

Willie Rivera
16-7-2



CIPA

California Independent Petroleum Association

1001 K Street, 6th Floor

Sacramento, CA 95814

Phone: (916) 447-1177

Fax: (916) 447-1144

**Comments of the California Independent Petroleum Association
on the Proposed Greenhouse Gas Emission Standards for
Crude Oil and Natural Gas Facilities (May 31, 2016 version)**

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

July 21, 2016

Via electronic submittal to: http://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=oilandgas2016&comm_period=A

The California Independent Petroleum Association (CIPA) appreciates this opportunity to officially comment on the proposed new regulation to control methane from oil and gas operations here in California. The Proposed Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities is an entirely new regulation under California's continued push to reduce greenhouse gases (GHGs) and Short-Lived Climate Pollutants (SLCP). This regulation is designed to specifically address a single pollutant (methane) within a single industrial category (Oil and Gas Production) and within a single state, therefore this opportunity to fully address remaining technical issues and evaluate its impacts on that single industry is critical.

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.

Over the past year CIPA has actively been working with Air Resources Board (ARB or Board) staff on informal versions of this regulation. Through multiple conversations and comment submittals, CIPA has conveyed concerns about the scope, standards and implementation of this regulation. We would like to recognize the effort ARB staff has made to improve the regulation and work with industry stakeholders. *This version is much improved, but it cannot yet be considered complete.* There are remaining technical, clarity and implementation issues that must be addressed in a subsequent 15-day amendment package. CIPA has not provided an exhaustive list of detailed changes, but rather highlighted the remaining issues that staff and stakeholders need to continue working together to resolve. Those categories of potential changes are the focus of this comment letter.

CIPA's remaining areas of concern are summarized below followed up with additional details:

- Implementation and enforcement
- Consistency with MRR
- Standards and exemptions
- Vapor recovery requirements, including the late addition of "Gauge" tanks

Implementation and Enforcement

CIPA understands ARB's desire to have this regulation implemented and enforced at the local level, and believes that doing so may be the most efficient use of resources. But not all local Air Districts (districts) have the resources or desire to take on this responsibility. To date, CIPA has not seen any district MOUs to fully understand what these would look like, who would be the primary enforcement body, and how ARB would handle oversight of the districts. As it is anticipated that more than one local air district will enter into an MOU with ARB, these agreements should be finalized and made public prior to the effective date of the regulation. Knowing who your regulatory lead is, is just as important as the standards themselves.

Historically, air quality regulations have been segregated into either "CARB enforced" or "local enforced". This clear delineation has been well established. A regulated party should only have to answer to one regulatory body for a single regulatory regime. This regulation subjects CIPA members to potential violation at both the State and local level for the same potential offense. This is a significant concern.

Additionally, there are a variety of dates, and response times contained within the regulation that are shorter than those of the existing local district rules. This inconsistency is problematic and should be reconciled to be consistent with the longer timeframes already in use today.

CIPA strongly recommends that prior to final regulatory adoption, these pending implementation and enforcement issues are resolved in the public domain, including the elimination of possible double jeopardy and adoption of any local district MOUs.

MRR Consistency

In reviewing the proposed Regulation, CIPA members have noted several inconsistencies between it and the Mandatory Reporting Regulation (MRR). This may cause uncertainty, confusion, and inconsistency in interpreting the regulation, in defining record keeping and reporting practices, and in agency and public use of the data collected under these regulations. Because definitions are critical to the implementation of the rule and are key to enforcement and compliance efforts it is of paramount importance to ensure they are as tightly written as possible. The definitions of "component" and "facility" are only two examples. CIPA believes these issues can and should be addressed in a subsequent 15-day amendment package, and looks forward to working with staff.

CIPA recommends ARB continue to work with stakeholders and then use a 15-day amendment package to revisit and clarify as needed prior to the final adoption of the rule.

Standards and Exemptions

This regulation is entirely new, but it is also layered with a variety of difference sections each with their own set of standards and exemptions. CIPA has noted that several of these provisions, and exemptions, are either not feasible (timelines for certain required action) or do not take into account the reality of California's oil production system (exemptions based

on an inappropriate “one size fits all” oil/water ratio criteria) and should be revisited in a 15-day amendment package prior to final adoption.

An example of a specific technical issue is the requirement to change to dry seals. A number of wet seal compressors cannot be converted to dry seals due to the size of the dry seal cartridge. Also, when using dry seals in the oil fields, they require a gas scrubber and treatment equipment to achieve for their supply system as they need clean dry gas, as well as, additional equipment to ensure the high pressure supply to the dry seal at start up and low flow operations to prevent premature seal failure.

It was also brought to CIPA’s attention that a late staff proposal would eliminate the option to “step down” Leak Detection and Repair frequency from quarterly to annual. This is a significant change which comes with a increase in costs to stakeholders. CIPA is concerned that the costs and impacts of such a change have not be analyzed including that such a change creates local and state testing requirements that are not in sync.

CIPA recommends ARB continue to work with stakeholders on these issues and then use a 15-day amendment package to revisit and clarify as needed prior to the final adoption of the rule.

Vapor Recovery Requirements

The regulation envisions additional vapor control and/or flaring of collected methane emissions, including from heavy oil tanks. However, the ability to permit new flares in California’s non-attainment air districts is still a major question. In fact, some districts have stated that they do not want additional flaring to occur under this regulation. Because increased flaring and/or new flares would not be allowed without air district permitting, CIPA is concerned that new flares may not be a reasonably method of compliance.

CIPA also notes that the inclusion of gauge tanks in this version of the regulation comes without prior stakeholder discussion or notice. This addition is a significant concern as it changes the initial point of regulation under the rule, requiring owners or operators to extend the reach of vapor control, which for a variety of reasons may not be practicable. Prior versions of the regulation did not contain such provisions. CIPA is concerned with the implications of such an addition, including costs and lack of transparency or analysis in the process. There are also significant concerns about the effectiveness of such a requirement due to the intermittent nature of their operations.

CIPA recommends that because the stakeholder process was bypassed, including a robust feasibility and cost analysis, that the newly inserted gauge tank provisions be removed. CIPA recommends that prior to final adoption, ARB demonstrate that there are viable compliance options associated with new vapor recovery requirements.

CIPA has consistently advocated for a fair, cost-effective, and implementable regulation. And while this version is much improved, CIPA respectfully submits these summary comments in an effort to constructively assist ARB in taking the next step to a final adoption that addresses these remaining technical and implementation concerns. The version presented to the Board at the July 21, 2016, hearing cannot be the final version of the rule.

We are ready to continue the dialogue that is needed to bring this process to a successful conclusion. This additional dialogue should result in a subsequent 15-day amendment process. Thank you for your attention to this important matter. Any questions or follow-up comments can be directed to rock@cipa.org.

Sincerely,

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

Rock Zierman
CEO

317305163.1