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**California Independent Petroleum Association Comments  
on the Cap-and-Trade Regulation Industry Assistance Factor  
November 10, 2016, Informal Staff Proposal Addendum**

November 23, 2016

California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

*Via electronic submittal to:* [https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=assistancefactors-ws&comm\\_period=1](https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=assistancefactors-ws&comm_period=1)

The California Independent Petroleum Association (CIPA) has been actively participating in the current Cap and Trade Rulemaking effort. CIPA members have attended multiple workshops, including the one on October 21, 2016, we subsequently submitted comments on the topic of Industrial Assistance Factors and also met with staff on this issue. The following comments are focused on the Addendum to the Informal Staff Proposal for Non-Studied sectors, which include Oil and Gas Extraction. CIPA remains concerned about both the process and proposal surrounding the determination of Industrial Assistance Factors.

The opportunity to digest and subsequently submit comments to the California Air Resources Board (ARB) for its consideration has effectively been limited to less than 15-days<sup>1</sup>. This is not sufficient time to adequately review such detailed, data-driven and lengthy calculations, especially since the reference links provided as citations for fundamental data are not specific enough to quickly verify the information without compiling additional data and conducting separate calculations.<sup>2</sup>

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 market place in which he or she operates; 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. In-state petroleum production can play a role in helping the state meet its dual goals of a strong statewide economy while reducing GHG emissions in California.

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<sup>1</sup> Addendum released in the afternoon of November 10<sup>th</sup> with comments due November 23<sup>rd</sup> at 5pm.

<sup>2</sup> <https://usatrade.census.gov/> and <https://www.census.gov/econ/census/>

Retaining the industry current Assistance Factor level is the best way to combat the threat of GHG emissions leakage from our industry. Crude oil is an international commodity and any reduction in the Assistance Factor (AF) from its current level will create added pressure for potential leakage of GHG emissions to other regions not similarly regulated.

CIPA has concerns about the Energy Intensity Factor used by ARB in the calculation for California oil and gas operations. It seems to only reflect non-thermal production. One of CIPA's member's calculated energy intensities for 10 oil fields. Eight of these oil fields employ steam injection used for enhanced oil recovery (EOR). Two of these oil fields employ primary oil production methods. Energy intensities were calculated for each field for the years 2015 and 2016 to date. Over the two year period the oilfield using EOR had energy intensities 4-5x of that listed in Table 1 of the Addendum.

Due to the high energy intensity related to California EOR oil production, and the fact that EOR oil production is primarily used in California, if U.S. national averages for energy intensity were used, California's producers are being significantly disadvantaged in the calculation of Assistance Factors. Additionally, ARB has already recognized that Thermal EOR Crude Oil Extraction as a different leakage risk activity from Non-Thermal Crude Oil Extraction<sup>3</sup>, but only one factor is proposed in the Addendum.

CIPA requests ARB reengage with industry and reevaluate the appropriateness of energy intensities used in the Addendum and ensure the energy intensity is reflective of actual California oil and gas production.

CIPA also supports our previous comments on this issue.<sup>4</sup> As this is an important matter to CIPA members, we are committed to working with ARB on this critical design feature of the Cap and Trade program and look forward to upcoming discussions. Thank you for your attention. Any questions or follow-up comments can be directed to [rock@cipa.org](mailto:rock@cipa.org).

Sincerely,



Rock Zierman  
CEO

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<sup>3</sup> [https://arb.ca.gov/cc/capandtrade/capandtrade/unofficial\\_ct\\_030116.pdf](https://arb.ca.gov/cc/capandtrade/capandtrade/unofficial_ct_030116.pdf) [Table 8-1]

<sup>4</sup> <https://www.arb.ca.gov/lists/com-attach/32-ct-amendments-ws-VDcBbIjUWNWDwVm.pdf>