MACPHERSON ENERGY
CORPORATION

July 24, 2014

Jim Duffy
California Air Resources Board
Stationary Sources Division
P.O. Box 2815
Sacramento, CA 95812

Subject: Macpherson Oil Company Comments Regarding Proposed Low Carbon Fuel Standard (LCFS) Provisions for Use of Innovative Technologies for Crude Oil Production

Dear Mr. Duffy:

As indicated in our earlier comments regarding the March workshop, Macpherson Oil Company understands the need to reduce carbon emissions from petroleum based transportation fuels and supports CARB's efforts related to the Low Carbon Fuel Standard (LCFS) regulation. In addition, Macpherson supports CARB staff's efforts to develop changes to the LCFS regulation that will provide credits for the use of innovative technologies in crude oil production. However, it appears, as discussed below, that the proposed regulatory language released in conjunction with the July 10th workshop requires several modifications in order to better incentivize innovative technologies.

The first issue with the current staff proposal is the eligibility criteria related to the implementation date of an innovative crude oil production method. Macpherson recommends that the 2015 date in draft §95489(d)(1)(B) be changed back to the originally proposed date of 2010. Although Macpherson recognizes that the impact of all innovative production methods in reducing carbon emissions will be reflected in the CI values assigned to the crudes produced, we can see no rational for incentivizing new implementations of innovative methods without also providing the same rewards (e.g. credits) to producers who were earlier adopters. In addition to unfairly penalizing early adopters, failure to provide incentives for methods implemented before 2015 could lead some producers to delay implementation of planned projects and others to terminate use of existing methods - both of which would be counterproductive to the goals of the LCFS.

A second, related issue, is that CARB staff should make the LCFS credits provided for use of innovative methods retroactive to the date on which the method was implemented, or January 1, 2010 whichever is later, provided that:

1. CARB ultimately approves the producers application,

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2. The producer can demonstrate that there have been no material changes to the method between the date of implementation and application approval, and

3. The producer has the records required to calculate the associated LCFS credits and, to the extent the producer elects not to opt-in as regulated entity, can identify the refiner that should receive the credits.

We believe that these changes could be easily made through revisions to the language in draft §95489(d)(1)(B).

The third issue is related to the threshold criteria in draft §95489(d)(1)(D). While Macpherson understands the need for a threshold, we believe that it should be set a relatively low level and recommend that the threshold in §95489(d)(1)(D)2. be reduced from 5,000 to 1,000 metric tons CO_{2e} per year. Given that the purpose of the innovative method credits is to incentivize implementation, the threshold needs to be set low enough to encourage producers to implement the small scale projects that will allow them to gain the confidence required to implement much larger scale projects.

In summary, Macpherson supports CARB's efforts to reduce the carbon intensity of transportation fuels through the LCFS regulation and hopes that CARB staff will make the changes recommended above to ensure that the regulation provides appropriate credit for the use of innovative technologies in oil production.

Sincerely,

John T. Miller
Senior Vice President
Human Resources & Government Relations