



April 24, 2014

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Sent via E-mail

Subject: Stakeholder consultation on federal rail liability and compensation regime

Valero Energy Inc. wishes to offer its perspective in the context of the current Stakeholder consultation on federal rail liability and compensation regime and appreciates the opportunity to do so, given the critical importance of our business operations.

Valero is the largest independent refiner and distributor of petroleum products in the world. Its assets include 16 refineries located across the United States from the West Coast to the Gulf of Mexico, as well as in Canada and the United Kingdom, with a combined throughput capacity of 3 million barrels per day. Through Valero Energy Inc., its wholly owned subsidiary in Canada, it owns and operates the Jean Gaulin refinery in Lévis, which has a refining capacity of some 265,000 barrels per day, along with several other logistics infrastructures, including the Montreal East oil terminal, the most important of its kind in Canada, as well as the Pipeline Saint-Laurent that links the Lévis refinery and its Montreal facilities. Valero's operations make it a leader, among others, in the field of industrial and commercial sales of petroleum products, and as a supplier to resellers and independent distributors, as well as Ultramar and Valero branded distributors. Valero Energy Inc. is a major employer in Eastern Canada, in terms of direct and indirect employment it generates. Valero is also an important user of the Canadian rail transportation system, enabling it to move safely and efficiently a significant portion of the crude oil that feeds its Lévis refinery, as well as finished products destined to various locations across Eastern Canada and Northeastern USA.

Valero recognizes and fully agrees that it has the responsibility of ensuring a safe containment of the raw material and refined products that it ships. Our company has in the past and will continue to adhere to best practices, work in collaboration with the authorities on the improvement of standards and legislations, and comply (and even exceed in some cases), despite some challenges, with evolving regulatory requirements pertaining to rail cars. Furthermore, Valero actively participates in emergency response planning with transporters and invests in its own facilities to reduce risks at the source and ensure the appropriate level of preparedness. Its competence with regards to hydrocarbon spill and fire management is recognized by authorities and third parties, as Valero staff's support has been solicited to help fight and extinguish fires or manage spills and other incidents on offsite locations even though we have no responsibility in these events.

We do also strongly believe that that the current regime with responsibility lying with the party which has the control and custody of the substances being carried should continue to apply. This implies that during the transportation phase, the rail transporter bears this responsibility and has the duty to ensure

carrying a sufficient insurance coverage. Should insurance premiums increase, the market will adjust and the “user pays” principle will continue to apply. It is to be noted that Valero Energy Inc.’ experience in the Canadian context is currently limited to Category 1 transporters.

We understand the intent of the Canadian Government to ensure that the Category II and III transporters be sufficiently insured while continuing to benefit from an “affordable” access to the appropriate level of insurance coverage, in light of the tragic events of Lac Mégantic, and their repercussions. However, we do not support the concept of a “super fund” as it creates inequities between shippers who may (or may not) be using the services of such Category II and III transporters at various degrees, which goes against the principle of “user pays”. Instead, we recommend that the smaller carriers (categories II and III) be subject to a form of collective insurance coverage (mutualization of the risks) in order for them to get access to an extended coverage, at a reasonable cost. For those same Category II and II transporters, it may also be considered that the concept of a bond be applied to hazardous / dangerous goods shipments, as resulting additional costs would be passed through the system.

We hope these comments will help you in the process of elaborating the revised policy and remain available, should you have any question on these matters.

Best regards



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Valero Energy Inc.