Renton, a fuel terminal in Tacoma, and the Yellowstone pipeline that supplies fuels into Eastern Washington. Phillips 66 is a major fuel supplier in the state and markets products under the 76® brand. The CFP regulation will directly impact Phillips 66 operations, as Phillips 66 has learned from the California Low Carbon Fuel Standard (LCFS) regulation and the Oregon Clean Fuel Program.

Phillips 66 is a member of the Western Petroleum States Association (WSPA) and supports the comments submitted by WSPA. This comment letter focuses on a limited set of issues, but we ask that Ecology addresses all of WSPA's comments.

#1. Carbon Intensity (CI) Standards

In WAC 173-424-900, Tables 1 and 2, the proposed CI standards increase from a 10% reduction to a 20% reduction in a single year (from 2033 to 2034). This drastic change in the CI standard over a single year, which was not present in either the California LCFS or the Oregon CFP, will jeopardize viability of the Washington CFP by creating a huge decline from the CFP credit bank. To help ensure program success, Phillips 66 recommends that the CI standards be increased gradually throughout the duration of the program, and at rate of no more than 2% per year incremental CI reduction.

#2. Refinery Investment Credit Program

House Bill 1091 of 2021 allows Ecology to adopt rules that are “project-based refinery greenhouse gas mitigation including, but not limited to, process improvements, renewable hydrogen use, and carbon capture and sequestration.” Phillips 66 asks that Ecology include a Refinery Investment Credit Program (RICP) provision in this rulemaking. The RICP will incentivize projects that reduce greenhouse gas emissions, such as energy efficiency projects, electrification of machinery that substitutes high carbon intensity energy with grid electricity and process improvement projects.



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#3. Renewable Hydrogen Refinery Credit Program

Phillips 66 urges Ecology to incorporate a provision in the CFP providing credits for refineries that produce hydrogen from all renewable sources including renewable fuel gas, such as renewable ethane, renewable propane, renewable butanes, renewable pentanes, or a mixture thereof. The production of renewable hydrogen by steam reforming should not be limited to only biomethane or renewable natural gas (RNG) components. For instance, the production of renewable diesel from fats and oils will result in the production of renewable propane. This renewable propane, if fed to a hydrogen plant, should be a qualified component for the production of renewable hydrogen.

#4. Fuel Pathway Processing

Ecology should prioritize review and certification of fuel pathway applications in a timely manner to ensure that the CFP remains feasible and successful at the start of the program in 2023 and that all pathways are available to obligated entities for effective compliance. A fuel pathway review and approval deadline for Ecology staff should be incorporated into the regulation and not exceed 30 days. Furthermore, Ecology should accept Tier 2 pathway applications as early as January 1, 2023, rather than from July 1, 2025. Ecology staffing level needs to be adequate to handle the pathway application workload effectively and within the deadlines.

#5. Project Permitting

Phillips 66 requests the support from Ecology to expedite permit applications with local jurisdictions for projects that reduce or enable greenhouse gas reduction. Such permits may include land use, construction, air and operating permits, as permitting delays would compromise the integrity of the CFP and work against the goal of the program.

Phillips 66 appreciates the opportunity to work with Ecology staff. Please reach out by email or phone if you need any clarification or if you would like to discuss in more details.

Sincerely,

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