



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 Proposed Low Carbon Fuel (LCFS) Standard Regulation Amendments

Dear Mr. Wade:

BP appreciates the opportunity to submit comments on the LCFS 2018 regulatory amendments relating to § 95489 Refinery Investment Credit Pilot Program (pp214-224), the Renewable Hydrogen Refinery Credit Program (pp 224-230), and § 95490 Provisions for Fuels Produced Using Carbon Capture and Sequestration (pp 231-235).

With respect to § 95489(e) Refinery Investment Credit Pilot Program and § 95489(f) Renewable Hydrogen Refinery Credit Program, BP would strongly recommend that CARB reconsider the definition language applied in the Calculation of Credits sections for Volume^{XD} and Volume^{Total}. (Sections 95489(e)(2)(B) and 95489(f)((2)(A)). These definitions require the refinery involved in those respective programs to sell, supply, or offer CARBOB or diesel in California. However, the limitation in that definition to the specific refinery involved in the program also needing to sell, supply, or offer the fuel into the state fails to account for the numerous fuel exchange agreements that petroleum companies, like BP, have with other petroleum companies in West Coast Petroleum Administration for Defense District 5 (PADD 5). Under those agreements oil companies exchange quantities of fuel with other fuel producers located closer to the intended market for the fuel, thereby reducing transportation costs and GHG emissions.

It is BP's view that the way the current language is written could lead to unintended consequences for the program. At one end of the spectrum it could lead to unnecessary product transport for the refineries involved, resulting in increased GHG emissions being generated through attracting physical imports of fuels into the state that may otherwise have been part of a reciprocal exchange arrangement within the PADD. At the other end of the spectrum it may result in providing insufficient incentive for refineries to participate in the program to drive the intended GHG reductions at the refinery.

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In keeping with the introductory language in the sections above which states, “Any such credits must be based on fuel volumes sold, supplied, or offered for sale in California as set forth below”, we believe that this should be specific to a given entity’s obligated volume and that the following definitions apply:

- Volume^{XD} should reference “...by the regulated entity” and not “...by the refinery”. This is in recognition that in order to simplify PADD level logistics (such as through exchange type arrangements), it can often be the case that not all fuels sold by a regulated entity in California may necessarily originate from the refinery generating credits under these two refinery credit programs (RCP). Additionally, it is possible that not all sales by an obligated party from a RCP refinery carry that entity’s obligation.
- For Volume^{Total} as defined in proposed Sections 95489(e)(2)(B) and 95489(f)((2)(A) it is appropriate to reference total volume of “gasoline” as opposed to total volume of “CARBOB”. This is based on the possibility that not all gasoline produced at a regulated entity’s refinery is necessarily a CARBOB, as it is possible that not all gasoline production from a regulated entity’s refinery will be for sale in California.

BP also has comments on § 95490 Provisions for Fuels Produced Using Carbon Capture and Sequestration similar to those provided above. Under the paragraph General Requirements (3), the program requires that credits must be prorated based on the volumes delivered to California. For the same reasons as stated above and in order to encourage participation in the RCP being made available, BP would strongly recommend that credits be prorated to the regulated entity’s obligated volumes in California and not be limited to physical deliveries to the state.

Ultimately regulated entities with refineries are looking to refinery generated credits to facilitate the reduction of the GHG footprint at their facilities and use those credits to satisfy their obligated volumes carried in the state of California. If, for the purpose of generating RCP credits, CARB only permits the generation of credits for physical molecules leaving the refinery and being sold over a California rack, it could either undermine the incentive to participate in the RCP to deliver the changes, or it could change trade flows within the PADD by attracting more physical imports into California.

BP also believes that the regulation should be clear in stating that the volume generating the entity’s obligation (pro-rated if entity has more than one refinery with California sales) should be the Volume^{XD} used in the RCP / CCS credit calculations.

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