



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
on the March 2022 Preliminary Modeling Results and Workshop***

Ms. Rajinder Sahota
California Air Resources Board
2022 Scoping Plan Update

April 4, 2022

Via electronic submittal to:

https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=sp22-modelresults-ws&comm_period=1

Thank you for the opportunity to share comments on behalf of the members of the California Independent Petroleum Association (CIPA)¹. CIPA represents nearly 400 crude oil and natural gas producers, royalty owners, and service and supply companies who all operate in California under the toughest regulations on the planet.

CIPA's member companies have the assets and knowledge to play a significant role in helping decarbonize California's economy. Our members are committed to innovation and investment to help the state reach its statutory emission reduction targets.

The March 15th workshop provided stakeholders with snapshots of modeling results. To fully comment on where these results would take California over the next 25 years, more data is needed, along with more transparency on model inputs and assumptions. CIPA understands that a full set of modeling results, inputs and output data will be provided in May. We support fully transparency on these critical drivers of policy at the earliest moment in the 2022 Scoping Plan Update process.

Our detailed comments follow, but it is critical that any option pursued by the State, not replace in-state production with imported products or feedstocks. California's price on carbon, strict air and water quality standards, health, safety and labor requirements are not found elsewhere. "Leakage" of economic activity is not environmental progress. Therefore, CIPA strongly opposes any Carbon Neutrality policy framework in which in-state crude, which is produced under the strictest environmental standards in the world, is replaced with imported crude, which is not. A true and successful Carbon Neutrality policy does not shift emissions, tax-base and jobs to other jurisdictions.

¹ 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.

The recent workshop, and follow-up staff presentation to the CARB Board, clearly highlighted that of the four GHG modeling scenarios for inclusion in the Scoping Plan², the first two were based on a fundamental assumption that leakage would occur. Alternative scenario 1 acknowledges that in-state industries, including oil production, stone, clay, glass and cement processing, would need to be *shut down* to meet the 2035 carbon neutrality goals. CIPA believes that CARB any scenario where the State’s industrial base is shuttered and product demand is replaced by imports is unacceptable. CARB should be asking, “How can we meet our carbon targets in the least-cost manner, and in a way that disrupts the lives of Californians the least?” Alternatives 1 and 2 fail from the beginning and should be summarily discarded.

CARB also presented results from the Natural and Working Lands (NWL) modeling efforts. CIPA defers to others on the technical response, but the policy implications of the modeling results were clear—California’s NWLs will NOT produce net carbon reductions until sometime after 2035. Not having the NWLs as a carbon ‘sink’ adds to the pressure on the state’s industrial base to reduce emissions at an unachievable rate. This is a secondary reason why Alternatives’ 1 and 2 should be discarded.

Alternatives 3 and 4 provided a glimpse into a more rationale and less costly approach to achieving statewide Carbon Neutrality could occur—though still costly and aggressive. Those options seemed to let the transportation fuel sector supply match that of demand without premature retirements of vehicles or production assets. Slide 14 showed as much liquid petroleum fuels in 2045 as electricity as a transportation fuel. Given such results, the feedstocks for such fuels should be produced in-state with continued policy signals to improve efficiency and lower carbon intensity as is the case with the current Cap-and-Trade and Low Carbon Fuel Standard programs.

CIPA previously submitted comments to the OPGEE model update under the LCFS informal rulemaking process. Those comment go into great detail about the need to get the science right BEFORE policy decision are made, and describe a model in which the regulatory framework of California is ignored.³ We incorporate those comments by reference. California crude oil, is the only traditional fuel feedstock produced under California’s Cap-and-Trade Program where the production emissions are already accounted for, and capped. Imported crude is neither subject to the State’s methane rules, nor price on carbon.

Currently, the majority of Amazonian oil is imported to California, and the state’s largest importer is Ecuador. California should not be complicit in the destruction of the Amazon rainforest when all of that energy, which was modeled to still be needed in the California economy, could come from inside California, produced by responsible, accountable, and highly regulated California oil companies. CARB has stated that the rainforest is vital to curbing climate change because of the vast amount of greenhouse gas the forest absorbs, so razing it to produce oil is worsening the climate crisis exponentially.

The second largest importer of oil into California is Saudi Arabia, a country which shares almost none of California’s cultural values and has a track record of habitual and horrendous human rights abuses, particularly targeted at the LGBTQIA+ community. California should not make the Saudi Royal family richer, while making oil workers in California poorer, nor should we bolster a kingdom that scoffs at California’s social and environmental values. *California’s*

² <https://ww2.arb.ca.gov/sites/default/files/2022-03/SP22-Model-Results-E3-ppt.pdf>

³ <https://www.arb.ca.gov/lists/com-attach/4-opgee-general-ws-AGMBbgNyVmQAWVI9.pdf>

Carbon Neutral goals simple cannot declare victory by shifting the emissions math to other (higher-emitting) jurisdictions.

Another aspect of the modeling results that were unclear, were to what extent CARB and/or E3 assigned reductions to in-state production. CIPA members are investing in large-scale carbon reduction projects, such as renewable thermal and electrical energy and/or carbon capture and storage. Such projects would result in carbon intensity (CI) scores lower than those from Ecuador and Saudi Arabia. CIPA supports inclusion of these pathways in the next round of modeling and any policy adopted.

CARB has presented the path for statewide Carbon Neutrality as one that ends at the state line, CIPA believes that is inconsistent with the spirit of the end goal. CIPA requests that CARB look at the *global* impact of replacing California crude, taking into account our robust methane monitoring rules, flaring rules, vapor recovery rules and short pipeline transport distances with the equivalent volume of less regulated, long-distance transported foreign crude. Such an analysis needs to consider all the emission reduction efforts highlighted in the CIPA OPGEE letter to CARB.

The modeling results presented on March 15th show California will need petroleum and natural gas fuels for decades. During this time, California climate policy should prioritize decarbonizing in-state production and target reductions in foreign crude supply. California's carbon market signals are working and are producing technology innovation and investment that can be exported to the rest of the world. Exporting technology is a better carbon policy than importing raw and finished goods. **The last barrel of oil used in this state, should be produced in state with renewable electrical and thermal energy and utilizing carbon capture and sequestration.** Such an outcome is the only one consistent with a successful Carbon Neutrality policy.

Thank you for continuing the dialogue with us. We look forward to working with CARB on this important topic.

Sincerely,



Rock Zierman
Chief Executive Officer
California Independent Petroleum Association