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CIPA

Comments of the California Independent Petroleum Association
on the August 20, 2018 Public Workshop to Discuss Opportunities for Additional
Greenhouse Gas Reductions from Petroleum Transportation Fuels

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Submitted via email.

The California Independent Petroleum Association (CIPA) is pleased to submit these comments on the August 20, 2018, AB 32 Scoping Plan Process Workshop focused on additional opportunities to reduce greenhouse gas (GHG) emissions from petroleum transportation fuels. CIPA listened with great interest to the entire day of speakers and panelist, especially the final Technical Panel on Examining Options to Limit Production of Petroleum for Additional GHG Reductions. ***We were pleased to hear multiple subject experts testify that such a policy was not an advisable approach.***

The mission of CIPA is to promote greater understanding and awareness of the unique nature of California's independent oil and natural gas producer and the marketplace in which our members operate; highlight the economic contributions made by California independents to local, state and national economies; foster the efficient utilization of California's petroleum resources; promote a balanced approach to resource development and environmental protection and improve business conditions for members of our industry.

CIPA appreciated the robust discussion which highlighted the complex issues facing California in its efforts to meet SB 32's statutory goals for GHG reductions. There was plenty of testimony from the academic experts and from public stakeholders which opposed a policy decision to limit in-state oil/gas production as an additional GHG measure. CIPA is opposed such ideas as they would do nothing more than shift production to other, less regulated, parts of the world. California oil production is the most regulated oil production zone in the world as no other jurisdiction has the combination of regulations imposed here and highlighted below.

We have partnered with CARB in the development of many regulations impacting our industry, including the Cap and Trade program (price on carbon), the oil and gas methane rule (part of the Short-Lived Climate Strategy), and the Low Carbon Fuel Standard or LCFS (providing incentives for innovative crude production methods). We did not oppose these policies and worked in earnest with CARB to make the regulations as fair as possible. As a result, California has the toughest regulations governing oil and gas production in the nation. In addition to increased emissions from product transport, any replaced production would not be subject to such stringent controls.

Industry can support fact-based regulations which are rooted on strong scientific data. We have been willing to work on strategies to address the reduction of GHG emissions, but the implication that banning or limiting in-state oil production could be a future Scoping Plan measure, or otherwise a GHG reduction strategy was shown on multiple fronts to not be plausible and should not be pursued.

In just the last decade California has passed and implemented more than a dozen major pieces of legislation to regulate the industry and protect California's environment. These laws are broader than just air quality and climate change and include wide ranging protections from water quality to health and safety. Shifting production out of state would forgo those programs in their entirety.

California's climate policies are based on the principle of minimizing environmental and economic leakage. Any attempt to limit in-state production would result in quantifiable leakage on both fronts. The strength of California's industrial base is a key factor other jurisdictions look to when evaluating whether or not to duplicate California's program. Such exportability should be paramount to the overall goal of reducing the impacts of global climate change. Deliberately shutting down economic sectors is not be an exportable policy, thus any policy that heads in that direction directly undercuts the ability of the state to solve the very problem it is working to fix.

Lastly, CIPA would like to highlight the incentive structure of the LCFS. The LCFS is specifically designed to encourage long-term investments in reducing the Carbon Intensity of California's crude oil. These investments need policy certainty to succeed and include the deployment of large-scale renewable energy and carbon capture and storage. CARB's own environmental analysis of the impacts on local air quality of the LCFS show that Innovative Crude Production techniques are one of the largest reducers of NOx emissions from the program. *And in fact, are needed to offset other NOx increases caused by the development of alternative transportation fuels in-state.*[1]

We hope to keep the lines of communication open on these very important issues as CARB looks to move forward with its ambitious climate agenda. Please do not hesitate to reach out to CIPA should you have any questions or if you or your staff would like to discuss these issues further.

Sincerely,

/s/

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association

[1] https://www.arb.ca.gov/regact/2018/lcfs18/15dayatth2.pdf