Western Independent Refiners Association (Craig Moyer)

Please see the attached comments on behalf of the Western Independent Refiners Association.

WIRA **WESTERN INDEPENDENT REFINERS ASSOCIATION**

Executive Director: **Craig A. Moyer, 2049 Century Park East Ste. 1700, Los Angeles, California 90067**
Phone: (310) 312-4353 Fax: (310) 312-4224 E-mail: cmoyer@manatt.com

March 9, 2026

VIA CARB ONLINE PORTAL

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

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

The Western Independent Refiners Association (WIRA) is the trade association representing small and independent refiners on the West Coast. WIRA has been an active participant in California legislation and rulemakings for many years. California has consistently acknowledged that small and independent refiners are an important pro-competitive force in the market for refined transportation fuels and products. With WIRA members not having the same access to capital or economies of scale as major oil companies, it is imperative that mechanisms within new regulatory schemes not disadvantage the smaller players in the refining sector – and who are committed to helping California meet its greenhouse gas (GHG) reduction goals.

This letter is being submitted on behalf of WIRA's member Asphalt Refineries that will be 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*. WIRA and its members understand that the intent of proposed amendments is to reduce GHG emissions gradually, over time. However, as currently drafted, the amendments will disproportionately have a negative impact on Asphalt Refineries beyond, we believe, CARB's intent. In fact, one Asphalt Refinery is projecting a decrease in allocations of more than 60 percent year-over-year from 2030 to 2031 and at least one facility's allocations will be reduced to near zero.

WIRA requests that CARB reevaluate the allocation methodology that will be applied to Asphalt Refineries so that the reduction in allocations that will occur in 2031 will be tempered to a more manageable amount.

While Asphalt Refineries are technically classified as petroleum refineries (NAICS 324110) because they distill crude oil, their operations are unique and comprise only a very small fraction of total refining capacity in the State of California. Additionally, some Asphalt Refineries produce fuel. The on-spec paving and roofing-grade asphalt products are not produced by cracking, reforming, hydrotreating, coking, etc.; rather, they are produced by blending and/or blowing asphalts that are distilled from crude oil onsite, along with a combination of purchased asphalt and non-asphalt materials.

When the proposed new definition of "Asphalt Production" is combined with the new efficiency benchmark (Table 9-1 of the proposed regulations), Asphalt Refiners are significantly penalized. The proposed new definition of "asphalt production" reads 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 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.*

By excluding purchased asphalt and non-asphalt materials, and asphalt blowing operations, the new Benchmark Allowances will reduce allocations for one member Asphalt Refinery by 60 percent as soon as the vintage allocations expire in 2030. This abrupt step-change reduction in allocations will be a significant hardship for the facility.

WIRA believes that the allocation methodology that will be applied to Asphalt Refineries needs to be changed so that the reduction in allocations that will occur in 2031 will be more manageable. This could be accomplished by revising the Asphalt Production definition to include unfinished oils, including, but not limited to, light vacuum gas oil (LVGO), light distillate oil (LDO), and naphtha.

Asphalt Refineries are small, with limited opportunities and limited capital available to decarbonize operations. Paving and roofing asphalts are materials that are essential to the construction industry. Asphalt Refineries operate with low product margins as prices are largely dictated by infrastructure and housing construction demands, and lower cost asphalts can be imported into the State of California via truck and rail.

Electrification may be technically feasible for some process heaters and boilers; however, electrification projects face a number of hurdles including, but not limited to, cost effectiveness and constraints with California's electrical grid. WIRA's Asphalt Refinery members do not believe these hurdles can be overcome before their allocations are reduced by more than 60 percent or more in 2031. For example, significant upgrades to electrical infrastructure, both onsite and offsite, would be needed to accommodate the increased power demand created by an electric process heater. While we appreciate the allocation incentive provided in the proposed regulations, we would like to note that Asphalt Refineries would not be able to take advantage because they have the same NAICS code as petroleum refineries that are expressly exempt.

One Asphalt Refinery estimates that by replacing their 39 MMBtu/hour natural gas-fired crude oil heater with an electric heater, total facility power demand would increase by over 700 percent, more than doubling utility costs each month. In addition, Asphalt Refineries located in the South Coast Air Quality Management District (SCAQMD) have had to make significant capital expenditures in recent years to comply with SCAQMD's mandated emission reductions required by Rule 1109.1. These investments may not have been made had the facility known that nearly all of its allocations would disappear in 2031.

Thank you for your thoughtful consideration of this request to provide comments on the proposed Cap and Invest regulations. If you have any questions, please do not hesitate to contact me at (310) 312-4353 or by email at cmoyer@manatt.com.

Respectfully submitted,

Western Independent Refiners Association

/s/ Craig A. Moyer

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Craig A. Moyer
Executive Director and General Counsel