

Oil refineries, environmentalists clash over plans

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Valero's Benicia refinery rail project would give the region's refineries a way to bring in oil from states such as North Dakota. Photo: Gregory Bull, Associated Press

To oil company Valero, adding rail lines to its Benicia refinery represents a way to tap cheap, domestic crude by train, cutting costs and tanker traffic on the bay.

To environmentalists mobilizing to stop the project, it's a potential entry point for low-grade oil from Canada's tar sands, and a possible health threat.

Valero's proposed Crude by Rail project is just one of several planned changes at the Bay Area's oil refineries, the second-largest refining cluster on the West Coast behind the Los Angeles area.

Some of the proposals involve upgrading equipment to facilities that have cranked out gasoline, diesel and other products for decades. Others, like Valero's, would boost access to crude moved by rail, giving the region's refineries a way to bring in oil from states such as North Dakota, where production is booming.

The companies see these projects as distinct and different. But environmentalists view them as linked, saying all the projects would help either import or refine heavy, "dirty" crude from the oil sands. And they want Bay Area regulators to stop the projects, at least temporarily.

Cumulative impact

On Wednesday, representatives from the Sierra Club, **Communities for a Better Environment** and several other environmental groups asked the Bay Area Air Quality Management District to halt the oil projects until their cumulative impact on the region's air can be studied.

"Big Oil has big plans for the Bay Area," said Andres Soto with **Communities for a Better Environment**, addressing the district's governing board. "They're trying to sneak this stuff in the side door, the back door, any way they can."

The district is in the midst of reviewing permit applications for some - but not all - of the projects. Each project must also win approval from the city in which it is located.

The oil companies say that their opponents are mischaracterizing facility upgrades that, in some cases, could improve air quality.

Valero, for example, contends that the rail project would actually cut greenhouse gas emissions associated with the refinery. The project would reduce ship deliveries by 70 percent, said Chris Howe, director of health, safety and the environment for Valero's Benicia refinery.

"The emissions from these ships are greater than from the trains, so this would be an environmental benefit," he said. Howe also disputed that the facility would be importing tar sands crude. Instead, it would access domestic oil produced from formations such as the Bakken Shale in North Dakota. Such oil currently sells at a discount to other forms of crude, because there isn't enough pipeline capacity to carry it from the High Plains to shipping terminals on the coasts.

"We don't have, in our project, the ability to process tar sands crude," Howe said.

One other Bay Area project could increase the flow of crude oil by rail, although it isn't tied to a specific refinery. A company called WestPac Energy wants to upgrade and reopen an old oil-shipping facility in Pittsburg that has been closed for years, a facility that could move crude by sea or train.

Chevron, meanwhile, has been trying for years to upgrade parts of its Richmond refinery, replacing the hydrogen plant and improving the facility's ability to remove sulfur from crude. A lawsuit brought that project to a halt in 2008. And following last year's explosion at the refinery, the upgrade's future remains in doubt.

The Phillips 66 refinery in Rodeo, meanwhile, is seeking permits for a project that would help the facility recover propane, butane and sulfur and reduce flaring.

Pollution fears

Environmentalists fear that the projects, together, would allow Bay Area refineries to buy and process grades of crude that have higher concentrations of sulfur and toxic metals. That, they say, could increase air pollution. And they oppose development of Canada's oil sands as a threat to the climate.

"We need to put a stake in the ground and say we're going to make sure things don't get worse," said Nile Malloy, with Communities for a Better Environment.

Walt Gill, government affairs manager for the Chevron refinery, said the upgrade project isn't designed around the tar sands. According to the district staff, the refinery's managers have committed to no net increase in emissions as a result of the project.

"It's not about refining heavier crude, because it would not change the slate of crudes that we process," Gill told the district board. "It's not about refining unconventional crudes."

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