



October 24, 2022

Rajinder Sahota
Deputy Executive Officer - Climate Change & Research
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: Comments on the Recirculated Draft Environmental Analysis for the Draft 2022 Scoping Plan Update

Dear Ms. Sahota,

We are writing to provide comments on the Recirculated Draft Environmental Analysis (EA)¹ for the Draft 2022 Scoping Plan released by the California Air Resources Board (CARB) on September 9, 2022. California Resources Corporation (CRC) applauds the efforts to map out a pathway to carbon neutrality for the state, an effort complicated by the sheer complexity of the economic interactions between sectors and the vast numbers of people living in widely different locals and climates.

Background

California Resources Corporation (NYSE: CRC) is an independent oil and natural gas company committed to energy transition in the sector. CRC has some of the lowest carbon intensity production in the US and we are focused on maximizing the value of our land, mineral and technical resources for decarbonization by developing carbon capture and storage (CCS) and other emissions reducing projects. CRC has a large portfolio of lower-risk conventional opportunities in the following major California oil and gas basins: San Joaquin, Los Angeles and Sacramento.

As a company exclusively invested in California, CRC is committed to the success of California's climate goals, including transitioning the economy to meet net zero greenhouse gas emissions by 2045. CRC announced a Full-Scope Net-Zero Goal in November 2021, which includes eliminating our Scope 1 and 2 emissions and permanently storing captured greenhouse gas emissions in a volume equal to our Scope 3 emissions by 2045. CRC is actively designing innovative technologies for deployment at our fields and facilities to decrease the CI of our oil, natural gas and electricity production, and we aim to develop California's first commercial-scale CCS project.

The role of California's Oil and Gas industry in the energy transition

CRC supports the use of lower carbon transportation fuels as part of the energy transition to net zero and agrees with CARB that a complete phaseout of oil and gas extraction and refining is not

¹ 2022 Scoping Plan Draft EA. Available at: <https://ww2.arb.ca.gov/resources/documents/2022-scoping-plan-documents>. Accessed: September 2022

feasible by 2045.² The parallel premise of a phase down of California oil and gas extraction is equally problematic. California has to import the majority of crude that is processed in the state; in 2020, only 31% of the 478 million barrels of crude supplied to California refineries was produced in the state.³ There is thus capacity for the state to encourage production of lower-CI crude that can substitute foreign crude supply and further reduce the CI of fuel required within and supplied by the state. Indeed, with supportive policy approaches, California could play a pivotal role in production of negative CI crude that would support the State's climate goals. Given this, the smarter premise would be a phase in of low-CI crude from California, even as the state moves away from petroleum-based transportation fuels.

Further, CARB has a responsibility under the AB 32 to minimize the "leakage" potential of any regulatory activities, which includes the actions and policies outlined in the Draft 2022 Scoping Plan Update. As part of this responsibility, CARB must first consider the emissions increases that could occur outside of the State as a result of the policies contained in this Draft 2022 Scoping Plan Update. Such shifts of economic activity and emissions could effectively negate the desired in-State emissions reductions. CRC provided specific comments on leakage in our letter dated June 16, 2022⁴ which is incorporated here by reference. CRC believes that CARB should strongly consider further studying and quantifying the leakage risk associated with phasing down in-state production, even in-line with total crude use, to ensure that leakage is minimized and global CO2 emissions decrease as the scoping plan is implemented.

California's crude production carbon footprint is the best understood and quantified primary source of transportation fuels in the world, backed up with measured and verified data and produced by local diverse workforces that represent California's high standards for social equity and corporate governance. Given that climate change, social inequity, and corrupt governance are global concerns that California seeks to take a leadership role in reversing (or at a minimum does not contribute to through "leakage"), CRC recommends that CARB include not only GHG leakage as a factor in the Scoping Plan, but a holistic assessment of leakage that includes other environmental concerns such as biodiversity, as well as social equity for diverse workforces and governance principles that promotes equal pay. Put simply, CRC strongly supports CARB's responsibility to consider leakage for GHG emissions, and strongly recommends extending the same lens to all environmental, social, and governance matters to ensure California's choice of crude during the energy transition does not have the unintended consequence of increasing global climate change, social inequity, and unfair governance principles.

As an example of the unintended consequence is a probable increase in global greenhouse gas emissions driven by the proposed phase down of California oil and gas production. All California crude is not the same and can have carbon intensities that span over an order of magnitude, including in many cases being lower than similar crudes from outside California.

² CARB. Draft 2022 Scoping Plan Update. May 10, 2022. Pages 78-79.

<https://ww2.arb.ca.gov/sites/default/files/2022-05/2022-draft-sp.pdf>

³ CARB. 2021. 2020 Crude Carbon Intensity Value. <https://ww2.arb.ca.gov/resources/documents/lcfs-crude-oil-life-cycle-assessment>. Accessed: October 2022.

⁴ See Letter from CRC to CARB dated June 24, 2022. www.arb.ca.gov/lists/com-attach/4370-scopingplan2022-BzVWYINiB2IBNVRg.pdf



As part of the preparation of CRC's 2021 ESG report⁵, CRC calculated the carbon intensity of its crude accounting for emissions from extraction, electricity generated and used in processing, electricity purchased from California's grid and transportation to downstream refining. CRC's measured well-to-refinery crude carbon intensity was 7.28 g/MJ in 2020. As a proxy for the crude CI used in LCFS, this value is 30% lower than the 2020 average CI of the non-US crudes (10.36 g/MJ) as calculated by OPGEE. This means that by decreasing in-state crude production from companies like CRC, emissions are not only shifted to other crude producing countries, but emissions are larger, resulting in a net increase in global CO2 emissions. CRC strongly supports CARB's recommendation to include emissions leakage in its evaluation of crude sources during the energy transition to avoid the unintended consequence of California's import of crude oil contributing to – versus mitigating – climate change. Again, this same leakage lens should be extended to social equity and fair governance principles that, like climate change, are being unintentionally promoted by California by importing crude from foreign sources that do not uphold the same standards.

California's oil and gas industry has an important role in lowering carbon emissions, advancing social equity, and upholding fair governance principles in accordance with the goals of the Scoping Plan. By better balancing these reductions across the economy, California can achieve carbon neutrality by 2045 in a significantly more cost-effective manner and without the detrimental leakage effects described above.

Thank you for the opportunity to provide comments on the draft EA. We look forward to working with CARB on the future rulemaking that is spurred by the scoping plan.

Regards,

A handwritten signature in black ink that reads "Chris Gould". The signature is written in a cursive, flowing style.

Chris Gould
Chief Sustainability Officer
California Resources Corporation

⁵ 2021 CRC Sustainability Report. <https://crc.com/images/documents/sustainability/2021-CRC-Sustainability-Report.pdf>