



March 28, 2016

Kyle Graham  
Senior Attorney  
California Air Resources Board  
1001 I Street, Sacramento, CA, 95819

**Subject: Comments on the Development of the Aliso Canyon Mitigation Plan**

Dear Mr. Graham,

Please accept this second set of comments in support of the Board's work to develop a greenhouse gas mitigation plan for the Aliso Canyon well failure event.

As detailed in our prior letter of March 9, 2016, your agency has the important task of ensuring the atmosphere is fully made whole after the release of nearly 100,000 tons of methane into the Los Angeles air basin. After we submitted that letter, the agency released a draft mitigation plan for public review and comment. At the same time, a rising concern has emerged over the impact of the gas supply reduction on the reliability of the energy system of Southern California – providing added urgency that the mitigation plan should prioritize solutions that reduce climate pollution and also reduce peak electricity and peak gas demand. We offer the following comments in response to the draft plan and to address some of these emerging concerns.

**I. Achieving Full Mitigation**

In his Jan. 6, 2016 proclamation responding to the emergency at Aliso Canyon, Governor Brown directed ARB to develop a program that would “fully mitigate the methane emissions from the leak.”<sup>1</sup> Achieving full mitigation requires a plan based on several important elements: first, that ARB accurately quantify the total volume of leaked methane; second, that to the extent ARB permits mitigation to be achieved from reductions in other greenhouse gases, it uses the most recent global warming potentials (GWPs) from the Intergovernmental Panel on Climate Change (IPCC); third, that ARB ensure only reductions that are truly additional to activities SoCalGas or other parties were already planning or required to undertake are eligible to count toward the mitigation; and finally, that SoCalGas makes a sufficient financial commitment to fund the mitigation program.

We commend staff for proposing a plan that sets a high bar on the first three elements. By focusing on achieving equivalent reductions in methane, ARB rightly diminishes the necessity of converting to carbon dioxide equivalence (CO<sub>2</sub>e) and the associated complications of using GWPs. To the

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<sup>1</sup> Governor's Proclamation of a State of Emergency (Jan. 6, 2016) at: <https://www.gov.ca.gov/news.php?id=19263>.

extent conversions are undertaken, however, we strongly support ARB's proposal to use the 20-year GWP for methane based on the IPCC's most recent Fifth Assessment (AR5). We recommend only that ARB consider the appropriateness of also using the AR5 20-year GWP for methane that accounts for the additional warming associated with carbon-cycle feedbacks, which is 87 (not 84), and would in turn yield a total climate impact over the first 20 years at 8.2 MMT CO<sub>2</sub>e.<sup>2</sup>

We further applaud staff for applying the rigorous criteria in AB 32 that projects funded pursuant to the mitigation plan must “yield real, verifiable, and permanent greenhouse gas emission reductions that are additional to those that would be achieved under a conservative “business as usual” scenario, including actions that SoCalGas or other parties are already taking, will otherwise be legally obligated to undertake, or voluntarily agreed to prior to the natural gas leak at Aliso Canyon.”<sup>3</sup> Adhering to these criteria in the implementation and evaluation of projects funded through the mitigation program will be essential to promote public confidence in the plan and ensure the atmosphere is made whole.

Conversely, the draft plan defers consideration of the final element needed to achieve full mitigation – the financial commitment required from SoCalGas. By leaving this issue unresolved, ARB cannot fulfill its core duty to ensure the climate impact of the leak is mitigated in full, as there is no guarantee that the financial commitment ultimately agreed to by SoCalGas will be sufficient to achieve the required level of reductions. For that reason, staff had originally floated the idea of incorporating a financial “backstop,” which would provide additional funding in the event the initial slate of funded projects underperform or otherwise fall short of delivering full mitigation. At a minimum, we strongly encourage ARB to revisit requiring a supplemental financial backstop as part of the final mitigation program.

Fundamentally, however, we recommend ARB approach the financial commitment required to implement the mitigation plan as simply the back-end product of the results of the competitive solicitations for eligible projects within the three categories ARB has outlined. Even with a backstop, implementing the mitigation plan on the basis of a fixed, front-end financial commitment will not allow for meaningful consideration of the important co-benefits ARB has identified, as primacy will be given solely to projects that achieve reductions at the lowest \$/ton.

## **II. Project Selection**

With respect to project selection for the mitigation plan, we commend the approach designed to deliver a multiple of benefits, including co-benefits in disadvantaged communities and reduction of hot spots (bin # 3 of the draft plan). At the same time, the pursuit of a series of demand reduction measures capable of cutting climate pollution from the energy sector more broadly (bin # 2), while generating localized investments is a sound strategy. As outlined previously, we support the selection of mitigation projects through a portfolio approach that looks at the main existing sources

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<sup>2</sup> See comment letter, “Use of 20-year GWPs in the Draft Aliso Canyon Methane Leak Climate Impacts Mitigation Program,” at <http://www.arb.ca.gov/lists/com-attach/46-alisompdraft-ws-V2VTZV1tBWADKAU1.pdf>.

<sup>3</sup> [http://www.arb.ca.gov/research/aliso\\_canyon/draft\\_aliso\\_canyon\\_mitigation\\_program\\_03142016.pdf](http://www.arb.ca.gov/research/aliso_canyon/draft_aliso_canyon_mitigation_program_03142016.pdf) (at 8).

of methane in California – selecting targets and projects based on factors such as reduction potential, co-benefits, and ability to result in transformational change – as opposed to purely geographical considerations.

Although the draft climate mitigation plan is a strong start for responding to the Aliso Canyon event, it is of course but one facet of larger response. And, based on the recent elevation of concerns around energy system reliability, we suggest ARB use the plan as an opportunity, where timely and feasible, to achieve both climate pollution reduction and enhanced energy system stability. In this regard, bin # 2 would benefit from additional clarity and direction, especially in the area of investments that result in peak electricity reduction (to mitigate summer reliability concerns), and peak gas reductions (to mitigate winter reliability concerns). By making investments to reduce times and incidents of peak use, such as through demand response, energy efficiency, fuel switching, etc., the Aliso Canyon mitigation plan can serve as a helpful tool for improving the California energy system for years to come.

In addition to more specificity in bin # 2, we further recommend better clarity around the hot spot investments in bin # 3. While the mention and focus on orphaned and idle wells is important (especially given the ample evidence of well management issues in California), without more detail this bin of investments looks uncertain as to both its potential size and scope of the investment sought. More than anything, without any focus on existing/producing oil and gas infrastructure, there appears to be an implicit assumption that the ubiquitous methane emissions from the active O&G supply chain in California will be fully covered by planned and upcoming rules; thus the sector is nearly entirely ruled out as non-additional. For this reason, and since the science on methane demonstrates ample opportunity for emissions reductions, we recommend ARB further explain what is meant by ‘hot spots’ and look for O&G methane emissions beyond just orphaned wells.

### **III. Plan Implementation**

We encourage staff to provide additional direction and clarity in the final plan on the roles and responsibilities for ARB, any third-party administrator, and SoCalGas. While the precise details of the division of responsibility can be reserved for a later date, at a minimum we strongly recommend ARB reserve for itself final say on the selection of a third-party administrator, individual projects (to ensure they meet ARB’s proposed criteria, including additionality), and responsibility to monitor and verify reductions from funded projects. As the state agency tasked with overseeing California’s climate initiatives, ARB is in a unique position to provide both the expertise and credibility to ensure the mitigation plan delivers on its promise.

As always, thank you for your time and consideration of the points made herein. Please do not hesitate to contact us with any questions or comments you may have.

Sincerely,

Timothy O’Connor  
Director, California Oil and Gas Program  
Environmental Defense Fund

Alex Jackson  
Legal Director, California Climate Project  
Natural Resources Defense Council