



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 February 7, 2017 LCFS Workshop on Co-Processing of Biogenic Feedstocks in Refineries

Dear Sam:

BP appreciates the opportunity to provide feedback on the California Air Resources Board (CARB) Low Carbon Fuel Standard (LCFS) Co-Processing workshop on February 7, 2017.

BP has experience with co-processing of bio-genic feedstocks within its refining operations across three continents. As such, we take great interest in the development of regulatory incentives that may encourage participation within this field. We wish to make the following comments regarding the February 7 public workshop.

Work Group Objectives

BP wishes to reiterate comments made in our letter of January 16 in that the work group objectives defined for Co-Processing of Biogenic Feedstocks in Refineries is too narrow. In focusing solely on what goes on within the refinery, the regulation would miss the big picture on how to encourage co-processing adoption and make credit generation accessible while recognizing there is often a fungible supply and logistics system through which liquid fuels access the market.

Other than acknowledging our comments in the second co-processing workshop held in February, it would appear there has been no change in direction in this regard and as such we wish to reinforce our proposal as follows.

The Case for Mass Balancing Co-Processed Biofuel within Supply and Logistics

The current requirement for both Biogas and Green Electricity sourced from outside of California is to enter a fungible system with an end usage within California. They are mass balanced against a sale within the state in order to generate LCFS credits and have no need

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for separate pipelines or electricity grids in order to qualify. The physical molecules/electrons are not required to be imported into CA in order to qualify for credits, just the tracking mechanism of sale within the state as stated above.

We would propose that co-processed renewable diesel should use this same model as described above, but given that mass balancing is not recognized in the current regulations, when a diesel sale is made in state, the only way to qualify is through segregated logistics. This is extremely inefficient and is also inequitable with existing arrangements for the treatment of gas and electricity elsewhere in the regulation.

Renewable diesel is chemically interchangeable with ULSD and from a regulatory and product speciation perspective it has the ability to be treated as a drop in fuel with ULSD. As such, we propose that co-processed renewable diesel volume entering the domestic market (i.e. the same volume that would qualify for RINs), should be treated using similar principles as those applied to biogas and green electricity in how they could qualify for LCFS credits.

A mass balance approach to co-processed renewable diesel would allow LCFS credits to be generated from refineries supplying into an unsegregated, fungible supply and logistics system but allow LCFS credit generation from sales made within California.

Record keeping for qualifying domestic volume tracking would mirror RFS requirements, and auditing would provide assurance that credits aren't being double dipped with other state programs.

Examples of the benefits from adopting such an approach would be as follows:

- For integrated refiners that are regulated parties within the CA LCFS program, it encourages investment in GHG reduction initiatives at their refineries without the deterrent complexity of requiring segregated supply and logistics infrastructure in order to optimize credit generation required to support the investment.
- Enables the LCFS program to tap into a source of credits that may otherwise not be available.
- Demonstrates that CARB is willing to evolve the program in line with available technologies and establishes equitability in the treatment of fuel types.

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The template for adopting such an approach already exists within CARB and we have experience with this through our biogas business operations. BP would be happy to engage directly with staff in order to discuss our proposal in more detail and take advantage of this window of opportunity to encourage co-processing adoption.

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

Sincerely,

Ralph J. Moran
BP America, Inc