



Sacramento, CA 95814

*California Independent Petroleum Association
1001 K Street, 6th Floor*

*Phone: (916) 447-1177
Fax: (916) 447-1144*

**California Independent Petroleum Association Comments
on the December 2, 2016 2030 Target Scoping Plan Discussion Draft**

December 16, 2016

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Via electronic submittal to: TBD

The California Independent Petroleum Association (CIPA) has historically participated in the development of the AB32 Scoping Plan and its updates. CIPA appreciates the opportunity to comment on the 2030 Target Scoping Plan Discussion Draft (Discussion Draft). This is a significant document that has far-reaching implications. Even measures that are only conditionally suggested are looked at for potential legislation and or backstop measures. They should be fully evaluated prior to their inclusion into the final document. The following comments are focused on the “No Cap and Trade” Alternative’s inclusion of an additional 25% GHG reduction from the sector¹.

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. 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.

Crude oil is an international commodity where additional costs to California production will create added pressure for potential leakage of GHG emissions to other regions that are not similarly regulated, nor have the energy efficiency standards implemented here in California. ARB is required to minimize this type of leakage.

CIPA has significant concerns about the inclusion of the 25% additional reductions concept in the “No Cap and Trade” alternative. The concept as laid out in the Discussion Draft assumes that all producers, and all well sites, are capable of operating at the same level of energy consumption as the sector lead. This is fundamentally wrong.

¹ https://www.arb.ca.gov/cc/scopingplan/2030target_sp_dd120216.pdf [pg 95]

Within California there are a multitude of differentiating factors between operations. These include operator and field size, well production, location, geology, oil types, age and depth of wells and reservoirs, access to capital, existing/pending air district and other local rules and regulations, topography, thermal vs non-thermal production, local climate and many more. Additionally, many of these characteristics define large vs. medium and small operators. Such a dynamic is problematic and should be avoided.

The regulatory concept seems to be an extension of the allocation benchmarking work done under the existing Cap and Trade program. That exercise showed that not all production was equal. The Discussion Draft notes the following:

“This regulation would not limit mass GHG emissions, but would require facilities to become more efficient through actions such as fuel switching, boiler electrification, onsite investments in newer more energy efficient technologies, and any other process efficiencies they could identify and implement.”

This proposal comes without GHG emission or costs estimates. CIPA believes the costs would be prohibitive and lead to shutting down marginally producing wells, thus leading to increased emissions and economic leakage. For this same reason, CIPA believes that the reduction assumptions for this potential measure are either overestimated, or would be achieved through cessation of production rather than greater efficiencies. Also, any changes required by this newly proposed regulation would come on the heels of changes required by the pending Oil and Gas Methane regulation, possibly requiring the exchange of equipment on the very same wells and systems.

Throughout the Discussion Draft, ARB notes that new GHG emission reduction rules should result in direct emission reductions at large stationary sources. CIPA would like to highlight the fact that this source category has historically been regulated by the local air districts and is concerned about overlapping and/or duplicative regulations. Duplication of effort, including reporting and recordkeeping and the potential for double enforcement over the same ton of emissions, should be avoided.

CIPA understands that ARB has committed to producing both cost and GHG reduction estimates in January, we request that any such data be presented at least 15-days *prior* to the January Board hearing on this document. Without such opportunity to review and digest, staff will have effectively short-circuited and circumvented the public process. Finally, CIPA is unaware of any meetings or outreach to our members when drafting this provision—this is also a problem in and of itself.

Thank you for your attention. Any questions or follow-up comments can be directed to rock@cipa.org.

Sincerely,



Rock Zierman
CEO

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