

CARB Low Carbon Fuel Standard

March 2010

WSPA Outline of Considerations in the Development of a Screening Process for Crude Oils

Background

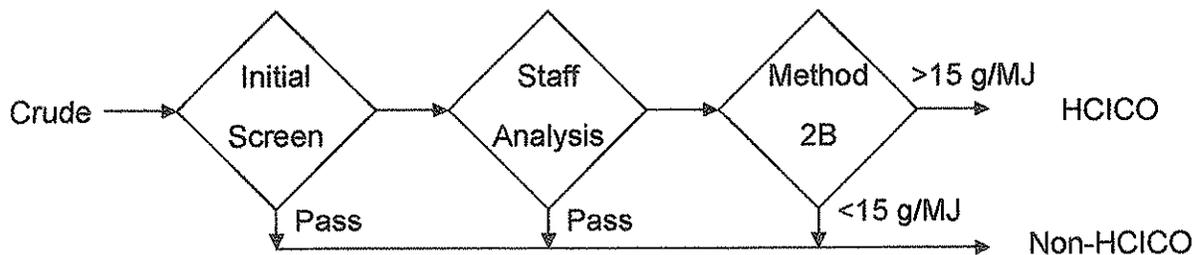
In the LCFS regulations, CARB effectively established three categories of crude oils: 2006 California Baseline crudes (identified in the staff report), non-2006 baseline crudes that are high carbon intensity (HCICO) and non-2006 baseline crudes that are not HCICO (non-HCICO). The regulations set the dividing line between HCICO and non-HCICO at 15.0 g/MJ for the crude production and transportation steps of the pathway.

Unfortunately, the regulations do not describe how a regulated party is to determine into which category non-2006 baseline crudes fall. The intent of the screening process proposed by staff is to identify those crudes with CIs above 15.0 g/MJ, thus enabling the development of lists of HCICOs and non-HCICOs.

The Proposal

The simplest approach would have been to perform a lifecycle analysis on every non-2006 baseline crude of interest to determine whether its CI is above or below 15.0 g/MJ; however, this would also have been the most resource intensive approach. Given the expectation that most non-2006 baseline crudes will have CIs below 15.0 g/MJ, CARB is proposing that an initial screening step be employed. This initial screen is intended to identify crude oils that are well below 15.0 g/MJ and therefore do not merit additional scrutiny.

Below is a diagram of the CARB proposal:



As a crude advances through the process, each step increases in rigor, precision and time required to complete. A crude can be deemed a non-HCICO at any step in the process, while a crude would have to complete all three steps in order to be deemed a HCICO.

In designing the initial screen, competing factors must be balanced. In identifying potential HCICOs, a false negative (i.e., falsely identifying an HCICO as a non-

HCICO) may be more serious than a false positive, since the false positive can and should be rectified in the second step. However, making the initial screen overly difficult will reduce its effectiveness in easing the burden on CARB staff and industry and have the unintended consequence of further promoting crude oil shuffling since importers may choose to avoid the complications of the subsequent analytical steps by limiting the types of crude oils imported to CA.

Stakeholders in this process should bear in mind that the intent of the initial screen is not to make a precise determination as to whether a given non-2006 baseline crude is or is not an HCICO. Some considerations when developing the screening process include the following principles:

- Crude categorization should be consistent with methodology used in 2006 baseline determination and as was done in the baseline calculation should cover crudes from as large a region as appropriate, such as by country, but crude categorization should not be smaller than by marketed crude name.
- Screening process should be quantitative, and should be limited to screening criteria that can be readily assessed or determined using public data, e.g. CEC, EIA, Oil and Gas Journal, where possible.
- Should fully credit all types of GHG reduction or control programs in other production jurisdictions.

Using these principles, the initial screen should identify those crudes that are obviously not HCICOs. Those not identified as non-HCICO's, by the screening process, then have the ability to demonstrate whether they are above or below the 15 gCO₂/MJ threshold by utilizing the remaining ARB staff analysis or Method 2B processes.