



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 Amendments to the Mandatory Reporting Regulations
Presented at the February 24, 2016, Workshop**

Patrick Gaffney
California Air Resources Board
1001 I Street
Sacramento, CA 95814

March 15, 2016

Via electronic submittal to: pgaffney@arb.ca.gov

The California Independent Petroleum Association (CIPA) appreciates the opportunity to submit the following comments to the California Air Resources Board (CARB) for its consideration. These informal comments reflect the high-level presentation of staff at the February 24, 2016 Mandatory Reporting Regulation (MRR) workshop.

CIPA understands the importance of Monitoring, Reporting and Verification (MRV) to the Cap and Trade Program, and would ask CARB to recognize that MRV requirements add cost and complexity to the regulatory system that California's oil producers must address on a daily, weekly and annual basis. The proposed revisions to MRR have both general and specific impacts on the oil and gas industry, therefore this opportunity to evaluate their impacts is important.

The mission of CIPA is to promote greater understanding and awareness of the unique nature of California's independent oil and natural gas producers 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. We encourage CARB to recognize that California oil and natural gas production is subject to the most stringent safety and environmental standards, while energy imported from other countries is not produced in a manner that meets California's high standards.

CIPA and its members support CARB's continued efforts to improve the existing MRR, especially as it moves to the post-2020 timeframe. There were a variety of proposals at the workshop, many of which were not presented with sufficient specificity to provide in-depth comments. CIPA looks forward to additional details and proposed language being released for stakeholder comments with sufficient time to comprehend their impacts and to sufficiently comment prior to the 45-day regulatory package.

However, there were suggested amendments that impact our industry directly. The comments below respond to those proposals.

Verification Deadline

This proposal would have significant impacts on CIPA members, as well as verification bodies themselves. Changing the verification deadline from September 1 to August 1 is not a minor change and will have an effect throughout the reporting process.

At the workshop, staff stated that reporters and verifiers could use the time leading up to the verification deadline more efficiently in an effort to encourage earlier report submittals. Our members believe that the complexity and diversity associated with the oil and gas industry requires the maximum amount of time afforded under the existing MRR. This is partially because the necessary interaction between verifiers,

reporters and CARB staff as questions arise during the process require significant amounts of time. And lastly, the petroleum industry is comprised of very complex facilities and processes. As such, the verification process for these facilities is destined to take more time than for other types of facilities. Moving the deadline to August 1 will increase the stress on all parties associated with completing this critical process. The increased stress and shorter time frame will increase the likelihood of errors and adverse verification statements with the attendant adverse consequences.

CIPA opposes changing the final verification deadline.

Modifying Applicability Threshold for Flaring Exemption

Staff has proposed to modify the applicability threshold to include oil and gas flaring emissions for abbreviated reporters. First, it is not clear why CARB believes they need this data. However, in addition to the small impact of requiring the estimated two oil and gas facilities that are already required to submit abbreviated reports to include flaring emissions in those reports, this change would likely also require some facilities not currently subject to reporting at all (i.e., less than 10,000 MT) to submit abbreviated reports.

CIPA is again concerned that this proposal singles out the smaller oil and gas producers for a more costly and complex reporting scheme without any corresponding GHG reduction benefit.

Requirement for Facility Schematics

Staff has proposed to clarify requirements for GHG monitoring plans and require schematics for refineries and oil and gas production facilities. Without exact language, it is not clear what exactly is being asked of industry, nor was it clearly articulated why schematics are needed and in what level of detail. As this is a requirement that would presumably impact all CIPA members, it is important to understand the breadth of the proposed requirement, and any potential timing impacts.

CIPA recommends that staff share more detailed language such that it may be seen whether or not this requirement is a one-time activity or whether the schematic must be kept current with every change in the fields. CIPA is also concerned about the increasing cost and complexity of the MRR, especially without any corresponding emission reduction benefit. This requirement adds to both cost and complexity. It is important that CARB also establish a clear need for imposing any additional requirements. The devil will be in the details, i.e., how much detail will need to be included in the schematics. The more detail required, the greater the cost of creating and *maintaining* the schematics. And the additional cost is clearly not a one-time cost as the schematics will quickly become useless if not maintained to reflect changes as they occur. CIPA is also concerned these schematics are confidential business information.

CIPA recommends staff share with stakeholders both additional rationale as well as the actual language for the proposed requirements.

Petroleum and Natural Gas System Clarifications

Staff proposed six clarifying changes to the sector reporting requirements. These range from “typographical” to eliminating the option to use engineering estimates for flare gas and fuel gas quantification. CIPA is supportive of regulatory clarifications and the removal of ambiguities, but additional details are needed prior to our being able to make substantive comments. Oil and gas entity reporting is extremely complicated; any changes made to requirements must have the specific language fully shared with stakeholders to ensure a complete understanding of the issues. Even minor changes can impact CIPA members differently depending on their size, complexity, age and diversity of their operations. We request that we have an opportunity to review the specific changes prior to the release of the 45-day package to address CARB’s objectives in the most efficient and cost-effective manner possible.

CIPA is concerned with the removal of the flexibility allowed by engineering estimates under the current MRR and believes it to be an important flexibility provision that we prefer to retain. Staff noted that “most” entities were already using other methods to quantify their fuel and flare gas. The fact that most entities have the ability, or desire, to do something a certain way, doesn’t mean it should be required for all. Staff should demonstrate that this change benefits the program and that it would not burden smaller operators with additional costs. To remove this flexibility in the regulation would subject these parameters to the metering accuracy and calibration requirements in 95103(k) of the MRR. This would increase the need to apply missing data procedures, which simply replace an engineering estimate with a prescriptive estimate without improving the accuracy of reported emissions. In addition, it increases the cost of compliance under the program.

CIPA strongly recommends that, prior to 45-day regulatory language release, the actual language for these implementation clarifications be available for public review and comment. CIPA is concerned with the removal of quantification flexibility.

As this process moves forward, CIPA looks forward to continually working with you to improve its provisions. 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

cc: Rajinder Sahota
Brieanne Aguila

316671643.1