WORLD OIL.

World Oil Refining
9302 Garfield Ave., South Gate, CA 90280

VIA CARB ONLINE PORTAL
March 9, 2026

Clerk's Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation

Lunday-Thagard Company, DBA World Oil Refining (WOR) is a small, privately owned petroleum refinery that has been in operation since 1938. WOR processes approximately 10,000 barrels per day of crude oil into a mix of products ranging from lighter unfinished oils such as Naphtha and Light Distillate Oil (LDO) and Light Vacuum Gas Oil (LVGO), to heavier cuts of vacuum residuum that are blended with re-refined engine oil bottoms (also called "asphalt flux") for sale in the paving and roofing material markets. While WOR is technically classified as a petroleum refinery (NAICS 324110) because it refines crude oil into products for sale, WOR's operations are unlike most refineries in that it is not capable of producing any finished liquid hydrocarbon fuels.

WOR produces a large share of the liquid asphalt used in Southern California and indeed the entire state. If WOR were not in operation, demand for asphalt in Southern California would need to be met by importing it into the state from other regions. This transport would result in greater government expenditures for road repair and expansion, leading to fewer projects or higher taxes. By providing locally processed asphalt, WOR's refinery reduces asphalt shipping distances and contributes to California's commitment to curb greenhouse gas emissions.

This letter is being submitted because WOR will be directly affected by the recently proposed regulations titled *Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms*. WOR understands that the intent of the proposed amendments is to reduce GHG emissions gradually, over time. However, as currently drafted, the amendments will disproportionately have a negative impact on WOR beyond, we believe, CARB's intent. In fact, WOR is projecting a decrease in allocations of more than 60 percent year-over-year from 2030 to 2031.

WOR met with California Air Resource Board (CARB) staff on March 4, 2026, to discuss how its refinery will be impacted by the proposed rule changes. Following that meeting, CARB recommended that WOR submit this letter as it is important for this information to be entered into the public rulemaking record. WOR requests that CARB reevaluate the allocation methodology for Petroleum Refineries so that the reduction in allocations that will occur in 2031 will be tempered to a more manageable amount.

When the proposed new definition of "Asphalt Production" is combined with the new efficiency benchmark from Table 9-1 of the proposed regulations, WOR will become significantly penalized beginning in reporting year 2031 because, unlike many other refineries, it will not receive any allocations for producing liquid hydrocarbon fuels. This is because, as stated previously, WOR is incapable of producing liquid hydrocarbon fuels. WOR requests that the proposed new definition of "asphalt production" be revised to include unfinished oils as follows:

> *"Asphalt Production" means, for the purposes of non-Complexity weighted barrel product data reporting, the processing required to produce asphalt, ~~and~~ road oils, and unfinished oils through distillation of petroleum or through re-distillation, cracking, or reforming of unfinished petroleum derivatives. The modification of asphalt produced from offsite petroleum refining, such as by blending or asphalt blowing, is not considered asphalt production.*

WOR has projected future allocations assuming that the Asphalt Production definition is modified to include the unfinished oils that it produces (i.e., naphtha, LDO, LVGO). All WORs products would receive 0.0185 allocations per barrel. The projected reductions in allocations over time would be more manageable for a facility of WOR's size and prevent the economic shock that would be caused by the >60% reduction anticipated to occur in 2031.

During WOR's discussion with staff on March 4, staff suggested that WOR evaluate the proposed rule's new Decarbonization Incentive Allocations to evaluate if WOR might be able to utilize them in upcoming years. Unfortunately, all Petroleum Refineries (NAICS 324110), regardless of size and functionality, are ineligible for these incentives. Even if eligible, WOR would have difficulty taking advantage of the incentives because there are limited opportunities to improve operating efficiencies or to decarbonize operations, and limited capital available. Because WOR's primary products are materials used by construction industries, WOR operates with low product margins; prices for construction materials are highly influenced by infrastructure project and housing construction project demands. In addition, lower cost asphalts can be imported into the State of California via truck and rail. WOR must therefore carefully evaluate capital projects and expenditures to ensure that it remains competitive.

As discussed during the meeting on March 4, electrification may be technically feasible for some process heaters and boilers; however, electrification projects face numerous hurdles including, but not limited to, cost effectiveness and constraints with California's electrical grid. WOR does not believe these hurdles can be overcome before the dramatic reduction in allocations that will occur in 2031 especially considering that WOR has had to make significant capital expenditures in recent years to comply with the emission reductions mandated by Rule 1109.1 of the South Coast Air Quality Management District (SCAQMD). These investments may not have been made had the facility known that so many of its allocations would disappear in 2031.

Thank you for your consideration of this letter. If you have any questions or would like to meet again, please do not hesitate to contact me at (562) 928-7000 ext 2305 or by email at sgornick@worldoilcorp.com.

Sincerely,

Jeff Baxter
Executive Vice President, Operations
World Oil Refining