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Mr. John Curtis,  
Alternative Fuels Section  
Criteria Pollutants Branch  
Stationary Source Division  
California Air Resources Board  
1001 I Street, 6th Floor  
Sacramento, CA 95812  
*Via electronic mail*

**Re. Low Carbon Fuel Standard (LCFS) – Treatment of Crude Oil**

Dear Mr. Curtis:

The Western States Petroleum Association (WSPA) is submitting comments relative to the treatment of crude oil that is part of the ongoing LCFS implementation effort. Specifically, we want to address our views on the Crude Oil Screening Work Group's efforts.

We have provided four overall points in the first part of the letter that discuss our general thoughts on how crude oil should be handled under the LCFS, and the ongoing process being followed by staff. The second part of the letter focuses on WSPA's proposal on a crude oil screening process under the LCFS. We ask that this proposal receive adequate consideration by ARB and the Work Group.

**General Comments**

**Crude Oils Should Not Be Differentiated**

WSPA continues to support the concept that all crude oil should be given the same average value. Differentiation between crudes only results in shuffling of crude oils to comply with the program and will certainly result in additional GHG emissions. As such, we reiterate our recommendation that all crudes be given the same average carbon intensity (CI) value.

**Future Production**

WSPA strongly believes that future production from the same geographical areas and using the same techniques as represented in the 2006 California baseline, are extensions of that baseline and should receive the same treatment. As a result, new fields in California, Alaska and the countries identified in the staff report should be considered to be part of the 2006 California baseline and not be subject to the screening process.

## Implementation of the Current Regulations

Given that the regulations currently call for differentiation of crudes that are not included in the 2006 baseline into high carbon intensity crude oil (HCICO) and non-HCICO categories, WSPA has been working with staff and other stakeholders in the HCICO Workgroup to develop a process to make the necessary categorizations. These categorizations are vital to a refiner's ability to make decisions regarding the acquisition of non-2006 baseline crudes with certainty. With 2011 fast approaching, it is critical that the workgroup completes its task as soon as possible.

Identification of non-HCICOs and possible HCICOs impacts refiners in two ways: 1) it provides certainty in crude evaluation, selection, recordkeeping and compliance; and 2) it identifies which crudes may require a Method 2B process in order to obtain Lookup Table values for the CARBOB and diesel produced. The need for approval of a Method 2B application for HCICOs greatly intensifies the time pressure, since the longer the workgroup takes to identify possible HCICOs the more likely it becomes that the lack of Lookup Table values will affect refinery operations next year.

In an effort to help move the HCICO Workgroup along, WSPA has developed the attached proposal for the structure of the screening process. The emphasis is on a simple, easy-to-implement initial screen that should identify clearly non-HCICO crudes using publicly available data. A second step is intended to provide an ability to identify instances in which the data used in the first step were inaccurate. A third step allows for a more detailed analysis and estimation of the crude CI in cooperation with ARB staff. Finally, the Method 2B process would be required for crudes that were not determined to be non-HCICO in the first three steps.

## Retroactive Application of Carbon Intensity of Re-classified Crudes

Given the complexity of determining the carbon intensity of hundreds of crude oils there is the potential that a carbon intensity determination of a crude that would designate it as a non-HCICO could, upon subsequent examination, result in it being re-classified as a HCICO. Should this re-classification occur, the regulated party using this crude shall use the new carbon intensity of the crude oil from the date the reclassification of the crude becomes final by ARB. The re-classification value should not be applied to the crude retroactively.

## ARB Modeling Proposal

WSPA supports the concept of the development of a model, ideally based on publicly available data, to predict crude carbon intensity. We do understand, however, that some data may not be publicly available. Such a model would be a useful tool in preparing Method 2B applications, and ARB should consider such a model as an option for satisfying some of the requirements included in the current guidelines. However, such a model should be only one option for preparing a Method 2B, and the ability to perform analyses outside of the model must be maintained. A model's applicability to the screening process is less clear. The timing would definitely not fit with our current needs, and steps would need to be taken to ensure any changes in the conclusions of the original screening work would not affect compliance reporting done based on the original screening.

2.

## **CARB Crude Oil Screening Process - WSPA Proposal**

### **Step 1: Non-HCICO Identifiers**

ARB staff has suggested three non-HCICO identifiers. WSPA supports versions of two of them, but not the third. Our recommended identifiers:

1. Crude oil produced using recovery techniques that contribute less than “x” gCO<sub>2</sub>e/MJ to the production and transportation CI for the crude. ARB will develop a list of recovery techniques that exceed “x” gCO<sub>2</sub>e/MJ based on staff analysis of publicly available data. Crudes produced using recovery techniques other than those on that list will be deemed to have passed this test.
2. Gas flaring at a rate less than “y” scf/bbl, where “y” is the gas flaring rate corresponding to “x” gCO<sub>2</sub>e/MJ.

The above tests should be applied to crudes that are not part of the 2006 baseline and be based on the marketing name of the crude, using the best information that is generally applicable for that crude name. If field-level data are to be used, they should be aggregated to correspond to the marketing name of the crude.

The value of “x” should be based on the difference between the HCICO “definition” (15 gCO<sub>2</sub>e/MJ) and the CA-GREET CI for crudes produced using primary recovery techniques. The idea is that unless the recovery process or flaring rate add at least “x” to a crude oil’s production and transportation CI, it is unlikely to exceed 15 gCO<sub>2</sub>e/MJ. The two tests can be applied independently, since high flaring rates would not be expected to occur simultaneously with high CI recovery techniques due to the likelihood that the gas would be used to provide energy for the recovery technique.

WSPA does not support any additional indicator of low production intensity, due to concerns that such data are not scientifically defensible, are not readily available, and a belief that such indicators will not approach “x” gCO<sub>2</sub>e/MJ and thus not constitute a significant CI effect. To provide guidance to industry, ARB shall publish and maintain a list of those crude oils determined to be non-HCICOs.

### **Step 2: Appeal of Step 1 Findings**

Should a crude be designated as a possible HCICO in Step 1, an applicant would be permitted to produce data, relative to the above identifiers, to indicate special circumstances for that crude that might result in passage of the test(s) that was(were) failed. Such circumstances should include carbon mitigation activities required by the jurisdiction in which the crude is produced. ARB staff would judge the adequacy of the data and either change or confirm the Step 1 designation. The data may be provided on a confidential basis in order to protect proprietary information. If the appeal process results in a finding that the crude is a non-HCICO, this finding should be made public by adding this crude to the ARB-maintained list of non-HCICOs.

Step 3: Determination of Crude CI

For crudes deemed to be possible HCICOs after Step 2, an applicant will perform an analysis to determine the production and transportation CI for that crude oil. ARB staff will evaluate the adequacy of the analysis and accuracy of the CI determined. If the CI is determined to be less than or equal to 15.00 gCO<sub>2</sub>e/MJ, that crude will be designated as a non-HCICO. The data may be provided on a confidential basis in order to protect proprietary information. If the determination results in a finding that the crude is a non-HCICO, this finding should be made public by adding this crude to the ARB-maintained list of non-HCICOs.

Step 4: Method 2B

For crudes deemed to be possible HCICOs after Step 3, an applicant will enter into the Method 2B process in order to develop lookup table values for CARBOB and Diesel derived from that crude, including a full public process, hearing, and reporting of findings by amending the appropriate ARB maintained lists of HCICO and non-HCICOs.

Sincerely,

*Gina D. Grey*

c.c. R. Corey – CARB  
J. Duffy – CARB  
F. Vergara – CARB  
R. Littaua – CARB  
G. Schremp - CEC