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CIPA

California Independent Petroleum Association Comments on the July 7th LCFS Kick-Off Workshop

August 8, 2022

Cheryl Laskowski
California Air Resources Board
Low Carbon Fuel Standard Program
1001 I Street
Sacramento, CA 95814

Via electronic submittal to Comment Docket.

Ms. Laskowski,

Thank you for the opportunity to share some supportive comments and key concerns related to the recent LCFS Kick-Off regulatory workshop held on July 7, 2022[1] on behalf of the members of the California Independent Petroleum Association (CIPA)[2]. 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 transportation greenhouse gas emissions. Our members are committed to innovation and investment to help the state reach its statutory emission reduction targets.

The focus of the workshop was a broad introduction to potential LCFS regulatory amendments. CIPA has been tracking this pending regulatory update effort for quite some time, particularly the pending OPGEE amendments, and has submitted numerous comment letters. This letter focuses on a new, precedential issue—the potential removal of ZEV forklift credits from the program—that was floated for stakeholder consideration along with a bullet seeking feedback on "other crediting opportunities or equipment that should be phased out." While ZEV forklift crediting has not been a focus of CIPA, the potential removal of additional credit-generating project categories is of interest given success of the Innovative Crude project crediting provisions currently in the regulation. CIPA members have actively participated in this aspect of the rule with numerous credit generating projects currently operating.

[1] https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/lcfs-meetings-and-workshops

[2] 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.

There were many questions left unanswered regarding this first-of-a-kind removal of eligibility from the program, including:

- What other credits are under consideration to be removed?
- Would approved projects continue to receive credits, i.e. grandfathering?
- When would eligibility for applications and/or new credit generation cease?
    - Would they be the same timeframe?
- How does CARB define 'mature' low-carbon technologies?
    - Is it strictly cost basis?
    - Is it related to technology only, or other policy goals?

CIPA believes that long-term investment signals given by the LCFS would be severely undermined if existing credit generating projects, especially capital-intensive projects, were to lose eligibility prior to the life of the investment/project. Therefore, CIPA recommends any project crediting eligibility changes be prospective in nature. We also encourage CARB to transparently provide any and all rationale for the determination of 'mature' technologies. Such a precedent could have wide-ranging implications.

This proposal is justified in the staff presentation as being a 'policy alignment' effort with the draft Scoping Plan. The draft Scoping Plan is aggressive and sets transformative goals for the world's 5th largest economy. Such ambitious goals are fraught with uncertainty, therefore using the rationale for 'alignment' with the draft Plan leaves a lot of room for LCFS amendment flexibility. CIPA urges CARB to use this flexibility to continue to incent, rather than discourage, investment in all types of low-carbon fuels and feedstocks.

CIPA agrees with the draft Scoping 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 LCFS amendments pursued by the State, not replace the incentive to lower the carbon intensity of 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. 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. These renewable and sequestration incentives are currently in the LCFS, and should remain there for the foreseeable future

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.[3,4] 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

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[3] https://www.arb.ca.gov/lists/com-attach/4-opgee-general-ws-AGMBbgNyVmQAWVI9.pdf
[4] https://www.arb.ca.gov/lists/com-attach/5-opgee-general-ws-WzhSPVUkBTdVDABv.pdf

economy, could come from inside California, produced by responsible, accountable, and highly 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 and LCFS 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,

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association