



BP America, Inc

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Via Email

Sam Wade
California Air Resources Board
1001 I Street, Sacramento, CA

Re: BP Comments on CARB's December 2, 2016 LCFS Workshop on Fossil and Renewable Natural Gas in the LCFS

Dear Sam:

BP has been active in marketing biomethane in the state of California to compressed natural gas (CNG) and Liquefied Natural Gas (LNG) transportation fuel consumers - in support of the objectives of the LCFS program. Given our visibility with many fossil gas customers, we believe BP is well positioned to contribute to this dialogue, and we appreciate CARB's willingness to consider our input.

Fuel Reporting Units for CNG & L-CNG Reporting

For CNG and L-CNG transportation fuel, there are currently extra conversion steps before facilities can enter volumes into the LCFS Reporting Tool (LRT). The regulation currently requires CNG and L-CNG facilities to enter volumes in standard cubic feet (scf) at Low Heating Value (LHV) into the LRT. However, in the gas marketing industry it is conventional to track gas flows in units of dekatherms (dth) or therms when working with pipelines. Facilities apply two conversion factors from the LCFS regulations to translate dekatherms into scf and Higher Heat Value (HHV) to LHV.

We support the direct entry of therms/dekatherms at HHV in the LRT for credit generation because it allows for cleaner record keeping and consistent documentation between the LRT and relevant pipeline records. Though this is a small and simple change, BP believes this proposal is beneficial for our customers and all users of the LRT.

Addition of North American Fossil NG to CNG to the Lookup Table

In order to model pathway carbon intensities for North American fossil natural gas, the regulation currently requires user specific inputs for 1) transmission distance from the origin to the fueling facilities, and 2) energy use for compression at the fueling facility.

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We believe the added detail of this exercise for fossil natural gas has led to longer certification times and unnecessary verification checks. It has been BP's experience across numerous customer pathways that there is not material variation across facilities to warrant the difference in calculation and the additional verification steps required to use a facility specific CI. Therefore, for fossil natural gas pathways, BP supports returning to the uniform lookup table CI's and eliminating the facility specific CI's.

Third Party Aggregators

The current regulation designates fossil CNG fuel retailers as regulated parties if they choose to opt-in to the LCFS program. CARB states that smaller CNG fuel retailers and fleets would like to participate in the LCFS program, but find it difficult due to the limited resources associated with a business of their size. These smaller retailers also face barriers to participation because the large suppliers of renewable natural gas need sizeable end users in order to achieve an economic business model. BP agrees that there has been minimal growth in the transport CNG market outside of large fleets that are already receiving renewable natural gas and generating credits. To support the objectives of the LCFS, CARB should develop a route by which smaller retailers can more easily be included in the program.

CARB's proposal to allow aggregators to operate on behalf of smaller retailers aligns with the objectives of the LCFS because aggregators expand the potential CNG retail market available for larger parties, like BP, to supply renewable gas. Through aggregators, smaller retailers will have a route by which to participate in the credit generation process which will lead to greater volumes of biogas serving the transportation needs of California. In addition to greater volumes of biogas being consumed by the transportation sector in California, the aggregator model can simplify credit generation which can also result in more timely credit generation and better market transparency to the actual volumes of both biogas and LCFS credits available for sale or compliance.

Tracking the Renewable Attributes of RNG – Balancing Period

When biomethane is imported into the state of California in quantities greater than the volume of CNG dispensed to the transport market, current CARB protocol allows the biomethane to be tracked until more CNG consumption becomes available. The time before more consumption becomes available is not a well-defined period and can be as short as a day or as long as many months. CARB is proposing to limit the carryover to one month of biomethane injected into the common carrier pipeline. BP strongly believes this will have adverse effects on LCFS program participation.

The proposed carryover limit will immediately create significant protocol differences across programs - as the Renewable Fuel Standard (RFS) has no such time limit on carryover. Biomethane importers that continue to operate in both the RIN and LCFS markets will have different flows to report, leading to more inefficiency and greater error potential. The lack of operational flexibility compared to the RFS program may incentivize biomethane supplies to sell their gas into other states or alternative markets when faced with losing the additional economic benefit of LCFS credits.

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It should be noted that this topic covers two scenarios, one where a CNG facility encounters planned/unplanned outages, such as maintenance or weather events, and where the biomethane needs to be carried over in the short term. The latter scenario is where a pathway is awaiting registration approval from RFS/LCFS programs and is delayed only by the program administrator. This time period has taken upwards of 1 year for some registrations, particularly as the renewable gas space has grown. Producers should not be penalized for such delays. Limiting this carryover significantly reduces flexibility when both the producer and the environmental programs need it most - in the early stages of startup and growth.

We would like to highlight that “carryover” is likened to a storage mechanism very familiar to many other commodities and energy accounting. As long as production pipeline statements are used to verify biomethane injection, the tracking of production and usage does not pose any material risks for error.

Tracking the Renewable Attributes of RNG –General Points

To reduce the risk of double counting renewable attributes, CARB is proposing other measures as follows.

- CNG facilities reporting total dispensed CNG and renewable CNG into LRT, whereas they currently report only renewable natural gas by fuel pathway code.
- Annual attestations of no double counting by all entities in the chain of custody of renewable attributes.
- Biogas importers required to maintain agreements with all entities in the renewable attribute chain of custody for access by CARB and third party verifiers to review LCFS compliance.
- In cases where a biomethane producer sells to more than one entity, record keeping requirements would be available for verification by CARB or third party verifiers whether or not they are used in California for transportation fuel.

BP supports the goal to monitor compliance and feels that a verification program with qualified third party verifiers is in the best interest of the program. None of the general suggestions bulleted above appear particularly problematic given the current rigorous standards by which BP and our partners operate. As an example, BP contractually requires full compliance record keeping and cooperation across the chain of custody for participation in environmental programs. Nevertheless, we would like to emphasize that policies that require both CARB and third party verifiers to check the same information will become overly burdensome and inefficient. In our experience under the RFS program, third party verifiers have been sufficient to provide assurances to both regulators and market participants on the compliance rigor used.

For more detail on the topic of verification, BP will be providing separate feedback through other channels as this issue is inclusive of all fuels in the LCFS program, not just renewable natural gas specific.

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As always, please feel free to contact me if you wish to discuss these comments in more detail.

Sincerely,

Ralph J. Moran
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