Permit Streamlining for Petroleum Product Storage
&
Reducing California’s Petroleum Dependence

Senator Tom Torlakson
Hearing on Gasoline Prices & Production

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www.energy.ca.gov
Overview – Permit Streamlining for Petroleum Product Storage

• Introduction
• Study Methodology
• Typical Permitting Process
• Interview Responses
• Recommendations
Introduction

• Claims have been made that the permitting process for petroleum product storage facilities is contributing to a shortage of storage capacity

• Study objectives:
  – Identify bottlenecks and redundancies in regulatory processes
  – Develop recommendations to reduce the bottlenecks and redundancies
Three Classes of Permits

- Land Use
- Building
- Environmental
Two Important Acts

The California Environmental Quality Act (CEQA) of 1970
- CEQA ensures that state and local agencies consider environmental impacts prior to approving a proposed public or private project
- Conditional use permits and Authority to Construct air quality permits are actions subject to CEQA

California Permit Streamlining Act (PSA) of 1977
- The PSA sets time limits for issuance of permits and approvals by public agencies
- The PSA sets strict timelines for CEQA lead agencies to issue all necessary permits
Study Methodology

• The analysis was conducted in three phases
  – Phase I: Interviews with permit applicants and representatives of permitting agencies
  – Phase II: Regulatory research and analysis
  – Phase III: Final report, conclusions and recommendations
Permit Applicants and Permitting Agencies Contacted

- Permit Applicants
  - British Petroleum (BP)
  - Cenco Refining Company
  - Chevron
  - Coast Energy Group
  - Equilon/Shell
  - ExxonMobil
  - Getty Terminals Corporation
  - IMTT
  - Kinder Morgan
  - Kern Oil & Refining Company
  - Oiltanking Houston Terminal
  - ST Services/Shore Terminals LLC
  - Valero (Ultramar)
  - Tesoro Refining & Marketing Company
  - Vopak

- Permitting Agencies
  - Bay Area Air Quality Management District
  - California Air Resources Board
  - California Department of Fish & Game
  - California Office of Permit Assistance
  - City of Martinez
  - City of Richmond
  - Port of Long Beach
  - Port of Los Angeles
  - San Diego Air Pollution Control District
  - South Coast Air Quality Management District (SCAQMD)
  - Texas Commission on Environmental Quality
Typical Permitting Process

Pre-Application Meeting
Applicant & Permitting Agency

Preliminary Project Review
20 days
Planning Review Committee
1 week
PRC Comments

Preliminary Design Review
3-5 weeks
Design Review Committee
3-5 weeks
DRC Comments

Submit Application to Assigned Planner

Application Review by Planning Staff and other Agencies

Application Prepared by Applicant

Applicant Prepares Application

Application Review by Planning Staff and other Agencies

Application Deemed Complete

Incomplete Application

Application Deemed Complete

Key:
- Applicant
- Permitting Agency
- Time

Application Deemed Complete

Initial Study

Notice of Exemption

Hearing (Public or Administrative)

Notice of Exemption

Negative Declaration

Environmental Impact Report

PERMIT

Key:
- Permitting Agency
- Time
- Bottleneck

Approval

10 days
Denial

Appeal

Key:
- Time
- Bottleneck
Critical Path Permits

- Permits identified by applicants to be the principal causes of permit delays:
  - Conditional use permits, primarily in the Bay Area
  - Building permits, also primarily in the Bay Area
  - Air Permit or Authority to Construct from the regional air district mostly in the Los Angeles Area (SCAQMD)
Applicant Responses

- Lack of understanding and agreement on applicability: CEQA, and building and municipal codes
- Agency staff inexperienced on petroleum issues
- Duplication of environmental studies
- Multiple appeals by stakeholders
- Redundancy among local agency departments in building permit application review process
- Building permits often involve complex negotiations
- Best Available Control Technology (BACT) is a “moving target”
Agency Responses

- Applicants have a lack of understanding of CEQA applicability
- Applicants do not submit complete applications
- Lack of agreement on applicability and interpretation of building and municipal codes
- Applicants should contact local agency prior to start of permitting process to avoid surprises along the way
- Agency staffing and training
  - No funding to increase staff
  - Trained and experienced staff leaves for better jobs
- Some reforms have improved the air permitting process timeline for SCAQMD.
Consultant Recommendations

- Provide training and technical assistance to local agency staff to facilitate permit reviews and field inspections
- Reduce discretionary decisions by individual permit writers, especially at local level, to establish consistency in permitting process
- Eliminate practice of applicant and agency preparing duplicate environmental studies
- Modify appeals process to address issue of multiple appeals of agency decisions
Consultant Recommendations

• Involve stakeholders early in permitting process
• Applicant and agencies should hold pre-application conferences or “scoping” meetings to discuss how agencies’ specific rules will apply to their proposed projects
• Establish clear criteria for determining the “completeness” of permit applications
• Establish timelines and milestones for each permitting project
• Provide statewide authority for implementing and enforcing the timelines

- Establish a one-stop licensing process for petroleum infrastructure
- Include refineries, import and storage facilities, and pipelines
- Expedite permits to increase supplies of transportation energy products
- Maintain environmental quality
Overview – Reducing California’s Petroleum Dependence

• AB 2076 Legislative Direction to CEC and CARB
• Recommendations
• Extensive Public Process
• Development of Goals
AB 2076 Legislative Direction

• Forecast gasoline, diesel, and petroleum consumption in 2010, 2020, and at least to 2030

• Submit a joint CEC/CARB Report to the Governor and Legislature
  • A recommended strategy for reducing petroleum dependence
  • Statewide goals for reducing rate of growth in demand

• Examine feasibility of operating a Strategic Fuel Reserve (separate proceeding conducted by the CEC)
1) Adopt a statewide goal of reducing demand for on-road gasoline and diesel of 15 percent below the 2003 level by 2020 and maintain that level for the foreseeable future.

2) Work with the California delegation and other states to establish national fuel economy standards that double the fuel efficiency of new cars, light trucks and SUVs.

3) Establish a goal to increase the use of non-petroleum fuels to 20 percent by 2020 and 30 percent by 2030.
Goal Flexibility

• Should the federal government fail to implement a fuel economy standard that doubles on-road efficiency of new cars, the goal in statewide Recommendation #1 would need to be reassessed.

• A mix of non-petroleum fuels can be used to displace a fraction of future petroleum fuel demand in 2020 and 2030.
## Extensive Public Process

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Public Event</th>
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<tbody>
<tr>
<td>September 2001</td>
<td>• Workshop: Petroleum Reduction Options</td>
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<tr>
<td>January 2002</td>
<td>• Workshop: Program Overview, Demand Forecast, Reduction Options, Methodologies</td>
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<tr>
<td>February 2002</td>
<td>• Workshop: Methodologies, Preliminary Results</td>
</tr>
<tr>
<td>March 2002</td>
<td>• Workshop: Results for Reduction Options and Environmental Benefits</td>
</tr>
<tr>
<td>April 2002</td>
<td>• Workshop: Draft Report, Benefits of Reducing Demand for Gasoline/Diesel (Task 1)</td>
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<tr>
<td>May 15, 2003</td>
<td>• Workshop: Staff Draft Report, Reducing California’s Petroleum Dependence</td>
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<tr>
<td>June 6, 2003</td>
<td>• Joint Agency Hearing</td>
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Developing a Reduction Goal

• Best case scenario to achieve maximum and sustainable petroleum fuel reductions with net benefits

• Identify efficiency and non-petroleum fuel options with a positive net societal benefit

• Using options with positive merit, build a portfolio with the largest and sustainable reductions
Net Benefits of Fuel Efficiency Options and Scenarios

* Fuel Economy Option Scenarios are based upon 100% market penetration by 2014; others vary.

Note: These results are based on the best data available at the time of this analysis. Technologies are advancing quickly and future results may vary substantially.
Net Benefits of Fuel Substitution Options

Cumulative (2002-2030) Direct Net Benefit
Billion 2001 $

Biodiesel (20%)
Biodiesel (2%)
Fischer-Tropsch Diesel
LNG for HDVs
CNG for HDVs
CNG for MDVs
Ethanol Blend (10%)
E85 for FFVs
Low Cost FFV Fuel
LPG for LDVs
CNG for LDVs
Adv. Grid Con. Hybrid LDVs (20)
Adv. Grid Con. Hybrid LDVs (60)
Electric Battery City Car
Electric Battery LDVs
Gasoline Fuel Cell
Methanol Fuel Cell
Direct H2 Fuel Cell

Note: These results are based on the best data available at the time of this analysis. Technologies are advancing quickly and future results may vary substantially.
Example Petroleum Reduction Portfolio

Goal: 15% below 2003 Demand

[1] Near-Term Options
[2] Near-Term & FT Diesel
[3] Near-Term & FT Diesel & 40 MPG
Recommended Goals and Impact on Fuel Use

- **Goal:** 15% below 2003 by 2020 (excludes ethanol for oxygenates)

**Graph Details:**
- **Y-axis:** Billion Gallons of Gasoline Equivalent
- **X-axis:** Years from 2000 to 2050
- **Data Trends:**
  - **Gasoline and Diesel Fuel Use**
  - **Ethanol Fuel Use**
  - **Fischer-Tropsch Fuel Use**
  - **Hydrogen Fuel Use**
  - **Extrapolated Demand**

The graph shows the forecasted fuel use trends and the impact of recommended goals on fuel use from 2000 to 2050.