Michelle Orrock
Director, State and Local Affairs
California

BP America
1201 K Street, Suite 1830
Sacramento, CA 95814

November 9, 2020

Rachel Conners
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Low Carbon Fuel Standard Public Workshop to Discuss Potential Regulation Revisions, October 2020

Dear Ms. Conners,

Thank you for the opportunity to provide comments following CARB's recent workshops about the LCFS program in California. With an ambition to become a net zero company by 2050 or sooner, and to help the world get there, bp is actively engaged in advocating for policies that support net zero, including the LCFS program in California.

Comments regarding CARB Presented Topics:

- **Fuel Pathways**
  We support CARB's proposals for Tier 1 CI calculator simplification and welcome CARB's suggestion for credit true up treatment of temporary pathway carbon intensities.

- **LCFS Registration and Reporting**
  bp supports CARB's intent to simplify and streamline registration and reporting elements of the LCFS and looks forward to providing further feedback comment once more detailed proposals are presented.

- **Third-Party Verification**
  The inclusion of third-party verification of electricity transactions is welcome and would bring in line to what currently exists for liquid and gaseous fuels.

- **Project Based Crediting**
  We support the additional flexibility added through the consideration of Joint Applicants for Project-based Crediting Applications. Also support third-Party validation for petroleum projects as being consistent with the overall direction of adding program assurance.

In addition to the content presented by CARB on October 15, 2020 and in the spirit of Gov. Newsom's Executive Order N-79-20 and subsequent press conference remarks relating to rolling out the red carpet instead of red tape to transitioning refiners, bp wishes to propose the following items for consideration in future rule making that would support refiners transitioning from fossil to renewable fuels.

- **Indirect accounting of liquid fuels entering a fungible supply system**
  As part of its PADD 5 West Coast market footprint, bp's Cherry Point, Washington refinery supplies fuels into California where bp is an obligated party for that fuel within the LCFS program. In Cherry Point's case, bp produces co-processed renewable diesel that enters the fungible diesel supply chain within the PADD. The renewable biomass and petroleum molecules cannot be segregated in the final co-processed renewable diesel.

Within the CARB LCFS, indirect book-and-claim accounting methodology applies to other products and feedstocks, yet unlike many other jurisdictions (including some LCFS jurisdictions), CARB does not allow indirect accounting to apply to the biogenic production associated with finished co-processed liquid fuels.

bp would urge CARB to consider modifications to existing interpretation and rule language to help support renewable fuel co-processing. Particularly so, given that co-processing is proving to be one of the most efficient production methods to reduce the carbon intensity of renewable diesel fuel.

Not all refineries are fortunate enough to have production capabilities that align to make co-processing physically viable, but when they do, they need access to regulatory incentives to make the transition economically viable.

- **Indirect accounting for green H_2 within refinery boundary**
  A refinery may have multiple hydrogen production facilities that use different technologies, with different capture costs. The hydrogen from each unit can then be blended before use in transportation fuel production.

  To incentivize capture under the LCFS CCS protocol, refiners should be able to install capture equipment on the facilities with the lowest capture cost, and then mass balance the hydrogen production inside the refinery fence. This would allow the low carbon hydrogen to be deemed to be used in transportation fuels produced at the refinery and sold into the California market, allowing the producer to claim the project-based reduction in carbon intensity through CCS. Recognizing H_2 indirect accounting within a refinery boundary could make CCS economically viable if cost barriers for physical requirements are removed.

- **Crediting under the Refinery Investment Credit program (RICP)**
  Despite being regulated entities and having marketing footprints within California, PADD 5 refineries outside of the state of California are at a disadvantage to those located inside California due to the numerator volume in the RICP credit calculations being required to be physically entering commerce within the state. This requirement does not consider the supply chain dynamics of the real world and results in insufficient incentive to support change for out of state refineries vested in the California program.

  bp would urge CARB to reconsider how refinery volume qualifies e.g. a method based on sales within the state, rather than physical volume from the refinery entering the state. Alternatively, bp would encourage cross jurisdiction co-operation with other LCFS programs within the PADD to pro-rate the numerator volume and subsequent qualifying credits between programs. Such an approach may provide enough critical mass to support the refinery investment projects that would otherwise not be viable under the current regulation.

In addition to the refinery transition support suggestions highlighted above, bp also wishes to highlight potential areas for consideration that would enhance opportunities for CCS crediting.

- **Allow for Off-shore storage**
  It is in the interest of both CARB and industry to allow CCS deployment in suitable geology which is thoroughly characterized and determined appropriate for CO_2 storage. BP recommends that the CCS protocol be expanded to allow for offshore storage in scenarios where offshore development may be preferable for technical reasons or due to cost and complexities arising from access to pore space and/or infrastructure deployment.

- **Provide clarity on whether a state taking liability relieves operator of liability under LCFS**
  Several states and countries have laws addressing the transfer of liability for stored CO_2. These states have implemented pathways to transfer title, interests, responsibilities, and liabilities of stored CO_2 upon meeting certain requirements post closure of a site. Under these scenarios, it would be helpful if CARB could confirm that LCFS post-injection site care monitoring responsibilities and liabilities would also transfer.

bp looks forward to working with you and your staff as you move forward with potential rulemaking to bring the LCFS in line with Governor Newsom's recent Executive Order (N-79-20). Feel free to reach out with any questions or for more information.

Sincerely,

Michelle Orrock
Director, State and Local Affairs – California
bp America