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Comment Received From: Steve Wallauch
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Crowley Maritime Comments on Price Spike Potential

Additional submitted attachment is included below.

PLATINUM | ADVISORS

September 5, 2023

California Energy Commission
Docket Unit, MS-4
Docket No. 23-SB-02
715 P Street
Sacramento, California 95814

RE: Potential Price Spikes caused by the interference of Air Quality Regulations on the Fuel Supply Chain

On behalf of Crowley Maritime, I would like to highlight for the California Energy Commission's (CEC) consideration the potential impact on fuel prices if ocean-going articulate tug barges (OG-ATB) are no longer permitted to operate in California.

Founded in 1892 in San Francisco, Crowley is a privately held industry leading U.S. maritime and logistics company, with 6,300 employees worldwide including 340 in California. Crowley's operations include significant energy distribution services in California via both ocean-going articulated tug-barges (OG-ATBs) and self-propelled tank vessels. These American-flagged Jones Act qualified vessels transport a combined capacity of 12 million barrels, navigating along the West Coast.

Under the existing Commercial Harbor Craft Rule that was adopted by the California Air Resources Board (CARB) in March 2022, any vessel configured as an articulated tug barge is considered a harbor craft regardless of the vessel's size or functional use. Despite being the functional equivalent of ocean-going tankers, Crowley's large OG-ATBs are arbitrarily excluded from the At-Berth Rule, the regulation applying to all other ocean-going tankers. Instead, these large OG-ATBs are mistakenly regulated under the CHC Regulation, as if they were harbor tugboats or other small vessels whose operations are confined to California's harbors. Crowley operates 9 OG-ATB along the west coast distributing a significant portion of California's fuel supply. Since these ocean-going vessels do not function as a harbor craft, the requirements imposed by the CHC rule will prohibit the operation of OG-ATBs in California.

The removal of Crowley's OG-ATBs from California will have an adverse impact on an entire sector of the maritime industry and a substantial disruption of interstate commerce, particularly in connection with the interstate trade of clean petroleum products. A substantial portion of liquid cargoes currently carried by OG-ATBs are transported between California ports or between other U.S. States and California. Based on 2019 data, 69.7% of petroleum cargoes carried by OG-ATBs were loaded in California and 96.6% were discharged in California. A further 30.1% of cargoes

carried by OG-ATBs were loaded in Washington and Texas. Annually, OG-ATBs currently carry at least 15%, by volume, of the total clean petroleum products transported by sea to and from California. To our knowledge, the availability of other appropriate vessels to replace these OG-ATBs does not exist.

Crowley has petitioned CARB to address the conflict between the CHC Rule and the exclusion of OG-ATBs from the At-Berth Rule. Without a timely resolution of this petition, eliminating the use of these OG-ATBs will disrupt fuel supply in California which would lead to price volatility. Longer term solutions without OG-ATBs would be more costly and increase greenhouse gas emissions. In light of this, the Fuels Assessment being conducted by the CEC should consider the potential price spikes associated with the implementation of the CHC Rule.

If you have any questions, or need additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Wallauch", written in a cursive style.

Steven T Wallauch
Legislative Advocate

CC: Clayton Heil, Vice President, Global Government Relations, Crowley
Art Mead, Vice President, Chief Counsel, Crowley