CARB Fuels Enforcement Overview
November 28, 2018
Section Overview

• The Fuels Enforcement Section is primarily responsible for enforcing:
  - California Reformulated Gas and Diesel Programs
  - Cargo Tank Vapor Recovery Program
  - Certification Programs
  - Alternative fuels
ARB’s Fuels Enforcement Programs

- Field Inspections
- Audits & Investigation
- Certification and Registration
- Issue Citations and NOVs
- Payment Penalties / Settlements
- Media Exposure and Public Awareness

Refining (Manufacturing and Product Imports)

Distribution (Transportation/Storage)

Marketing

- Retail Outlets
- Farms
- Commercial Consumers
- Wholesale Distributors
- Licensed Importers
Conventional Fuels and Vapor Recovery
Fuels Enforcement Program

2017 Fuels Inspections Update
• Completed ~ 400 inspections, resulting in more than 1,300 samples analyzed
  ➢ Approximately 200 CARBOB samples
  ➢ Approximately 45 diesel/biodiesel samples

Fuels in 2018
• Development and implementation of alternative diesel fuel enforcement program
Diesel Reporting Requirements

- Option Designated Alternative Aromatic Hydrocarbon Limit: Section 2282 (d)(2)
- Option Certified Diesel Formulation: Section 2282(g)(7)
- Option Designated Equivalent Limit: Section 2282(h)(2)
- And, if it is not reported as one of the previous options we assumed the producer or importer is complying with FLAT option unless they have a protocol. The protocol requires reporting every import.
## Compliance Update

<table>
<thead>
<tr>
<th>2017</th>
<th>Compliance</th>
<th>Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Fuels</td>
<td>99 %</td>
<td>• 481 inspections</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 1,650 fuel samples analyzed</td>
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<tr>
<td></td>
<td></td>
<td>• 3,729 formulation reports evaluated</td>
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<tr>
<td>Cargo Tanks</td>
<td>92 %</td>
<td>• 439 tanks reviewed for certification requirements</td>
</tr>
<tr>
<td></td>
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<td>• 91 pressure tests performed</td>
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</tbody>
</table>
Cargo Tank Program

~96% Compliance Rate

Pressure Tests

Tester Audits

Cargo Tank Vapor Recovery

Certification

Inspections
VAPOR RECOVERY PROGRAM

PHASE I AND PHASE II VAPOR RECOVERY SYSTEMS

PHASE I VAPOR RECOVERY

FUEL TO TANK

VAPORS TO TRUCK

PHASE II VAPOR RECOVERY

GAS

Deliberative Draft
2017 Cargo Tank Inspections Update

- 235 inspections
  - 80 pressure tests conducted
    - Consists of a static pressure test, and internal vapor pressure test
    - 8 NOVs issued
  - Witnessed performance of 9 CARB Annual Certifications
    - Consists of static pressure test, and vacuum test
Low Carbon Fuels Standard and
Alternative Diesel Fuels
Low Carbon Fuel Standard

- About LCFS
  - Market based reporting program
  - Life-cycle evaluation of the energy required to bring a fuel to market – Carbon Intensity (CI)
  - Lower CI fuels generate more credits with requirements becoming more stringent

- Enforcement Strategy
  - Work with program to identify potential noncompliance
  - Follow established procedures to bring companies into compliance
LCFS Enforcement Coordination & Planning

- Program Staff - ISD
  - Performs initial audits of data submitted to CARB
  - Bi-weekly staff coordination meetings
  - Enforcement provides comments on 2018 reg. text

- US EPA – Renewable Fuels Standard (RFS2)
  - Monthly LCFS – RFS2 enforcement meetings

- Out of State Travel
  - Fall, 2018– Louisiana
  - 2 biomethane, 1 RD facility
## LCFS Case History

<table>
<thead>
<tr>
<th>Company</th>
<th>Violation Date(s)</th>
<th>Credits/Deficits</th>
<th>Volume</th>
<th>Status</th>
<th>Type of Case</th>
<th>Per Unit Penalty</th>
<th>Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Energy</td>
<td>Q1 2011- Q4 2017</td>
<td>109,226 deficits</td>
<td>220,274,908 gal</td>
<td>Settlement negotiation ongoing</td>
<td>Quarterly Misreporting</td>
<td>$35k for quarterly reports</td>
<td>Last Settlement Discussion</td>
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<td></td>
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<td></td>
<td>413,819,856 SCF</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Tesoro</td>
<td>2011-2016</td>
<td>157,953 deficits and 24,005 credits</td>
<td>1,942,199,353 gal</td>
<td>Settled</td>
<td>Quarterly Misreporting</td>
<td>$20K for 39 errors in their favor $7.5k for 78 errors not in their favor</td>
<td>$1,365,000</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reconciliation</td>
<td>$25k for application misstatements</td>
<td>July, 17th</td>
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<tr>
<td>Musket</td>
<td>2016</td>
<td>10,575 credits and 2,260 deficits</td>
<td>125,875,397 gal</td>
<td>Settled</td>
<td>Quarterly Misreporting</td>
<td>$10k for 5 errors in their favor</td>
<td>$50,000</td>
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<tr>
<td>Kern Oil</td>
<td>Q3, 2013- 2015</td>
<td>15,838 deficits</td>
<td>1,622,383 gal</td>
<td>Settled</td>
<td>Pathway</td>
<td>$10k for 9 quarters</td>
<td>$90,000</td>
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<tr>
<td>Paramount</td>
<td>2013-2014</td>
<td>N/A</td>
<td>N/A</td>
<td>Stipulated Judgement</td>
<td>Quarterly Misreporting</td>
<td>$300k for quarterly misreporting</td>
<td>$300,000</td>
</tr>
<tr>
<td>Sk Energy</td>
<td>2014-2015</td>
<td>2,015 deficits</td>
<td>N/A</td>
<td>Settled</td>
<td>Annual Compliance Obligation</td>
<td>$195 per deficit</td>
<td>$393,000</td>
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</table>
Alternative Diesel Fuel

• ADF regulation was implemented on January 1, 2016 consisting of two major parts:
  ➢ A three stage process for ADFs to be introduced into the California market including, if necessary, a determination of mitigation measures to ensure no degradation in air quality.
  ➢ In-use requirements for biodiesel as the first ADF.
• Quarterly reports are due three months after each quarter. Program have reviewed Q1 2018 reports (due on June 30, 2018).