



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
2022 Scoping Plan Kick-Off Workshop Series Comments

California Air Resource Board
Cap and Trade Program
1001 I Street
Sacramento, CA 95814

July 9, 2021

Via electronic submittal to: [Scoping Plan Comment Log](#)

The California Independent Petroleum Association (CIPA) appreciates the opportunity to submit comments at the initial stage of this Scoping Plan update effort. The stated goal of the effort is to define the State's policy of achieving Governor Brown's Carbon Neutrality by 2045 Executive Order, while remaining consistent with the greenhouse gas (GHG) reduction statutes already guiding the State's efforts¹. CIPA is pleased to see the California Air Resources Board (CARB or Board) engaging industry in the process and highlighting the statutory guideposts² for the Update, as there are pending important, and far-reaching policies on the table, including defining Carbon Neutrality and the relevant frameworks for emissions accounting.

The original AB 32 Scoping Plan, and its subsequent revisions in 2014 and 2017, have all been significant policy and planning documents based on the fundamentals of science, technology, cost and AB 32's 'big picture' view of the role California—the recognition that reductions in California's in-state greenhouse gas (GHG) emissions are for naught if the economic and emissions-related activities are shifted to other jurisdictions—the very definition of "leakage". CIPA concurs this concept is fundamental.

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.

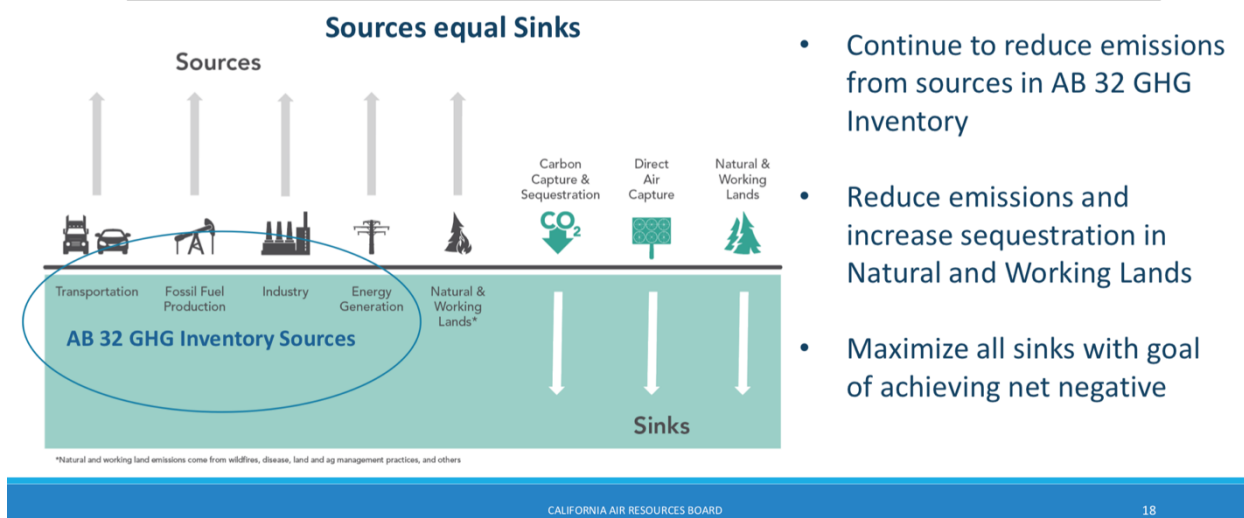
CIPA also represents the interests of Californians throughout the state who depend on affordable, reliable and sustainable energy. We need to continue to power the world's fifth largest economy while supporting upward economic mobility for disadvantaged communities, many of whom suffer under California's high poverty rate and high cost of living.

During the opening workshops, and also presented to the CARB Board on a recent informational update, staff presented the following pictorial representation of achieving a science-based carbon neutrality target by mid-century:

¹ AB 32, AB 398

² CARB Staff presentation to the Board, <https://ww3.arb.ca.gov/board/books/2021/062421/21-5-4pres.pdf>

Science-based Target: Achieve Carbon Neutrality (CO₂e) Mid-Century



This representation correctly leaves open the invitation to industry to be innovative in their operations and in-state investments. The ideas of renewable energy inputs, carbon capture, enhanced monitoring and so much more can be fully developed with a framework in place that supports our continued ability to engage in the state’s long-term energy transition. The alternative, which has been suggested in earlier workshops, to eliminate combustion is a riskier, costlier, and more restrictive approach that excludes exportable ideas and the innovative investments coming toward California that have been a hallmark of this state for decades.

The session related to Transportation emissions addressed the issue of in-state oil production in terms of CARB’s mandate to evaluate a possible ‘phasedown’. One particular slide asked the following question:

“Should we be concerned about increased crude imports if we don’t phase down supply and demand in a coordinated plan?”³

CIPA strongly asserts the answer to be “yes”. In our prior letters on the subject of Carbon Neutrality, CIPA discussed that sustainability requires California to become consistently self-sufficient – for food, water, energy and other daily necessities. To truly align with California’s sustainability values, state policymakers should reverse their strategy of increasingly relying on energy imports for over 90% of our natural gas, 70% of our oil and 30% of our electricity needs. Recent state policies have significantly increased Californians’ dependence on imported energy, meaning that California is delegating its environmental leadership, and carbon footprint, to other states, countries and regimes that do not share our environmental, labor, and human rights standards. CIPA believes that the state should encourage local production of all forms of energy under California’s world-leading regulations, rather than deferring to other states and distant countries. This issue must be addressed in any Carbon Neutral policy.

³ https://ww2.arb.ca.gov/sites/default/files/2021-06/carb-overview_sp_kickoff-transportation_june2021.pdf (Slide 6)

The following is a partial list of the stringent environmental regulatory programs under which in-state producers must operate (this does not include world-leading health and safety, and labor standards as well):

- Price on carbon—All emissions are covered under a statewide price on carbon
- Oil/Gas Methane Rule—Enhanced monitoring and leak repair requirements ensure methane leaks are minimized.
- Mandatory Recordkeeping and Reporting—Required to report independent third-party verified information to the state on GHG emissions.
- Low Carbon Fuel Standard – Sets market penalties for higher carbon intensities and inefficient operations.
- BACT/BARCT Rules—Ensuring new technology is used in California operations
- Additional environmental regulations, including water quality and air toxics

Other jurisdictions around the globe do not have this suite of regulations under which to operate. The World Bank's April 2021 report highlight what happens when regulations are not in place.⁴ Increasing reliance on imported crude, exports California jobs and the tax base while simultaneously risking rail or marine transport across the country and/or globe.

Under CARB's various GHG reduction programs, the state has decreased statewide GHG emissions since their peak in 2004, even while demand for transportation fuels has increased. Given that liquid transportation fuels will be needed for the foreseeable future—approximately 20 million vehicles will still contain internal combustion engines by 2050^{5,6}—it is critical that the State continue to focus on programs that achieve the goal of reducing GHG emissions while still meeting the energy demands of its citizens. Innovations CIPA members are pursuing include Carbon Capture and Sequestration, use of renewable power to drastically lower carbon intensities, and much more. We believe CARB has additional opportunities to focus on the reductions achievable in liquid fuels.

CIPA also believes there is value in retaining the existing natural gas pipeline infrastructure. Over the years, California's energy infrastructure has been built up, it makes no sense to abandon it and start over. This is particularly true given that this infrastructure can be utilized to deliver carbon negative fuels such as renewable natural gas.

We previously commented on the AB 74 Carbon Neutrality studies, and we repeat some of those comments here as CARB starts to design its Carbon Neutrality pathways for the State. We encourage thorough consideration of the future of energy diversity and security for California. The societal value of the existing in-state industrial base needs to be recognized, and such a recognition needs to be retained in the Carbon Neutrality policy development.

Californians' demand for available, affordable and reliable energy dictates a long-term combination of traditional and renewable energy, along with large-scale implementing of Carbon Capture and Sequestration technology. With in-state production being the cleanest, safest and most

⁴ <https://thedocs.worldbank.org/en/doc/1f7221545bf1b7c89b850dd85cb409b0-0400072021/original/WB-GGFR-Report-Design-05a.pdf>

⁵ AB 74: Driving California's Transportation Emissions to Zero: <https://escholarship.org/uc/item/3np3p2t0>

⁶ Solecki, M. Presentation at CARB Fuels and Infrastructure for a Carbon Neutral Economy workshop. July 15, 2020. https://ww2.arb.ca.gov/sites/default/files/2020-07/ajw_cn_fuels_infra_july2020.pdf

socially equitable production in the world, the last barrel of petroleum that California uses should be produced in California.

CIPA is looking forward to participating in both this Scoping Plan update process, but also the pending LCFS triennial review of the OPGEE crude oil carbon intensity calculator. The LCFS requires such a periodic update. Given the supply of actual MRR data sets, and that new local air quality and statewide methane rule implementation has occurred since the last model update, a real world comparison should be conducted as we believe the current model drastically overestimates the in-state CI scores.

Should you have any questions or wish to discuss our comments further, please do not hesitate to contact CIPA. We look forward to reaching out for additional information and discussions on the key questions at hand.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rock Zierman', with a stylized flourish at the end.

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association