



1608 Norris Road • Bakersfield, CA 93308

November 2, 2020

California Air Resources Board (CARB)
1001 I Street
Sacramento, CA 95814

Sent Via Email To: LCFSWorkshop@arb.ca.gov

Subject: LCFS Workshop 10/14/20, Stakeholder Feedback (revised)

Dear Sir/Madam,

E&B Natural Resources Management Corporation would like to thank CARB for providing a forum for community, stakeholders, and industry input. As a company with operations throughout the state in the Counties of Los Angeles, Orange, Kern, Santa Barbara, San Luis Obispo, and Alameda and the Cities of Los Angeles, Carson, Huntington Beach and Bakersfield, we would like to offer suggestions as the agency begins work on revisions to the LCFS program.

Innovative Crude Program Delivers as Intended

The LCFS Program worked as intended for E&B and incentivized investments. Our company now receives electricity from a new utility-scale solar PV array co-located and dedicated to our Poso Creek field in the County of Kern. We also invested in a co-located solar PV facility in Santa Barbara County. These facilities qualified for the innovative crude provision of the LCFS and are expected to provide low carbon energy for 20% to 50% of each site's electricity requirements for the next 20 years. The rest of our electricity needs are met by providers who meet California's Renewable Portfolio Standard, which sets a continuously increasing low-carbon energy requirements. We believe the Innovative Crude program has worked as designed, and we support its continued inclusion in the LCFS.

Innovative Crude Changes Discussed by Staff

Upfront Third-Party Validation of Pre-Project Data may be costly

Staff is seeking input on Project-based Crediting and requiring third-party validation of pre-project data during the application phase. The application preparation and approval process for solar PV was straightforward. If it is being suggested to require third-party validation of pre-project data during the application phase, this will increase costs, time and complexity to the program for no benefit.

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Innovative Crude provisions are intentionally set up to provide credits for the energy the new renewable system provides. It is self-correcting. These projects already conduct verification once completed and real data is available.

Land use assessment requirement recommending criteria

Staff states they are considering adding a requirement of land use assessment before a Innovative Crude project is approved. Land use analysis should be completed by the lead jurisdiction permitting the project. In the case of the solar PV projects mentioned above, the land is owned by our company and in the middle of an operating oil field. Adding this requirement would have added significant amounts of time to project approval and additional costs before the projects were approved. Some projects may be small in their geographic footprint or have small impacts and the resulting analysis may be inconsequential. If this additional requirement is added, there should be a minimum amount of disturbance needed to trigger an assessment. Since most projects will be in oil fields, the land use may not change. The land was used or available for oil production and an innovative crude project will support oil production like many other facilities. Additionally, if land is not permanently disturbed by the project, it should not be required to be incorporated into an analysis. We suggest there be some agency designation of the land taken out of use. For instance, land designated by the Department of Conservation such as farmland of statewide importance. Though we are opposed to this concept, if it this goes forward, we recommend:

- Setting minimum acreage thresholds to require a land use assessment.
 - Permanent disturbance only.
- Focusing on the type of land taken out of service.
 - Example: farmland of statewide importance.

Pro-rating Crude Credits lack of clarity in workshop

We are not certain what staff meant in the presentation about “pro-rating” crude credits for facilities that produce both oil and gas. If an innovative project is underway, the result is the output of the field is lower CI, which is the intended goal. Our fields primarily produce oil and produced gas is usually a byproduct. Produced gas is sometimes beneficially reused on site and at some fields where we cannot utilize the gas, it is exported to a utility for sale in California. We do not understand the logic why crude credits would be reduced because gas is produced. Since we have two projects approved in the LCFS program, we also request any changes are prospective and not retroactively applied if they reduce the number of credits received. Our company invested based on the existing rules more than 18 months ago and it would be a hardship to apply changes retroactively.

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Eliminating 30-day required application completeness reviews

The fact that CARB reviewed our projects efficiently was very helpful as we started up the projects. Removing 30 day turn arounds for review of application completeness seems like it could impact the effectiveness that we experienced, and we propose that this remains a part of the regulations.

CCS as part of Innovative Crude should be flexible and retained in the program

Oil producers with steam generators produce a waste stream of carbon dioxide. Capturing and sequestering the CO₂ is a game changer in terms of CI reduction. Not all steamed oil fields can use CO₂ to enhance oil recovery. For example, our field (where we generate the CO₂) cannot utilize CO₂ for EOR. If our company could identify other oil fields that could use the CO₂ for EOR, it could create a positive outcome for reducing emissions and lower carbon intensity of California crudes. Restrictions on where the carbon capture takes place and from which equipment will limit creative options and potential capture. If the goal is to incentive lower CI in California crudes, then more flexibility is inherently better. As far as utilizing carbon dioxide for enhanced oil recovery, the source of the carbon dioxide will not matter in terms of the effectiveness of lowering the crude's carbon intensity. Therefore, the source (and the location of the source) should not be restricted or limited.

The Governor's EO is a long-term strategy. There could be decades before crude oil will no longer be needed. CCS projects are extremely innovative and fit the framework of the innovative crude program. Additionally, the LLNL *Getting to Neutral* paper focuses extensively on CCS and use of older oil reservoirs to store the carbon dioxide. Limiting or eliminating the use of any type of CCS could dampen the pursuit of good projects.

OPGEE: California's Environmental Stewardship not incorporated

California producers, including our company, participate in environmental protection programs that foreign producers do not. We do not believe this is being reflected in the OPGEE model. For example, there appears to be no input to reduce the CI by use of the solar energy provided to our field.

Producing oil in California provides a revenue source for California's environmental programs. Our company participates in California's AB32 Cap-and-Trade Program and purchases millions of dollars of greenhouse gas allowances to offset operational emissions. The State invests the program proceeds into a variety of programs with the goal of reducing GHG, criteria and toxic air emissions.

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In 2018, we paid over \$3 million in credits surrendered to the State. For regulatory compliance, the company spends over \$30,000 annually in consultant support and independent audit verification of program results (money which supports the local economy). Foreign suppliers of oil are not obligated parties in the cap and trade program and therefore are not required to reduce their carbon intensity, purchase and surrender allowances, submit reports or be subject to verification audits of their production and emissions.

Foreign oil producers also do not have to pay mitigation fees or surrender emissions reduction certificates. Permits issued to E&B through the County of Kern for new projects over the last few years required \$2 million of dollars in air mitigation fees to SJVAPCD and the County of Kern for their air emissions reduction program and projects. Our company has irrevocably purchased and surrendered approximately \$1.5 million of Emission Reduction Certificates for NO_x, SO_x, and VOCs for newly permitted equipment deployed in the County of Kern and other counties.

We comply with CARB's methane rule, strict EPA and Air District rules governing flares and fugitives' emissions. We do not see how these stringent, and ongoing, programs are reflected in the OPGEE model, though we know we excel in environmental performance.

E&B has supported many new environmental laws and has, as a result, implemented the new standards in our operations. Most of the time, these rules do not apply to foreign producers creating an uneven playing field. One example is the AB 2729 addressing the number of idle wells in California. Since that rule was implemented a few years ago, we have spent over \$10 million, eliminated scores of idle wells and met testing plan requirements. AB 2729 does not apply to foreign production imported to California.

Our request is for the University to account for the magnitude and breadth of positive environmental stewardship in California oil production the OPGEE model.

From our vantage point, foreign oil should be at a disadvantage attempting to play an active role in California's future solutions since they do not adhere to the State's robust environmental, health and safety standards for production. California operators are required to adhere to stringent environmental laws and somehow that should be transparent in the model.

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Please let me know if you have any questions or concerns. I am available to discuss this matter at your convenience. I can be reached at aroth@ebresources.com or (562) 548-6815. You may also contact my assistant Priscilla Manning at pmanning@ebresources.com or (562) 548-6812.

Sincerely,

A handwritten signature in black ink that reads 'Amy Roth'.

Amy Roth
VP Regulatory Affairs

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