



**OIL SPILL PREVENTION AND RESPONSE
TECHNICAL ADVISORY COMMITTEE (TAC)
DRAFT Meeting Minutes**

*Thursday, November 5, 2020, 9:00 a.m. – 1:00 p.m.
Microsoft TEAMS Meeting*

The following members were in attendance:

TAC members:

Matt Rezvani (Chairman), John Berge (Vice Chair), Peter Santillan, Lynn Korwatch, Tracy Van Houten, Kit Cole, John Ambert, Sejal Choksi-Chugh, Joseph Cobb, Elizabeth Jones

Agency Representatives:

Jennifer Lucchesi, California State Lands Commission (CSLC), Jonathan Bishop, California Coastal Commission (CCC), Linda Scourtis, San Francisco Bay Conservation and Development Commission (BCDC), Uduak-Joe Ntuk, California, California Geologic Energy Management (CalGEM), Jordan Stout, National Oceanic and Atmospheric Administration (NOAA), Timothy Holmes, U.S. Coast Guard

Guest Presenter:

Mr. Gordon Schremp, California Energy Commission

OSPR Participants:

Thomas M. Cullen, OSPR Administrator, Dr. Julie Yamamoto, Deputy Administrator, Dr. Steve Hampton, Deputy Administrator, Eric Milstein, Assistant Chief Counsel, Amir Sharifi, Branch Chief, Financial and Administrative Services, Renee Rose, Budget Analyst, Christine Kluge, Regulations Analyst, Ryan Todd, Attorney

Guests:

Eric Sanchez, Ellen Faurot-Daniels, Cerasela Gadberry, Laird Henkel, Richard Hernandez, Kyrion Gray, Joseph Lacalle, Greg McGowan, Janna Rinderneck, Sarah Walter, Cassandra White, Ron Wooden, Kathleen Jennings, Todd Ajari, Martice Vasquez, Holly Gellerman, Lori Gustafson, Angelina Reed, Kim Lunetta

1. INTRODUCTIONS

Captain Thomas M. Cullen, Jr., Administrator, OSPR

2. APPROVAL OF MINUTES

Mr. Matt Rezvani, TAC Chair

Quorum Present.

June 4, 2020 Minutes – Matt Rezvani made a motion to accept, John Berge seconded the motion.

Roll Call was taken: Matt Rezvani Aye, John Berge Aye, Lynn Korwatch Aye, Tracy Van Houten Aye, Peter Santillan Aye, John Ambert Aye, Sejal Chocksi-Chugh Aye, Kit Cole Aye. Minutes for June 4, 2020 Passed.

3. **DISCUSSION OF TAC CHAIR AND VICE CHAIR**

Mr. Matt Rezvani, TAC Chair, Mr. John Berge, TAC Vice Chair

The TAC members have an annual discussion regarding the Chair and Vice Chair positions. Lynn Korwatch asked Mr. Rezvani to continue on as Chair and Mr. John Berge seconded that statement.

Mr. Berge announced he would like to vacate the position of Vice Chair. A decision was made for members to give consideration to a nomination for Vice Chair and to be prepared to vote on that issue at the next meeting.

4. **OSPR UPDATE**

Captain Thomas M. Cullen, Jr., Administrator, OSPR

Administrator Thomas Cullen, Jr. offered a brief update of each branch of the Office of Spill Prevention and Response, touching on a few highlights. Further updates can be found in the report provided.

Congratulations to Dr. Mike Ziccardi, now Executive Director of the One Health Institute at University of California, Davis, as well as staying on as Director of the Oiled Wildlife Care Network.

Amir Sharifi is OSPR's new Branch Chief overseeing the Financial and Administrative Services Branch.

The Department of Finance is conducting its audit of the Oil Spill Prevention and Administration Fund. This is OSPR's operating fund that also supports the California State Lands Commission.

Field Responders and OSPR staff have adjusted to telework due to COVID as well as managing spill responses while performing many functions remotely.

COVID has decreased boardings of vessels at major terminals, consistent with what the Coast Guard is doing.

The County of Santa Cruz issued a proclamation that recognized our Marine Wildlife Veterinary Care Research Center who distributed more than 14,000 pieces of PPE to first responders when those items were in critically short supply.

OSPR has volunteered 14 staff members to be trained in contact tracing. Those assignments are 6-9 months in duration.

OSPR responded to the USS Bonhomme Richard burning in the San Diego harbor. The incident made it clear that more outreach needs to be done with the Navy in terms of working together on their incidents.

Final Refugio Consent Decree was recorded.

Looking at options with our per barrel fee that will offset the effects of inflation.

The annual meeting of the Pacific States British Columbia Oil Spill Task Force will be held November 18, 2020.

Mr. Matt Rezvani, TAC Chair

Please provide the TAC with a report on all the different kinds of spills OSPR receives in a year. It would be very helpful for all the members to get a feel for OSPR's activities.

Dr. Steve Hampton, Deputy Administrator, OSPR

OSPR has finalized its internal guidance document for coordinating with tribes both during spills and during preparedness – such as drills. We have a team of tribal outreach coordinators that serve as tribal liaisons during a spill, and we have Pete Barker in Outreach, who will oversee this group, coordinate and keep them trained up.

Mr. John Berge, Vice Chair

With the COVID pandemic, how is OSPR handling its drill and sensitive sight assessments?

Will OSPR personnel be responding to the wildfires debris cleanup as it did at Paradise?

Captain Thomas M. Cullen, Jr., Administrator, OSPR

Yes, OSPR has performed some site assessments and I will get back to you regarding the amount.

Dr. Julie Yamamoto, Deputy Administrator, OSPR

Given the structural losses experienced in northern California this year due to the fires, we do anticipate a request coming from CalRecycle asking for assistance.

5. **OSPR AND STATE LANDS COMMISSION BUDGET UPDATES**

Dr. Steve Hampton, Deputy Administrator, OSPR

Ms. Jennifer Lucchesi, Executive Director, CSLC

We continue to implement our modified inspection protocols and practices in light of the COVID pandemic and making sure we can maintain physical distancing and limit close interaction in exchange of paper and other types of materials during our inspections. We are maintaining an inspection program and have been since the beginning of the pandemic in March.

We are continuing to work with the DOF auditors in responding to their questions and helping them facilitate their audit of the OSPAF in coordination with OSPR.

We have completed the recruitment of an additional six inspectors in our marine environmental protection division. These are inspectors that go out and monitor transfers, and board vessels. We have completed the recruitment of those inspectors both in our Hercules office and in our Long Beach office. It has been very helpful just in maintaining our inspection program even with our modified practices.

I want to highlight that we are continuing to conduct our zero-based budget analysis for our OSPAF portion of the fund so that we can ensure that we are right sizing our program and our staff, in light of the stresses that are on the OSPAF. We have had some personnel changes in our budget division and so we are trying to keep up with all of that at this time.

Amir Sharifi, Branch Chief, Financial and Administrative Services Branch, OSPR:

The COVID pandemic significantly impacted OSPR's revenues for FY 19/20.

The projected low revenues for the year will significantly decrease the fund balance further.

Mr. John Berge, Vice Chair:

Can we get pdf's of these tables to look at with more depth?

Dr. Steve Hampton, Deputy Administrator, OSPR

They will be available on the TAC SharePoint site.

Mr. Matt Rezvani, TAC Chair:

The TAC would like to receive this kind of data from State Lands as well at the next TAC meeting.

**Dr. Steve Hampton, Deputy Administrator, OSPR:
Impacts of COVID 19**

Decline in barrel fee revenues.

OSPRs fee recoveries with the COVID shutdown has declined 22%, about \$800,000 per month in revenue erosion.

Mr. Gordon Schremp, California Energy Commission:

The actual decrease in amount of crude oil being processed in California refineries in the last 43 weeks amounts to 304,000 barrels per day.

Producers are using this time to reassess their business models. Refabricating facilities towards renewable fuels, or letting facilities go idle and simply become terminals.

Dr. Steve Hampton, Deputy Administrator, OSPR:

The future of the fund balance:

- Preexisting structural deficit of \$9 million a year

- Preexisting decline in oil use.

- COVID shutdown – loss of \$3 million last year and \$4-7 million in the current year.

- COVID shutdown impacts for last fiscal year and this current fiscal year combined looks to be in the \$7-10 million range.

- Do not believe that oil demand will ever fully recover due to increased telework.

- The transition to renewable diesel, driven by climate change and other government programs, is also a factor.

Renewable diesel is a source of concern as it is also harmful to the environment when spilled. It can be chemically identical to conventional diesel. It is a “drop-in” fuel and can be blended with regular diesel. The feedstocks for renewable diesels also pose risks to the environment and wildlife.

The way Lempert Keene is written no fee is collected on vegetable or animal oils. Environmental risks would be similar to those we face from petroleum, but there is no fee collected on renewable diesel.

Some of the things that will help the fund balance are:

- State employees 2 day a month furlough.

- OSPR is promulgating regulations for a non-tank vessel fee increase of 15%, hopefully to take effect July 1. 2021.

- OSPR has provided the Department, the Department of Finance, and our legislative analysts our assessments regarding issues with the fund balance and renewable fuels. It is in their hands at this point, but we are hopeful for a solution this year.

Dr. Julie Yamamoto, Deputy Administrator, OSPR:

OSPR is pursuing literature research to look at renewable fuel environmental impacts to the extent it has been studied and reported on. Our laboratories are also pursuing a study to produce chemical profiles of renewables and bio-fuels, and compare those against the petroleum products.

OSPR does anticipate renewable fuels to be chemically similar to the petroleum products meaning we will have similar kinds of effects and response challenges. Feedstocks that are used to produce renewable fuels can also spill and those present some different challenges in terms of threats to wildlife, habitats, and how we approach cleanup. OSPR does have past experience with that.

6. AGENCY BRIEFINGS

California Coastal Commission

Mr. Jonathan Bishop

Commission staff attended:

- Four Harbor Safety Committee meetings

- Four Area Committee meetings

- Quarterly Regional Response Team Region IX meeting. California Coastal Commission.

California Coastal Commission Oil Spill (CCC OS) program staff working with the BSEE, OSPR and the USCG on the Exxon Mobil OSRP update.

CCC OS working with OSPR's Natural Resources Damage Assessment (NRDA) staff and other stakeholders on the funding and implementation of restoration projects identified in the Damage Assessment and Restoration Plan.

New Legislation/Regulations

- AB 1197 (Limon) Spill Management Teams (SMT's).

- AB 864 New or Replacement Pipelines Near Environmentally Sensitive Areas in the Coastal Zone.

Mission Hospital Laguna Beach Diesel Spill (G-9-20-0032 and 9-20-0588)

On May 7th, 2020, approximately 2,100 gallons of red dye diesel fuel was released from a holding tank at Mission Hospital in Laguna Beach. The diesel entered the nearby storm drain, migrated under Pacific Coast Highway, and ultimately discharged onto the sand at the base of the bluff at Totuava Beach.

First phase of the cleanup (led by OSPR) included pressure washing the street surfaces and flushing the storm drain system. Phase two included recovery of all visible diesel fuel from the sand surface and removal of heavily impacted sand from the beach using hand tools.

An Emergency Coastal Development Permit (ECDP) was issued and authorized emergency development, consisting of removal of diesel fuel from the underlying groundwater table and excavation and removal of contaminated beach sand from Totuava Beach. The Applicant has since applied for a requisite follow up CDP (9-20-0588) in order to formalize completion of the cleanup and restoration.

San Francisco Bay Conservation and Development Commission (BCDC)

Ms. Linda Scourtis

BCDC staff participated in the June – October 2020 San Francisco Harbor Safety Committee (HSC) meetings.

Worked with the Harbor Safety Committee to update the Harbor Safety Plan

the oil storage problem is resolving, and vessels have been allowed to come into port due to increased oil demand from driving and airlines

Dredge Issues Work Group initiated regular monthly meetings to consistently review channel status through condition reports.

BCDC spill staff attended the virtual August 2020 Area Committee meeting.

BCDC Enforcement staff continue to participate in the USCG Abandoned Vessels working group as well as the Richardson's Bay Regional Authority and City of Sausalito efforts to improve navigational and open waterways.

Staff has joined an interagency team focused on an ongoing seep discovered near the Hyde Street Pier in San Francisco. As the owner of the property, the Port of San Francisco is working with USCG, USEPA, OSPR and the Regional Water Board to contain and remove the leaking product and in studying the chemical composition of the product itself.

California State Lands Commission

Mr. Chris Beckwith

2021-2025 Strategic Plan

Due to COVID-19 we delayed the release of our draft Strategic Plan. It will be presented at a future Commission meeting.

Staffing

The Commission's Marine Environmental Protection Division filled five (5) field staff positions and one (1) Marine Safety Supervisor position.

Oil Transfer Monitoring Statistics

For the months of June, July and August of 2020, staff monitored an average of 19 percent of oil transfers (214 of 1,119 transfers) conducted at marine oil terminals (MOTs) in California. This represents a decrease from 2019. The decline is due to both the impacts of COVID (shifting to make sure the highest priority transfer operations are inspected) on our monitoring as well as a shortage of personnel in both field offices.

Regulations Update

Staff has started the process of updating several sets of regulations including Article 5 (operations) and Article 5.5 (pipelines).

Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS)

Engineering staff reviewed multiple MOTEMS audit reports, designs, drawings and inspections related submittals from all 34 MOTs in California. MOTs in California continue to make substantial progress towards full MOTEMS compliance.

Staff also worked on our MOTEMS documents digitization project and defined the necessary processes for concise and accurate digitization of historical engineering physical and digital records.

Commission engineers are working with the Port of Los Angeles and several MOT operators on major rebuild and rehabilitation projects in the port. There are approximately 7 projects in various stages of permitting and design.

Prevention First Symposium

Prevention First is rescheduled due to the COVID-19 pandemic. The Commission is working with the venue and other stakeholders to set a future date for Fall 2021.

Platform/Island Safety Inspection Program

Inspectors continue to implement the Commission's monthly inspection program of offshore platforms and islands and onshore drilling and production facilities.

The facilities inspected comprise four offshore platforms, five manmade islands, and their related offshore pipelines, and includes onshore coastal petroleum production facilities.

Safety and Oil Spill Prevention Audit Activities

The safety audit of CRC Platform Emmy and the Huntington Beach drilling, production, and processing area began in August 2019. Fieldwork for the Safety Audit on Platform Emmy has been suspended due to COVID-19 physical distancing measures but is 90 percent complete.

Pipeline Inspection Program

During the second and third quarter of 2020 Commission engineers completed the following:

- Witnessed the hydrotesting of the two high- and low-pressure gas pipelines from Platform Emmy to Shore. Completed review of the tests and calculations of the data indicated the tests 'passed'.
- Reviewed the corrosion coupon reports for Platform Eva to shore pipelines.
- Reviewed and approved hydrotest procedures for the Platform Holly to shore oil and gas pipelines.
- Reviewed the pipeline preservation reports for ExxonMobil for platforms Hermosa and Harmony including corrosion coupons, residual corrosion chemical indices.

Structural/Facility Engineering Projects

Commission engineers continue to review and evaluate the structural adequacy for all platforms, causeways, and piers associated with the State offshore oil operations.

Rincon Well Abandonment Project

Driltek continues to make progress in abandoning the wells at the former Rincon leases. On the island, 45 of the 50 wells have been plugged. Onshore, 24 of the 25 wells have been abandoned, the wellheads and concrete well cellars have been removed, and the surface area has been graded.

Platform Holly Abandonment Project

In late August, the Commission and the City of Goleta hosted a virtual town hall to update the community, policymakers, and others about the status of the Platform Holly and Piers 421 decommissioning projects. ExxonMobil is currently developing an engineering plan to decommission the oil piers. The Platform Holly work remains paused because of the COVID-19 pandemic protocols.

California Geologic Energy Management(CalGEM) Uduak-Joe Ntuk, State Oil and Gas Supervisor

CalGEM is working on the draft rule for the oil and gas public health rule making. It was an item in the Governor's Executive Order in September.

DOF is completing their audit and evaluation of our underground injection control and well stimulation programs. The report will be issued by the end of this year. We will be working with the DOF to address their findings. This is a program improvement opportunity for us to enhance our UIC and well stem programs.

We have the standard audit rating procedures and upgrades to our WellSTAR IT data base system that we will be rolling out.

NOAA Emergency Response Division (ERD) Jordan Stout

Federal fiscal year just concluded at the end of September. This was one of our busiest on record, despite Covid.

One of the reasons we have been so busy is supporting international spills in support of the US State Department.

Operational Status:

ERD continues to provide remote incident support as usual, though routine travel remains suspended through at least January 31, 2021.

Mission essential/critical travel requires risk assessment & pre-approval, which may take 2+ business days before upper-level authorization.

Local field site visits require risk assessment & pre-approval, but may be quicker. Field office "re-integration" guidance has only just been released.

Current Training Status

We remain available to provide information & training as needed, but are currently limited to remote training situations.

NOAA spill tools

NOAA and our contractors have been creating Environmental Sensitivity Index (ESI) maps since the 1980s to describe & rank shoreline types by oil spill sensitivity and to pre-identify sensitive resources at risk and associated seasonality. Over the years, ESIs have evolved from hardcopy atlases to digital data, but production costs remain high. Judd Muskat presented at the first of four webinar sessions and several OSPR staff have been joining roughly 70 other federal & state participants from across the country to discuss how best to provide useful products in times of tight budgets.

Some NOAA spill tools have recently migrated to on-line user interfaces:

SoCal TAP – Trajectory Analysis Planners (TAPs) are an oil spill planning tool that provide statistically-derived spill trajectory outputs in specific areas, based on historic wind & current conditions.

United States Coast Guard

Mr. Timothy Holmes

New District Commander Brian K. Penoyer, District Eleven.

RT meeting was held October 21st. Exploring the use of MS Teams platform. Included a presentation on the USS Bonhomme Richard in San Diego.

Working on the line of demarcation for Region 9 USCG jurisdiction from the Oregon border to Mexico. That will go in the RCP document.

An Oil Spill Response Workshop is scheduled for March 2021, at the Hubbs SeaWorld Institute for our MEXUSPAC program.

Abandoned Vessel Guidance out on the NRT website.

HQ- National Response Team:

Commandant Office of Marine Environmental Response is doing analysis review to examine how well the CG is organized, trained and equipped to perform the marine environmental response mission. The main goal is to identify any shortfalls. The mission analysis review is going to involve interviews in discussion with CG units, individual CG personnel, federal partners and state partners. CG HQ will be reaching out to OSPR for some input. The final report will be submitted in May 2021.

Area Contingency Plans

2020 National Review Panel will be meeting again in 2021 to review ACPs. Los Angeles and San Diego have been reviewed by the panel. San Francisco is coming up in 2022.

The NRT continues to provide support for international requests. The newest request was for the vessel in Venezuela. NRT is involved with that.

There will be new guidance for international support.

7. BREAK FOR LUNCH

8. LEGISLATIVE AND REGULATORY UPDATE

Ms. Christine Kluge, Regulations Analyst, OSPR

Mr. Ryan Todd, Attorney, OSPR

Spill Management Team Certification

Revisions being made to proposed text after consideration of public comments received during 45-day comment period. Additional 15-day public comment period anticipated to commence in November.

Non-Tank Vessel Fee

OSPR to promulgate revisions to the regulations governing non-tank vessel fees. Proposed fee increase of approximately 15% to address the increased costs to administer a comprehensive non-tank vessel program and ensure best practices. Proposed clarification of tonnage, using the international measurement unless a vessel does not have one, in which case the domestic tonnage will be used.

Non-Floating Oil

A.B. 936 - Introduced by Assembly Member Rivas on 2/20/2019; approved by the Governor 10/12/2019.

Rulemaking documents being developed.

Regulatory Timeline: Pre-rulemaking activity with interested stakeholders anticipated by spring 2021.

Articulated Tug Barge

Revisions necessary to include specificity to the combinations of tanker and tank barge based on the mechanical connection system.

Revisions would allow articulated tug barges to operate as tank vessels for the purposes of tug escort assistance into LA/LB Harbor.

Regulatory Timeline: OSPR plans to commence rulemaking activity in 2021.

Other Initiatives

OSPR will be promulgating adjustments to the reasonable worst-case spill volume levels (RWCS) for inland production facilities, and associated adjustments in tier criteria. This will involve revisions to a number of regulations - contingency plans, financial responsibility, drills and exercises, spill management teams.

For inland production facilities, the new RWCS calculation will more closely resemble the volume of spills documented since OSPR's expansion to statewide.

The new proposal will be 50% of the storage capacity of the largest storage tank, or using a formula based on the existence of gathering lines within a quarter mile of state waters if there is no storage tank within a quarter mile of waters of the state.

Drill and SMT tier assignments for all plan-holders will be modified. The tiers for inland producers, while it will be adjusted according to reasonable worst case spill volume levels, and will potentially vault people to a higher tier, if the waters of the state that your facility is adjacent to are non-perennial, you will automatically remain in tier 3.

All plan holders will either stay in the same tier or fall to a lower tier with fewer regulatory obligations. The exception will be large inland producers who will have a higher RWCS based on the new storage tank-based calculation.

Mr. Joseph Cobb, TAC Member:

Can we see the data that supports the spill volumes at our next TAC meeting?

Legislative Update

Mr. Ryan Todd, Attorney, OSPR

AB 3214 (Limón) Oil Spill Criminal Penalties

This bill increased the criminal penalties in our Government Code for oil spills and is effective January 1, 2021.

Doubles criminal penalties to between \$10,000 to \$1 million for a spill, or other violations such as failing to cleanup, failing to follow directives, failing to report a disabled vessel.

Doubles criminal penalties to between \$5,000 to \$500,000 for other violations such as failing to report to OES, providing false information to OES, operating without a contingency plan, not following provisions of contingency plan.

Doubles criminal penalty for second or subsequent violations.

Creates an additional fine of up to \$1,000 per gallon spilled in excess of 1,000 gallons.

9. TRANSPORTATION FUEL TRENDS, AND EXPANDED USE OF RENEWABLES

Mr. Gordon Schremp, Energy Assessments Division

California Energy Commission

Transportation Fuel Outlook

California gasoline and diesel fuel demand has peaked and will continue to decline.

Gasoline has been going down primarily due to the electrical vehicle uptick.

Covid-related changing work habits – permanent teleworking

Diesel demand decline less steep

Near term displacement of fossil diesel with renewables

Longer term displacement due to medium and heavy duty zero emission vehicle (ZEV) requirements

Jet fuel demand recovery – several uncertainties

Pandemic driven flight curtailments – how long?

Portion of business class travel may not return

California refinery operations under pressure

Pandemic induced demand destruction

Regulations decreasing fossil demand and increasing capital costs.

California Gasoline Outlook

Gasoline demand declined 2.1 percent between 2017 and 2019

Despite continuously declining unemployment

A reduction of 21,500 barrels a day

Primarily driven by increasing penetration of zero emission vehicles (ZEV)

Gasoline demand during first two months of 2020 showed continued decline

Down 1.5 percent compared to the first two months of 2019 – pre Covid

On an annualized basis, another 15,000 barrels per day reduction
Compared to 2019

Projected gasoline consumption in 2020 down 17.7 percent or 178,000 barrels per day – pandemic related

Even if full recovery of gasoline demand to pre-pandemic levels assured by end of 2020, consumption will continue to drop as ZEV penetration grows.

Down 50,000 barrels per day by 2021 versus 2019

Down 120,000 barrels per day by 2024 versus 2019

Once business activity directives are relaxed/lifted, will fuel demand return to pre-Covid levels?

Will likely depend on whether productivity was maintained, and operational expenses could be reduced for some businesses

KMPG estimates 35 percent of U.S. jobs could be accomplished remotely

Gartner survey finds that 10 to 15 percent of employees could be permanently tele-working going forward

Potential business requirements for even greater percentages of tele-work, like Metropolitan Transportation Committee (MTC) proposal as part of their long-term regional blueprint for 60 percent tele-working for large companies in the greater San Francisco Bay Area

Will commuters stay away from more crowded mass transit?

So far, the very low transit ridership figures suggest there are ongoing concerns.

Bottom line – lingering Covid-related demand destruction impacts could push forecasted gasoline demand decreases even lower.

California Diesel Fuel Outlook

California diesel fuel demand declined 1.7 percent between 2017 and 2019

A reduction of 4,300 Barrels per day

Primarily driven by improving fuel efficiency of heavy-duty fleet

Includes renewable fuels in totals (biodiesel and renewable diesel)

Fossil diesel fuel consumption 21,100 b/d lower due solely to greater use of renewables

Compared to 2019

Projected diesel consumption in 2020 down 5.8 percent or 13,400 b/d – pandemic related

Even if full recovery of diesel fuel demand to pre-pandemic levels assumed by end of 2020, consumption will continue to drop through improved fuel economy – under a “high demand” scenario

This outlook does not take into consideration the latest proposal by the California Air Resources Board (CARB) requiring increased penetration of zero emission heavy-duty trucks (HDTs)

Begins with 2024 model year sales requirement, credit generation starts with 2021 MY

California Refiner Pressures

Demand destruction over-supply & associated potential storage containment concerns alleviated by temporary idling of Marathon's refinery in Martinez, CA.

California fuel supply adequate despite idling of facility

- Much lower jet fuel demand enables greater ratio of diesel output

- Adequate spare production capacity utilized

- Still only operating at 75-80 percent utilization

CARB Low Carbon Fuel Standard (LCFS) compelling greater use of renewable diesel fuel

- 17 percent of finished diesel fuel in 2019

- Could exceed 50 percent by 2022-23

- Gasoline portion of barrel far less impacted by drop-in replacements

Incremental export opportunities not a given

Increased competition from other refiners outside California

Potential decreased demand in Mexico

Additional costly refinery regulations

Renewable Fuel Developments and Outlook

Planned Refinery Modifications

Marathon and Phillips 66 have recently announced plans to convert their facilities to produce renewable transportation fuels.

- Primarily renewable diesel fuel

- Smaller quantities of renewable

Unlike biodiesel, renewable diesel is essentially identical to fossil diesel and is referred to as a "drop-in" fuel.

Once the conversion have been completed no additional fossil based crude oil will be processed at Phillips 66 in Rodeo, California.

Crude oil processing at Marathon-Martinez refinery was previously halted during early May 2020 as the refinery continued operating as a distribution terminal for gasoline and diesel fuel.

Changing Waterborne Activity

Marathon-Martinez refinery idling

- One-time step-down in waterborne crude oil. Deliveries

- Over time, continued decline of California oil production will necessitate additional replacement crude oil imports over the water

- Increased receipts of gasoline and diesel fuel from PNW and Southern California

Marathon and Phillips 66 refinery conversions

Incremental receipts of renewable diesel feedstocks for interim phase 1 conversions beginning 2021

9-25 thousand barrels per day

Additional receipts of feedstocks following completion of refinery conversion by 2024

74 thousand barrels per day more feedstocks

Likely decreased exports of diesel and gasoline post 2023 from Phillips 66.

Growing imports of renewable diesel fuel

Marathon – Dickinson refinery imports beginning late 2020 via marine vessel. Up to 14 thousand barrels per day

Other refinery renewable conversions and expansions will increase supply available for use in California's Low Carbon Fuels Standard (LCFS) program. It could increase imports by an additional 100 thousand barrels per day by second half of 2022. A portion of these imports could be delivered via rail tank car.

Renewable fuel marine imports

Imports of renewable diesel, biodiesel and Brazil ethanol via marine vessel normally are discharged at more than one destination in California.

3 to 4 discharge events per marine vessel

Crude oil and refined fuel imports normally discharged at one location, sometimes two

Mr. John Berge, TAC Vice Chair:

The move towards renewable fuels - how much of that is driven by compliance requirements in California versus the benefit from renewable energy products in the market?

Mr. Gordon Schremp:

You have consumer preference and demand for electric vehicles. Partly regulatory driven but also a consumer uptake is going on. The same is taking place on the refinery side. Companies see the landscape ahead - global climate change/greenhouse gas emissions - and they are making decisions on how they perceive they need to go forward. And it starts with more diversification and in time they will get more heavily into renewables. It is what makes sense in the long-term outlook.

10. NEXT MEETING AGENDA ITEMS AND SCHEDULE

Mr. Matt Rezvani, TAC Chairman

A Doodle Poll will be sent out to determine the best available dates during April.

Adjourn Meeting: 1:45 p.m.