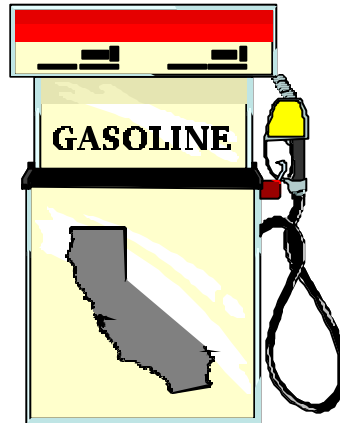


California Environmental Protection Agency



# **Proposed 2004 Amendments Refining the California Phase 3 Reformulated Gasoline Regulations**

**STAFF REPORT: INITIAL STATEMENT OF REASONS**



**Release Date: October 1, 2004**



**State of California  
California Environmental Protection Agency  
AIR RESOURCES BOARD  
Stationary Source Division**

**STAFF REPORT: INITIAL STATEMENT OF REASONS  
PROPOSED 2004 AMENDMENTS REFINING THE CALIFORNIA  
PHASE 3 REFORMULATED GASOLINE REGULATIONS**

**Public Hearing to Consider Amendments to the  
California Reformulated Gasoline Regulations**

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## **I. INTRODUCTION AND SUMMARY**

### **A. Introduction**

The California Phase 3 Reformulated Gasoline (CaRFG3) regulations were adopted June 16, 2000 following a December 9, 1999 hearing by the Air Resources Board (ARB). The CaRFG3 regulations prohibited production of California gasoline, after December 31, 2002, with the use of Methyl Tertiary-Butyl Ether (MTBE), established CaRFG3 standards, and established a CaRFG3 Predictive Model. The Predictive Model provides refiners with flexibility to use alternative formulations while preserving the benefits of the program. The regulations are contained in sections 2260-2273.5, title 13, California Code of Regulations.

The CaRFG3 regulations were adopted in response to the March 25, 1999 Executive Order D-5-99 in which he found that, on balance, there is significant risk to the environment from using MTBE in gasoline in California. The Executive Order directed the ARB to adopt CaRFG3 regulations to phase out the use of MTBE in California gasoline by no later than December 31, 2002 and provide additional flexibility to producers of RFG in lowering or removing oxygen while preserving the existing air quality benefits of the CaRFG2 program.

In response to the March 14, 2002 Executive Order D-52-02, the Board, at a July 25, 2002 hearing, approved amendments to the CaRFG3 regulations postponing the prohibition of the use of MTBE in California gasoline by one year. The Board also approved other amendments necessary to implement the postponement of the MTBE ban. These amendments included the one-year postponement of the dates in the current schedule for reducing residual levels of MTBE in CaRFG3 after the addition of MTBE is banned, and postponement of the imposition of the CaRFG3 limits for gasoline properties for one year, from December 31, 2002 to December 31, 2003. Additional amendments to the CaRFG3 regulations, which built on the amendments approved by the Board on July 25, 2002, were approved by the Board on December 12, 2002.

This report is the initial statement of reasons to support proposed additional amendments to the CaRFG3 regulations. The proposed amendments include:

- 1) a correction to the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model” that would make the “Procedures” reflect the intent of the Board and staff report in the original CaRFG3 rulemaking;
- 2) several amendments to the CaRFG3 regulations designed to provide or restore flexibility to suppliers of CARBOB and denatured ethanol;
- 3) an amendment clarifying the requirements for gasoline produced in Northern California and transported by marine vessel to Southern California; and
- 4) other miscellaneous changes, which would provide clarifications, corrections, or improvements in compliance flexibility or enforcement ability.

## **B. What Are the Proposed Amendments and Why Are They Necessary?**

### ***1. Correcting the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model”***

As adopted, the text of the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model” – which contains the actual regulatory provisions regarding the CaRFG3 Predictive Model – reflected the proposed treatment for the oxygen range of 2.5-2.9 weight percent. However, due to drafting errors the “Procedures” document did not reflect the proposed treatment for the oxygen range of 3.3-3.7 weight percent. Staff is proposing that the “Procedures” document be corrected to reflect the originally intended treatment for the oxygen range of 3.3-3.7 weight percent. An excerpted version of the “Procedures” document, showing our proposed corrections, is attached to this report as Appendix C.

### ***2. Restoring or Providing Flexibility to CARBOB and Denatured Ethanol Suppliers***

First, we are proposing the elimination of the sampling, testing, and recordkeeping requirement applicable only to importers of CARBOB by deleting the requirements of section 2266.5(c). Also, we are proposing an amendment allowing the Executive Officer to develop protocols for individual CARBOB suppliers to blend small amounts of transmix into CARBOB. This proposal is consistent with a similar provision in the Phase 2 CaRFG regulations for protocols to blend transmix into California gasoline. We are also proposing that CARBOB suppliers be permitted in limited specified circumstances to blend California gasoline into CARBOB so long as the resulting CARBOB does not contain more than 0.1 percent by weight oxygen. In addition, we are proposing amendments to the requirements regarding information that a producer or importer of denatured ethanol must provide to the person to whom the denatured is sold or supplied.

These various proposed amendments would provide consistency between requirements on importers and requirements on producers, lessen the need to transport and reprocess transmix and off-specification gasoline, and make it more practical to comply with the requirements. The resulting blends of CARBOBs and California gasolines would still have to meet the CaRFG3 specifications.

### ***3. Reid Vapor Pressure Control Periods for California Gasoline Transported to Southern California by Marine Vessel***

We are proposing amendments to section 2262.4(c)(4) that eliminate the unintended implication from the use of the word “imported” that additional testing requirements may apply. The objective of this provision was solely to make gasoline produced in the Bay Area and received at a Southern California marine terminal in March subject to the Southern California March 1 start of the RVP season rather than the April 1 start date for Bay Area production and import facilities.

#### ***4. Miscellaneous “Cleanup” Amendments to the CaRFG3 Amendments***

Along with the proposed amendments described above, we are proposing several additional clarifications and corrections to the regulatory language to improve the way the regulations are administered.

#### **C. How Were the Proposed Amendments Developed?**

The staff held one preliminary public consultation meeting on February 25, 2004 and three additional workshops in 2004, where many of the CaRFG3 implementation issues were discussed. The proposed changes were developed based on input from participants and affected parties. The “Preliminary Draft Proposed Regulatory Amendments and Interim Guidance on CaRFG3 Implementation Issues” was posted prior to the first workshop, held on April 12, 2004. A revised version, contained in Appendix B, was issued prior to the second workshop, held on June 3, 2004.

#### **D. What Alternatives Were Considered?**

The only alternative is to not propose making the changes and corrections to the regulations. Since the proposed changes and corrections provide clarification and compliance flexibility with no significant negative impacts, this alternative was eliminated from further consideration.

#### **E. What Other Issues Were Considered?**

No other issues were raised for this rulemaking.

#### **F. What Are the Emission Impacts of the Proposed Amendments?**

There would be no significant impacts on emissions. The proposed changes would not significantly affect the formulation of California gasoline and, as such, would not adversely affect emissions. A small increase in CARBOB storage and transfer emissions may result where gasoline is blended into CARBOB, due to an increase in vapor pressure. There would potentially be smog-forming and particulate emission reductions due to proposed additional flexibility, which may reduce the transportation and reprocessing of transmix and California gasoline.

#### **G. What are the Environmental Impacts of the Proposed Amendments?**

##### ***1. Water quality.***

There would be no significant impacts on water quality. The basic prohibitions against adding MTBE, and other oxygenates other than ethanol, would remain unchanged.

## **2. *Air Quality***

There should be no significant impacts on air quality, as the basic fuel standards would remain unchanged.

## **3. *Greenhouse Gas Emissions***

The proposed amendments would not have any negative impact on greenhouse gas emissions. There would potentially be carbon dioxide emission reductions due to proposed additional flexibility, which may reduce the transportation and reprocessing of transmix and California gasoline.

## **H. What is the Cost of the Proposed Amendments?**

### **1. *Production Costs.***

There should be no negative impacts on the cost for production of California gasoline. Additional operational flexibility and reduced sampling, testing, and recordkeeping requirements could reduce the overall cost of production and operations.

### **2. *Fuel Supply and Price.***

There should be no negative impacts on the supply and price of California gasoline.

## **I. What are the Economic Impacts?**

There should be no negative economic impacts associated with the proposed changes.

There would be no negative economic impacts for small businesses, as the actions of small businesses would not be affected by the proposed changes.

## **II. RECOMMENDATIONS.**

The staff recommends that the Board adopt the proposed amendments to the California reformulated gasoline regulations, as contained in Appendix A, and including corrections to the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model,” as contained in Appendix C.



### **III. PROPOSED AMENDMENTS TO THE CALIFORNIA REFORMULATED GASOLINE REGULATIONS**

This chapter describes the proposed changes to the California Phase 3 Reformulated Gasoline (CaRFG3) regulations. These proposed changes include: (1) a correction to the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model” that would make the “Procedures” reflect the intent of the Board and staff in the original CaRFG3 rulemaking; (2) several amendments to the CaRFG3 regulations designed to provide or restore flexibility to suppliers of CARBOB and denatured ethanol; (3) an amendment clarifying the requirements on gasoline produced in Northern California and transported by marine vessel to Southern California; and (4) other miscellaneous changes, which would provide clarifications, corrections, or improvements in compliance flexibility.

#### **A. Correcting the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model”**

The CaRFG3 regulations were approved by the ARB at a December 9, 1999 hearing. The October 22, 1999 staff report for the rulemaking stated on page 33 that “for candidate CaRFG3 Predictive Model formulations that have an oxygen range of 2.5-2.9 weight percent...the candidate oxygen content would be treated simply as 2.7 weight percent. Similarly, the oxygen range of 3.3-3.7 weight percent would be treated as 3.5 weight percent. This could result in a higher percentage of CARBOB batches designated at [each] oxygen level, and a greater likelihood of fungibility.”

As adopted, the text of the “California Procedures for Evaluating Alternative Specifications for Phase 3 Reformulated Gasoline Using the Predictive Model” – which contains the actual regulatory provisions regarding the CaRFG3 Predictive Model – reflected the proposed treatment for the oxygen range of 2.5-2.9 weight percent. However, due to drafting errors the “Procedures” document did not reflect the proposed treatment for the oxygen range of 3.3-3.7 weight percent. Staff is proposing that the “Procedures” document be resubmitted with corrections reflecting the originally intended treatment for the oxygen range of 3.3-3.7 weight percent.

Another correction would delete a sentence referring to Driveability Index. This sentence was overlooked when references to Driveability Index were removed from the final version of the CaRFG3 regulations in the original CaRFG3 rulemaking. The table of CaRFG3 standards would also be revised to reflect the changes described in III.D.3, below. An excerpted version of the “Procedures” document, showing our proposed corrections, is attached to this report as Appendix C.

#### **B. Providing or Restoring Flexibility to CARBOB and Denatured Ethanol Suppliers**

First, we are proposing the elimination the sampling, testing, and recordkeeping requirements applicable only to imported CARBOB by deleting the requirements of section 2266.5(c). The sampling, testing, and recordkeeping requirements would then be the same for importers of

California gasoline or CARBOB and producers of California gasoline or CARBOB, and would apply only to final blends of California gasoline or CARBOB subject to averaging limits.

Also, the CaRFG3 regulations currently prohibit the blending of anything except CARBOB into CARBOB. We are proposing an amendment allowing the Executive Officer to develop protocols for individual CARBOB suppliers to blend small amounts of transmix into CARBOB. The proposal is consistent with an allowance under the CaRFG2 regulations for protocols to blend transmix into California gasoline. We are also proposing that CARBOB suppliers be permitted in limited specified circumstances to blend California gasoline into CARBOB so long as the resulting CARBOB does not contain more than 0.1 percent by weight oxygen. In addition, the Executive Officer would be allowed to develop protocols for the blending of California gasoline or other CARBOB into CARBOB for other situations. These various proposed amendments would lessen the need to transport and reprocess transmix and off-specification gasoline. The resulting blends of CARBOBs and California gasolines would still have to meet the preexisting CaRFG3 specifications.

In addition, we are proposing amendments to the requirements regarding information that a producer or importer of denatured ethanol must provide to the person to whom the denatured is sold or supplied, in order to make it more practical to comply with the requirements. As the proposed alternative, the information would have to be kept and maintained by the supplier and made available upon request.

### ***1. Sampling, Testing and Recordkeeping by Importers of CARBOB***

Section 2266.5(c) requires each importer of CARBOB to sample, test, and keep records for the fuel properties of each final blend of imported CARBOB by collecting and analyzing a representative sample of the imported CARBOB taken from the final blend at its import facility. We are proposing the elimination of this sampling, testing, and recordkeeping requirement applicable only to imported CARBOB by deleting the requirements of section 2266.5(c). The staff believes that CARBOB importers are sufficiently knowledgeable that they are unlikely to import CARBOB that is not designed to comply with the requirements of the regulations. The sampling, testing, and recordkeeping requirements would then be the same for importers of California gasoline or CARBOB and producers of California gasoline or CARBOB, and would apply only to final blends of California gasoline or CARBOB subject to averaging limits. Section 2270 requires each producer or importer, that has elected to be subject to an average limit or a PM averaging limit, to sample, test, and keep records for sulfur, aromatic hydrocarbon, olefin and benzene contents, T50 and T90, as applicable, for each final blend of California gasoline or CARBOB.

### ***2. Protocols for Adding Transmix to CARBOB and Other Situations***

Under the California Phase 2 Reformulated Gasoline (CaRFG2) regulations, the Executive Officer was authorized to enter into a protocol with an individual gasoline supplier, allowing the supplier to blend small amounts of transmix into California gasoline downstream from the production or import facility. We are proposing that a new section 2266.5(f)(2)(B) be added, authorizing the Executive Officer to enter into similar protocols for blending small amounts of



transmix into downstream CARBOB, under the same conditions as applied in the preexisting transmix blending provisions.

### ***3. Adding California Gasoline to CARBOB***

There are various situations in which a gasoline supplier may end up with relatively small amounts of ethanol-blended California gasoline that has not been properly oxygenated, must be removed from a retail outlet for some legitimate operational reason, or results from calibrating meters for adding ethanol at terminals. Since the CaRFG3 regulations prohibit adding the gasoline to CARBOB at a terminal or bulk plant, it currently must be downgraded to transmix or transported back to a refinery for reprocessing. We are proposing amendments adding a new section 2266.5(f)(1)(E), which would allow limited amounts of off-specification California gasoline containing ethanol to be added to CARBOB at a terminal or bulk plant storage tank for specified operational reasons. The three operational reasons are that (1) the gasoline resulted from oxygenating CARBOB during calibration of oxygen blending equipment, (2) the gasoline resulted from the unintentional over- or under-oxygenation of CARBOB during a cargo tank loading, and (3) the gasoline was pumped out of a storage tank at a gasoline fueling facility for legitimate operational reasons. In each case, the non-oxygenate portion of the gasoline would have to meet the cap limits for CARBOB. The amendments would also require that the resulting blend of CARBOB cannot have an oxygen content exceeding 0.1 percent by weight, and specify how that oxygen content is to be determined prior to adding the gasoline. The oxygen limit would assure that the amendments would have a de minimis impact, and the other limitations are designed so that the mechanism will only be used for bona fide operational reasons.

We are also proposing a new section 2266.5(f)(2)(C), which would allow the Executive Officer to enter into protocols for blending California gasoline or other CARBOB to CARBOB in additional situations that are unforeseen at this time. These protocols would be limited to situations in which the Executive Officer determines that alternatives are not practical and the blending will not significantly affect the properties of the CARBOB to which the gasoline or CARBOB will be added.

### ***4. Substitute for the Requirement of Documentation Accompanying the Transfer of Denatured Ethanol***

In order to assist ARB inspectors in tracking the source of noncomplying ethanol, the CaRFG3 regulations currently require any person selling or supplying denatured ethanol from the California facility at which it was produced or imported to provide the customer with a document that identifies (1) “the name and address of the person selling or supplying the denatured ethanol,” and (2) “the name, location and operator of the facility(ies) at which the ethanol was produced and at which the denaturant was added to the ethanol.” We are proposing simplifying amendments to section 2262.9(c)(2) for California producers of denatured ethanol. These amendments replace the second requirement listed above with a direction that the person be identified as the producer. With respect to importers of denatured ethanol, the current requirements can be impractical where the ethanol may have been originally produced or denatured at any one of a number of out-of-state facilities. We are proposing amendments to section 2262.9(c)(2)(B) that would provide importers a potentially more practical option under which the required documentation would identify “the date and time the ethanol was

supplied...and state that the person selling or supplying the denatured ethanol...maintains a list...of all the facilities at which the ethanol was produced and at which the denaturant was added to the ethanol.”

### **C. Reid Vapor Pressure Control Periods for California Gasoline Transported to Southern California by Marine Vessel**

Section 2262.4(c)(4) of the regulations currently states

For purposes of compliance with section 2262.4(b) [RVP compliance period for production and import facilities] only, gasoline that is produced in California and is transported to the South Coast Air Basin, Ventura County, or the San Diego Air Basin by marine vessel shall be treated as having been imported at the facility to which the gasoline is off-loaded from the marine vessel.

We are proposing amendments that eliminate the unintended implication from the use of the word “imported” that additional testing requirements may apply. The objective of this provision was solely to make gasoline produced in the Bay Area and received at a Southern California marine terminal in March subject to the Southern California March 1 start of the RVP season rather than the April 1 start date for Bay Area production and import facilities. To clarify the objective of the provision, we are proposing that section 2262.4(c)(4) be amended as shown in Appendix A.

### **D. Miscellaneous “Cleanup” Amendments to the CaRFG3 Amendments**

Along with the proposed amendments described above, we are proposing several additional clarifications and corrections to the regulatory language to improve the way the regulations are administered.

#### ***1. Section 2260(a)(16) “Import Facility”***

We are proposing a clarification of the definition of “import facility,” by defining it more specifically as the “storage tank” to which imported California gasoline or CARBOB is first delivered in California.

#### ***2. Section 2262, Footnote 2 on RVP Limits***

Section 2262 contains a table entitled, “The California Reformulated Gasoline Phase 2 and Phase 3 Standards.” Footnote 2 to the table specifies the applicability of the RVP limits for CaRFG3. We are proposing amendments to Footnote 2 in which “7.2 psi” would be replaced with “7.20 psi” and “7.0 psi” would be replaced with “7.00 psi” to make the limits stated in the footnote consistent with the text in the table itself and the RVP test method.

#### ***3. Section 2262, Footnote 7 on Applicable Oxygen Content Cap***

Footnote 7 provides, “If the gasoline contains more than 3.5 percent by weight oxygen but no more than 10 volume percent ethanol, the maximum oxygen content cap is 3.7 percent by weight.” For clarification, we are proposing that the text of footnote 7 be amended to read as

follows: “If the gasoline contains more than 3.5 percent by weight oxygen from ethanol, but no more than 10.0 percent by volume ethanol, then the maximum oxygen content cap is 3.7 percent by weight.” Federal regulations allow up to 10 percent by volume ethanol in gasoline, and the increased oxygen content cap of 3.7 weight percent is only appropriate to the extent it is necessary to accommodate an ethanol content of a full 10.0 percent. An additional significant digit would be added to the specified ethanol content for the reasons described immediately below.

#### ***4. Section 2262.5(b) Compliance With the Maximum Oxygen Content Cap Limit Standard***

In this section we are proposing that “ethanol content exceeding 10 percent by volume” be replaced with “ethanol content exceeding 10.0 percent by volume,” since the test method for oxygen content specified in section 2263(b) yields results to the tenth of a percent.

#### ***5. Section 2262.6(c)(2) and (3)***

Section 2262.6(a) contains prohibitions regarding MTBE in California gasoline starting December 31, 2003, and section 2262(c) contains comparable prohibitions regarding oxygenates other than MTBE or ethanol. The 11 oxygenates covered are identified in section 2262.6(c)(4). Section 2262(c)(1) prohibits the sale of California gasoline produced at a California production facility with the use of any of these other oxygenates, and sections 2262(c)(2) and (3) impose stringent limits on the amount of oxygen from the other oxygenates that California gasoline may contain. However, section 2262.6(c)(1) contains an exception for an oxygenate for which a multimedia analysis has been conducted and the California Environmental Policy Council has made a determination that use of the oxygenate will not cause a significant adverse impact on the public health or the environment. It follows that if use of a specific oxygenate is not prohibited by section 2262.6(c)(1) because of a multimedia evaluation and determination, there should be no limits in section 2262.6(c)(2) and (3) on the presence of oxygen from the oxygenate. However, this is not recognized in the current regulation. Staff is accordingly proposing that exceptions be made in section 2262(c)(2) and (3) for any oxygenate that is not prohibited by section 2262.6(c)(1). To date, no multimedia evaluation has been conducted for any of the 11 oxygenates covered by prohibition in section 2262.6(c)(1).

#### ***6. Section 2262.9(a)(3) Standards for Products Represented as Appropriate for Use as a Denaturant in Ethanol***

We are proposing that the significant digits for the maximum permitted benzene, olefins, and aromatic hydrocarbon content of the denaturant in ethanol as specified in section 2262.((a)(3) be made consistent with the significant digits for these properties in the CaRFG3 standards as set forth in the table in section 2262.

Accordingly, in section 2262.9(a)(3)(A) we are proposing that “a benzene content exceeding 1.1 percent by volume” be replaced with “a benzene content exceeding 1.10 percent by volume.” In section 2262.9(a)(3)(A)2. we are proposing that “an olefins content exceeding 10 percent by volume” be replaced with “an olefins content exceeding 10.0 percent by volume.” And in section 2262.9(a)(3)(A)3. the proposed amendments would replace “an aromatic hydrocarbon

content exceeding 35 percent by volume” with “an aromatic hydrocarbon content exceeding 35.0 percent by volume.”

**7. *Section 2265(a) Election to Sell or Supply a Final Blend as a [California Phase 3 Reformulated Gasoline Predictive Model] Alternative Gasoline Formulation***

Section 2265(a)(2) requires that a gasoline producer or importer using the CaRFG3 Predictive Model for a given batch of gasoline must notify the Executive Officer of, among other things, the “identity, location, and estimated volume” of the final blend in question when it is being supplied from the production or import facility. We are proposing that the requirement for the “estimated volume” be eliminated, because knowledge of the volume is not necessary to determine compliance with the regulations unless the producer or importer is using the Predictive Model averaging compliance option for one or more properties. Where averaging is being used, the producer or importer is separately required by section 2264(a)(2) and (d) to report the volume of the final blend, and this requirement would not be changed.

**8. *Section 2266.5(a)(6)(A) Determining Whether Downstream CARBOB Complies With the Cap Limits for California Gasoline Through the Use of CARBOB Cap Limits Derived from the CARBOB Model***

Footnote 2 of the table states, “The CaRFG Phase 3 CARBOB cap limits for sulfur are phased in starting December 31, 2003, and December 31, 2004, in accordance with section 2261(b)(1)(A).” For consistency with section 2261(b)(1)(A), we are proposing to replace “December 31, 2004” with “December 31, 2005.” The December 31, 2005 date was inadvertently retained when the other CaRFG3 and MTBE phase-out implementation dates were postponed one year in the 2002 rulemaking.

**9. *2266.5(g)(1)(C) Issuance of Certificate***

This section states, “The executive officer shall provide each complying oxygen blender with a certificate...The certification shall constitute the oxygen blender’s certification pursuant to Health and Safety Code section 43021.” The Legislature has replaced Health and Safety Code section 43021 with Health and Safety Code section 43026, and we are proposing an amendment to reflect this change.

**10. *Section 2266.5(h)(2)(B) Blending to Meet a Cap Limit***

Section 2266.5(h)(1) prohibits a person from adding most nonoxygenated blendstocks to California gasoline that has been supplied from the production or import facility unless the person can demonstrate the blendstock meets the CaRFG3 refinery limits and the person meets with regard to the blendstock all of the requirements applicable to the gasoline producers. This is designed to assure that all California gasoline is subject to the more stringent refinery limits at some point. Section 2266.5(h)(2)(B) makes a limited exception authorizing a person to “add nonoxygenate blendstock to California gasoline that does not comply with one or more of the applicable cap limits contained in section 2262, where the person obtains prior approval from the executive officer based on a demonstration that adding the blendstock is a reasonable means of bringing the gasoline into compliance with the cap limits.” We are proposing that this provision be expanded to cover oxygenated as well as nonoxygenated blendstock, and that it also serve as

an exception to section 2262.5(d), which restricts the addition of oxygenates to downstream gasoline. The proposed amendment would make it easier for persons to bring noncomplying downstream gasoline into compliance with the cap limits, while assuring that this mechanism would only be used where necessary and appropriate.

#### **E. Alternatives**

The only alternative that staff has identified is to not propose making the changes and corrections to the regulations. Since the proposed changes and corrections provide clarification and compliance flexibility with no significant negative impacts, this alternative was eliminated from further consideration.



#### **IV. ENVIRONMENTAL IMPACTS OF THE PROPOSED AMENDMENTS TO THE CARFG3 REGULATIONS**

This chapter presents a summary of the results of the analysis of the environmental effects of the proposed amendments. The proposed amendments would provide clarification and compliance flexibility and would improve the way the regulations are administered. The staff does not anticipate any significant adverse environmental effects associated with the proposed amendments.

The proposed amendments do not affect compliance with the requirements specified in Sections 43013.1 and 43830.8 of the California Health and Safety Code (H&SC), nor do they present any issues that were not addressed during the review of the CaRFG3 regulations by the California Environmental Policy Council in 2000. At that time, the Council determined that there will not be a significant adverse environmental impact on public health or the environment, including any impact on air, water, or soil, that is likely to result from the change in gasoline that is expected to be implemented to meet the CaRFG3 regulations approved by the ARB.

##### **A. Effects on Water Quality**

There would be no significant impacts on water quality. The basic prohibitions against adding MTBE, and other oxygenates other than ethanol, would remain unchanged.

##### **B. Effects on Air Quality**

There should be no significant impacts on air quality, as the basic fuel standards would remain unchanged.

##### **C. Effects on Greenhouse Gas Emissions**

The proposed amendments would not have any negative impact on greenhouse gas emissions. There would potentially be carbon dioxide emission reductions due to proposed additional flexibility, which may reduce the transportation and reprocessing of transmix and California gasoline.

##### **D. Effects on Allowable Emissions**

There are no significant additional emission impacts associated with the proposed amendments. There may be small, unquantifiable emission increases associated with the proposal that limited blending of California gasoline into CARBOB be allowed. Since CARBOB has a lower vapor pressure than California gasoline, CARBOB storage and transfer emissions are lower than California gasoline storage and transfer emissions. This is an emission benefit of Phase 3 California RFG over Phase 2 California RFG. If California gasoline is blended into CARBOB, some of that benefit will be lost. However, we believe that the blending of California gasoline into CARBOB would only affect a small fraction of the CARBOB supply. Also, employment of the proposed additional blending flexibility would reduce the transportation and reprocessing of transmix and California gasoline, resulting in a reduction of smog-forming and particulate emissions.

**E. Other Environmental Impacts**

The staff has concluded that the proposed amendments will not have any other significant adverse environmental impacts.

**F. Effects of the Proposed CaRFG3 Amendments on the State Implementation Plan**

There should be no effects of the proposed amendments on the State Implementation Plan, because there should be no significant impacts on air quality.

**G. Environmental Justice and Neighborhood Impacts**

There should be no environmental justice and neighborhood impacts of the proposed action. The proposed amendments would simply improve the implementation and flexibility of the current program.



## **V. ECONOMIC EFFECTS OF THE PROPOSED AMENDMENTS TO THE CARFG3 REGULATIONS**

This chapter presents a summary of the staff's analysis of the economic effects of the proposed amendments. The proposed amendments would provide clarification and compliance flexibility and would improve the way the regulations are administered. Therefore, the staff does not anticipate any adverse economic effects associated with the proposed amendments.

### **A. Costs of Complying with the Proposed Regulation**

There are no additional costs associated with proposed amendments. In some situations the additional compliance flexibility provided by the proposed amendments may lead to cost reductions.

### **B. Economic Effects on Small Businesses**

Government Code section 11346.2(b)(4)(B) requires the ARB to describe any alternatives it has identified that would lessen any adverse impact on small business. In defining small business, Government Code section 11342(h) explicitly excludes refiners from the definition. Also the definition includes only businesses that are independently owned and, if in retail trade, gross less than \$2,000,000 per year. Thus, our analysis of the economic effects on small business is limited to the costs to certain gasoline retailers and jobbers, where a jobber is an individual or business that purchases wholesale gasoline and delivers and sells it to another party, usually a retailer or other end-user.

There would be no negative economic impacts for small businesses, as the actions of small businesses would not be adversely affected by the proposed changes.



# **APPENDIX A**

## **PROPOSED REGULATION ORDER**

Amendments to the California Phase 3 Gasoline (CaRFG3) Regulations



**APPENDIX B**

**PRELIMINARY DRAFT PROPOSED REGULATORY  
AMENDMENTS AND INTERIM GUIDANCE ON CaRFG3  
IMPLEMENTATION ISSUES**



## **APPENDIX C**

# **CALIFORNIA PROCEDURES FOR EVALUATING ALTERNATIVE SPECIFICATIONS FOR PHASE 3 REFORMULATED GASOLINE USING THE PREDICTIVE MODEL**

