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June 21, 2011

Mr. Robert Weisenmiller
Chair & Presiding Member
and
Karen Douglas
Commissioner and Associate Member

Integrated Energy Policy Report Committee
California Energy Commission
1516 Ninth Street
Sacramento, California 95814
U.S.A.

Re: California's Low Carbon Fuel Standard treatment of Crude Oil

Docket Number 11-1EP-1A; Sub Docket 11-IEP-1L (Transportation Fuels & Infrastructure)

Dear Mr. Weisenmiller and Ms. Douglas:

Suncor Energy is the largest Canadian integrated energy company, with a significant proportion of our production coming from the Oil Sands area of Alberta, from both in situ and mining operations. Suncor owns and operates several refineries, including the Commerce City refinery near Denver, Colorado.

Suncor's concern is to ensure that the LCFS legislation, as contemplated by California, is developed in a manner to help California achieve its GHG emission reduction goals, as well as with a clear understanding and acknowledgement of all the potential environmental, economic and social impacts of the legislation, both positive and negative.
Suncor continues to press for all regulators to strive for harmonized, fair, consistent, clear and administratively simple legislation. This last point is critical, in that we need to ensure that resources are focused on actual reductions, and not on determining how to comply with overly complex regulation.

Suncor therefore advocates for, and encourages California to consider, a less complex approach to their LCFS. That approach would deem all crudes to be equitable, as opposed to a differentiation approach which is not necessary to meet the goals of the LCFS.

Differentiation of crudes is not only unnecessarily complex, it also diverts from the overall goal of global GHG reduction. This could occur due to:

- Crude shuffling: With increasing global demand for petroleum based fuels, the California LCFS, by virtue of designating some crudes as High Carbon Intensity Crude Oils (HCICO), will result in shuffling of those crudes to other markets and redirection of alternative crudes to California. For example, crudes from the Alberta oil sands could end up being shipped to markets further afield and displaced in California by crudes imported from markets from greater distances, such

as the Middle East. In other words, global shipping of crudes will not only increase, but will become significantly less efficient.

- Costs: if the potential shuffling of crudes is not avoided, it is quite likely that California refineries will be left with crude selection constraints. Substantial business impacts could result in refinery closures (and resulting job losses) and/or production interruptions, increased costs to the consumer, or both. An over reliance on supply from a limited number of sources (those that were deemed to be in the '06 basket) could also leave California with a supply shortage when production from those sources declines.
- Overall transportation emissions: Suncor continues to emphasize the need for an all-encompassing energy policy which takes into account reductions across the transportation network, including improvements in vehicle fuel efficiency and reductions in Vehicle Miles Travelled (VMT), as a more holistic approach to ensuring California's long term GHG reduction targets are met.
- Accuracy of Analysis: The intensity analysis of a crude is not as simple as running it through a chemical component test to determine its carbon intensity – the carbon intensity is not a physical parameter of a crude that can be directly measured. Instead, it is a life cycle type determination that requires input of a multitude of factors, most of which are not comprised of a single value, but are a represented by a range of values with confidence limits that change over time. It is important to note that the range of values often exceeds the percent reduction that is required.

If the overall goal of the California LCFS is not only to reduce California's GHG's, but to do so without a corresponding increase in GHG's elsewhere, then successful implementation of the LCFS should treat all crudes equally, and impose on all crudes the same carbon intensity reduction requirement.

We appreciate the opportunity to participate in discussions on development of a successful LCFS which allows California to achieve its GHG reduction goals, while maintaining a vibrant and dynamic economy for its constituents.

Sincerely,

Kathy Scales
Energy & Climate Change Policy Advisor
Suncor Energy

Cc: Mr. John Courtis, California Air Resources Board
Mr. Gordon Schremp, California Energy Commission
Ms. Mary Nichols, Chairman, California Air Resources Board
Mr. Chris Holly, Alberta Energy
Ms. Kim Curran, Environment Canada
Ms. Cassie Doyle, Consul General of Canada (Northern California)