



California Independent Petroleum Association
1001 K Street, 6th Floor
Sacramento, CA 95814
Phone: (916) 447-1177
Fax: (916) 447-1144

**California Independent Petroleum Association Comments
-September 20, 2022 Methane Rule Workshop-**

October 11, 2022

Jim Nyarady
California Air Resources Board

Via electronic submittal to comment docket

Mr. Nyarady

Thank you for the opportunity to again share comments and key concerns related to potential amendments of the adopted Oil/Gas Methane Rule (the Rule) on behalf of the members of the California Independent Petroleum Association (CIPA)¹. CIPA represents nearly 300 crude oil and natural gas producers, royalty owners, and service and supply companies who all operate in California under the toughest regulations on the planet.

Background

CIPA, along with our member companies, have actively participated in the development and implementation of this Rule, both at the state and local levels, for over eight years. We are supportive of updates that will streamline and more effectively implement the Rule at less cost to our members.

Initially, CIPA would like to highlight that the Rule has been effective in reducing unwanted emissions of methane such that recent work related to the OPGEE model update seek to reflect this downward trend in emissions. The workshop slide #6 is based on 2019 data and may not accurately reflect today's emission inventory trends and successes highlighted in slide #13 and 15.²

CIPA member companies have the assets and knowledge to play a significant role in helping lower California's greenhouse gas emissions, especially when compared to those of other jurisdictions. Our members are committed to innovation and investment to help the state reach its statutory emission reduction targets.

¹ The mission of CIPA is to promote greater understanding and awareness of the unique nature of California's oil and natural gas resources, and the independent producers who contribute actively to California's economy, employment and environmental protection.

² //ww2.arb.ca.gov/sites/default/files/2022-09/Potential%20Changes%20to%20OG%20Methane%20Regulation%20-%20Workshop%209-20-22_0.pdf

CIPA previously submitted comments to the OPGEE model update under the LCFS informal rulemaking process. Those comment go into great detail about the need to get the science right BEFORE policy decisions are made, and describe a model in which the regulatory framework of California has historically been ignored.^{3,4} We incorporate those comments by reference. California crude oil is the only traditional fuel feedstock produced under California’s Cap-and-Trade Program where the production emissions are already accounted for, and capped. Imported crude is neither subject to this Rule, nor price on carbon.

Currently, the majority of Amazonian oil is imported to California, and the state’s largest importer is Ecuador. California should not be complicit in the destruction of the Amazon rainforest when all of that energy, which was modeled to still be needed in the California economy, could come from inside California, produced by responsible, accountable, and highly regulated California oil companies. CARB has stated that the rainforest is vital to curbing climate change because of the vast amount of greenhouse gas the forest absorbs, so razing it to produce oil is worsening the climate crisis exponentially. California’s cannot declare victory by shifting the emissions math to other (higher emitting) jurisdictions.

Workshop Comments

The September 20th workshop envisioned a two-stage process for updating and amending the current Oil/Gas Methane Rule (Rule). As described by your staff, there are near-term ministerial fixes needed, and mid to longer-term amendments desired by CARB.

The focus of the near-term changes is to allow for the Rule to be fully approved by U.S. EPA, with the update being described as “Most potential changes would be administrative or minor.” Yet on the same slide (#2) the following two bullets imply potential new control and reporting requirements:

- Additional requirements for vapor collection systems and vapor control devices may be needed to verify 95% efficiency
- Operators may need to develop and maintain LDAR plans

These statements seem incongruent. CIPA requests additional details on the extent of these potential new requirements and how they would affect entities required to comply. Also, has a cost effectiveness analysis been performed for these changes?

The presentation of September 20, 2022, slide 30 indicates that the Task Force “will seek input from” community members, local air districts and local government entities. Missing from this stakeholder group is the oil and gas producing industry. CIPA requests that its members continue to participate in this Rule making process.

Staff also indicated the potential for regulatory expansion related to required response times for investigating and reacting to satellite detected potential leaks in the fields. This is also a new requirement based on new technology. CIPA looks forward to working closely with CARB to understand the possible impacts and regulatory requirements associated with this cutting-edge tool.

3 www.arb.ca.gov/lists/com-attach/4-opgee-general-ws-AGMBbgNyVmQAWVI9.pdf 4 // www.arb.ca.gov/lists/com-attach/5-opgee-general-ws-WzhSPVUkBTdVDABv.pdf

The longer-term updates will certainly require close engagement with CIPA and CARB staff as any potential updates are considered due to U.S. EPA action or as a result of the final Scoping Plan set to be adopted later this year.

CIPA agrees with the draft Scoping Plan's acknowledgement that we are in a global oil market, and that California's legacy fleet demand would be met with increased imports of less regulated and higher polluting foreign sources of crude. It is critical that any options pursued by the State, not replace in-state production with imported products or feedstocks. California's price on carbon, strict air and water quality standards, health, safety and labor requirements are not found elsewhere. "Leakage" of economic activity is not environmental progress. Therefore, CIPA strongly opposes any policy framework in which in-state crude, which is produced under the strictest environmental standards in the world, is replaced with imported crude, which is not. A true and successful Carbon Neutrality policy does not shift emissions, tax-base and jobs to other jurisdictions. **The last barrel of oil used in this state, should be produced in state with renewable electrical and thermal energy and utilizing carbon capture and sequestration.**

Legacy Issues with the Rule

There are a number of issues that have plagued implementation of this rule since its inception. CIPA members have for years worked to correct and clarify such issues. In CARB's efforts both near- and mid-term to update the Rule CIPA welcomes the opportunity to fix some of these outstanding legacy issues. See Attachment "A" to this letter.

Thank you for continuing the dialogue with us. We look forward to working with CARB on this important topic.

Sincerely,



Rock Zierman
Chief Executive Officer
California Independent Petroleum Association

Attachment A

These are the issues that need to continue to be discussed. They need to be worked on with the on an ongoing basis:

Discussion of Relationship Between SJVAPCD and CARB with Regards to COGR.

- Clarify roles

Review of the Frequently Asked Questions (FAQ's).

- Discussion of additional FAQ's that should be incorporated into the list.

Discussion and demonstration of inspection protocol:

- Local protocol needs to be disseminated; there is a definite need for Statewide protocol which reflects what CARB expects.
- Review of EPA Method 21 and its applicability
 - Method 21, Para 2.1: *“This method is intended to locate and classify leaks only, and is not be to be used as a direct measure of mass emission rate from individual source.”*
- Use of Eagle detector:
 - Demonstration of proper use and incorrect use.
- Use of Soap Bubble Solution for detection of leaks.
 - Best methods and how to be used in conjunction with Eagle detector.
- How much time should be spent on site by inspectors (is everything to be inspected, or a representative sample).
- When are records to be inspected?
- When will be inspection be completed? How will it be reported to the operator?

Low-Nox Flare cost and lack of functionality: currently proposed changes to regulations:

- Cost and functionality of low NOx flares are they cost effective, do they work
- Size of source pollutants compared with other sources (how much do we gain)
- Should existing flares that work be allowed to continue to be used, especially if they are relatively clean (e.g.: Kaldair vs candlestick flares)
- Discussion of alternatives:
 - Beneficial use of stranded waste gas (World Bank No Flare Initiative of 2015).
- Raise the threshold of allowed flare size to the threshold for exporting power (1 MW generating capacity. (After all, it was the decision of the Legislature, CEC, PUC and CARB to not address this issue when it has been raised during the past 20 years.)

50 BOPD Exemption and applicability to other sections of the rule

- 50 BOPD originally meant to be applied to all sections of the rule; this was made clear during the rule-making process. However, when the final regulations were written, it was not applied in this manner.
 - Currently, the 50 BOPD exemption is only applied to the as not having to do the annual flash test and to not require the installation of vapor recovery.
 - Currently, the 50 BOPD limit does not exempt the need to do LDAR inspections.

Discussion of ‘clean produced water’ or ‘below water line’ (produced water to pond/water treatment facility) – at what point is LDAR no longer required for produced water lines?

- Regulations as written required LDAR inspections of produced water if oil gravity is equal to or greater than 20 API with no stopping point. For example, water can be treated and use for steam operations or sent to an open top tank or sump, but according to the rule language, it is still subject to LDAR
- What is the basis for this requirement? Given that the produced water being monitored is “below the waterline” and most gas has already been stripped out of the effluent, is it really worth doing?
- Tank systems, which by definition are the first two tanks or separator and first tank, that are less than 50 bopd, have flash testing results showing that methane emissions are less than 10 tons, or on vapor recovery are exempt from LDAR. This needs to be extended to include all tanks after the first two tanks, as the intent is to show that the methane emissions are minimal after first two tanks.

Discussion of well vents and how they are handled:

- Closed vents (<20 gravity) are exempt; but does this require two valves or one at the wellhead?
- Do I need to “open” vent to test it if it is operated as ‘normally open’?

Clarification of what changes (new tanks/separators/well vents/etc) need to be reported to:

- SJVAPCD vs. CARB (Flash Tests/Vent Test/etc.)
- Annually via Cal-EGRRT (equipment list) vs. 2260 registration updates
- The proposed rule still has the language that states that if the component/tank/etc. is subject to an APCD rule prior to 2018, then the APCD rule applies. If a facility installs new components or tanks after this date, then the equipment is subject to the CARB rule. This is very difficult to track by the APCDs and the operators. This language needs to be revised to state that equipment subject to a current APCD rule will continue to be subject to the APCD rule by removing the ‘prior to 2018’.

Discussion of the definition of components as applied by COGR:

- September 2018 workshop indicated that the wells were the “components” (e.g.: 5 wells equals 5 components).
- The Annual Cal-EGRRT forms indicated that it was number of fittings (otherwise the percentage calculations wouldn’t work).
- Which is it?

Going Forward:

- Changes to regulations in 2020.
- How LDAR inspections are incorporated into Annual Inspections.