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***California Independent Petroleum Association Comments
on the draft 2022 Scoping Plan Update***

June 22, 2022

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

Via electronic submittal to: <https://ww2.arb.ca.gov/applications/public-comments>

Ms. Sahota,

Thank you for the opportunity to share some supportive comments and key concerns related to the recently released draft 2022 Scoping Plan Update (draft Plan) on behalf of the members of the California Independent Petroleum Association (CIPA)¹. CIPA represents nearly 300 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 lower California's greenhouse gas emissions. Our members are committed to innovation and investment to help the state reach its statutory emission reduction targets.

The draft Plan is aggressive and sets transformative goals for the world's 5th largest economy. Such ambitious goals are fraught with uncertainty. CIPA appreciates the Board's acknowledgement in which these proposed policies and actions are set. The section on uncertainty should be retained in the final Plan. The future of technology, permitting, costs, unforeseen events and resource availability from sources around the world cannot be accurately predicted in 2022. CIPA is not confident that the state can achieve the 2045 goal set in the draft Plan, but we are certain that any attempt to reach Carbon Neutrality by 2035 would fail in an expensive and societally harmful way.

California has consistently backstopped uncertainty in climate policy with a functioning and well-designed price on carbon through the existing Cap-and-Trade program—which has set a statewide declining limit on GHG pollution for over a decade. CIPA supports a continuation of this existing mechanism over direct reduction mandates and technology forcing regulations.

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.

Carbon Neutrality has been defined in the draft Plan as ‘sources equaling sinks’. The draft plan also states that Natural and Working Lands (NWLs) cannot be counted on to be a “sink” through 2045. With an emissions cap in place, which should explicitly be stated to extend past 2030, and NWLs confirmed to be a net source of GHGs, CARB rightfully is counting on engineered carbon removal technology to balance the Carbon Neutrality equation². No other industry is better positioned than the oil and gas extraction sector to deploy this technology. CIPA members are currently investing in large-scale carbon reduction projects, including carbon capture and storage. CIPA has supported CARB’s LCFS CCS efforts, as well as those of its members in these GHG-reducing endeavors for years.

Regretfully, California lags both the country and the rest of the world in CCS deployment. There are currently 26 operational CCS projects around the world and 34 more in development. The [Intergovernmental Panel on Climate Change’s Fifth Assessment Report](#) acknowledges that CCS is necessary to achieve the goal of staying within 2 degrees Celsius of warming from pre-industrial days.

CIPA agrees with the draft Plan’s acknowledgement that we are in a global oil market, and that California’s legacy fleet demand would be met with increased imports of less regulated and higher polluting foreign sources of crude. 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. Imported heavy crudes are cheaper than lighter shale oils produced in the United States and recent price increases have caused increased heavy crude imports³. A true and successful Carbon Neutrality policy does not shift emissions, tax-base and jobs to other jurisdictions. **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.**

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 decisions are made, and describe a model in which the regulatory framework of California has historically been ignored.^{4,5} 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

² “Carbon capture and sequestration (CCS) will be a necessary tool to reduce GHG emissions and mitigate climate change while minimizing leakage.” P66

“CCS can provide a path to reducing GHG emissions from these facilities to meet petroleum demand while avoiding leakage.” Pg68

³ <https://www.reuters.com/markets/commodities/us-steps-up-heavy-crude-imports-biden-blasts-profiteering-2022-06-16/>

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

⁵ <https://www.arb.ca.gov/lists/com-attach/5-opgee-general-ws-WzhSPVUkBTdVDABv.pdf>

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. This should be a factor as CARB does its official Environmental Review of the draft Plan. California's Carbon Neutral goals simple cannot declare victory by shifting the emissions math to other (higher-emitting) jurisdictions.

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

Sincerely,

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

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association