



California Independent Petroleum Association

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Comments of the California Independent Petroleum Association
on Attachment 1 – Proposed Regulatory Order for the
Proposed Greenhouse Gas Emission
Standards for Crude Oil and Natural Gas Facilities

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

February 21, 2017

Via electronic submittal to: https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=oilandgas2016&comm_period=1

The California Independent Petroleum Association (CIPA) appreciates the efforts staff has made to understand the technical and policy issues surrounding this rulemaking. CIPA submits the following comments for your consideration.

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.

CIPA has been working diligently with its members to provide technically-sound, constructive feedback on the proposed Regulation for Greenhouse Gas Emission Standards for Crude Oil and Natural Gas (Regulation). The following represents our continuing effort to provide targeted input in an attempt to improve implementation of the regulation consistent with our members' interests and the overarching goals of the Air Resources Board (ARB).

CIPA understands the goals of the Regulation, but believes that providing operator flexibility will allow the GHG reductions sought by ARB to be achieved, but at a much lower cost than an overly specific regulation.

Implementation Issues

CIPA would support flexibility in implementation of the rule that also achieves ARB's compliance goals. Therefore, there are a few clarifications that ARB can provide within either the Final Statement of Reason, the adopting Resolution or in the ARB/Air District Memorandum of Agreement (MOA).

1. CIPA requests clarity that “petroleum waste product”, is indeed not a direct byproduct of production or separator operation, but rather some other non-production fluid from equipment such as waste hydraulic fluid.
2. CIPA requests clarification that the first year reporting is not due until July 2019, and that it would be for all of 2018 but not any of 2017.
3. CIPA request clarification of Section 95669(o)(5) that if all leaks are fixed within the timeframes provided within the rule that “shall not constitute a violation...in this subarticle”, and that the reference to the 4th quarter is limited to the number of leaks in any given year.
4. The stakeholder process, timing and uniformity of the ARB/District MOA process is still unclear to CIPA. We would request that prior to the final rule adoption, that these MOAs be made public with adequate time for stakeholder review and comment.
5. CIPA requests clarity on the new LDAR exemption in Section 95669(b)(12)—“Components found on steam injection wells or water flood wells.” The term “water flood wells” is not clearly defined as both water injection wells and oil production wells that are part of a water flood project could be considered “water flood wells”. Is the intent for this exemption to be for water injection wells, which include water disposal wells?
6. ARB has clarified what is meant by “per day” in parts of the rule, but in some of the various calculations of annual emissions and in some reporting forms it is still undefined. CIPA suggests that for clarity and consistency it should be made clear that what is meant is the total annual throughput for the prior calendar year divided by 365 days.

Conclusion

This rulemaking process has been extensive. CIPA understands the state’s desire to reduce methane and GHG emissions, but points out that this “direct command and control” regulation is in addition to the carbon price signal and incentive to reduce emissions that comes from the Cap-and-Trade Regulation. These duplicating regulations add cost and inefficiency to the market policy that is the cornerstone of California’s GHG reduction efforts.

We hope to keep the lines of communication open on these very important issues as this rule goes from adoption to implementation. Please reach out to CIPA should you have any questions or would like to discuss further.

Sincerely,

/s/

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association