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CIPA

California Independent Petroleum Association Comments on the Proposed LCFS 45-day Regulatory Package

Chair Liane Randolph
Board Members
California Air Resources Board

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Via electronic submittal to: *[regulatory docket]*

Thank you for the opportunity to comment on this important regulatory update on behalf of the members of the California Independent Petroleum Association (CIPA)[1]. 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.

The LCFS regulatory package released in early January contains the complete package of material for the pending amendments[2]. The materials include a proposed updated LCFS regulation and appendices, including an update Table 9—*Carbon Intensity Lookup Table for Crude Oil Production and Transport*. The proposed regulation also solidifies the role of the Innovative Crude crediting program to incent the reduction of greenhouse gases (GHGs) from in-state production activities.

CIPA is appreciative of the staff recommendation to retain the Innovative Crude credit provisions through 2040. This regulatory signal allows for significant capital flows to occur in the near-term and GHG reductions to occur continually for the next 16 years, while assisting the retention of high-value jobs within the State. We are however disappointed to see the results of the latest OPGEE model as provided in the proposed Table 9, as they do not seem to reflect stakeholder input on the differences with in-state production as compared to other less regulated jurisdictions. CIPA is also discouraged by the lack of real transparency in that process.

The 2022 Update to the AB 32 Scoping Plan clearly shows that, even in 2045, California will continue to consume significant volumes of crude oil to fuel the legacy fleet of ships, planes, trains and vehicles that remain in California, even with the State's all-in push for zero-emission technology[3]. California in-state crude, produced under the State's Cap-and-Trade, Low Carbon Fuel, and Oil/Gas Methane regulations should be prioritized as the primary feedstock of choice. The results of the latest update, do not accomplish this anti-leakage approach to the LCFS. CIPA remains strongly opposed to any LCFS amendments in which in-state crude is replaced with

[1] 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.
[2] https://ww2.arb.ca.gov/rulemaking/2024/lcfs2024
[3] https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp_1.pdf

imported crude either by direct regulation or indirect impact such as inaccurate values for crude carbon intensity scores. A true and successful LCFS would not shift emissions, tax-base and jobs to other jurisdictions.

Stability of the Innovative Crude Program

CIPA doesn't see the need to end LCFS crediting, as is proposed in the amendment package, of large capital projects that are built to meet the goals of the Program by continually reducing GHG emissions year-after-year, thus reducing a key economic feedstock's carbon intensity. Nonetheless, the staff proposal to retain the Innovative Crude credits option under the LCFS is an important policy signal to the market. The Scoping Plan's approach to allow the demand for fuels lead the market rather than attacking local supply, allows for the transportation and byproduct feedstocks to not be relied up only through increased imports.

We have supported our members in these GHG-reducing endeavors for years. As long as there is demand for liquid fuels, California should be promoting GHG reduction projects for in-state oil and gas extraction given it is the only crude oil that is compliant with California's climate program.

CIPA members are actively deploying carbon reduction strategies including renewable energy to replace both electricity <u>and</u> thermal loads, in addition to, carbon capture and sequestration, which is rightly not subject to the deadline assigned other Innovative Crude credits. Replacing thermal loads, as allowed under the Regulation, has significant direct local air quality benefits in the state's most impacted communities, and if properly designed, permitted and built, can reduce costs and strain on the state's electrical grid.

OPGEE and Table 9 Updates

The OPGEE scores for California produced crude have moved higher on average, even though CARB has claimed success for reducing industry emissions on several fronts, including implementation of the Oil/Gas Methane rule. This is incongruent, especially given that foreign CI scores have proportionally decreased compared to in-state production even though it can't be shown that new or additional emission controls have been enacted.

The OPGEE model continues to use of foreign default values that are not enforceable or verifiable, two hallmarks of California's climate regulations—Cap-and-Trade and the LCFS. Additionally, the California oil/gas methane rule has been shown to reduce in-state fugitive methane emissions from local producers.[4]

CIPA has been actively engaged in this process and previously submitted comments to the OPGEE model update under earlier LCFS workshops. Those comment go into great detail about the need to get the science right BEFORE policy decision are made, and describe a model in which the regulatory framework of California is ignored.[5,6] We incorporate those comments by reference and provide these additional thoughts.

We have requested a transparent analysis evaluating the *global* impact of replacing California crude, with its methane monitoring rules, flaring rules, vapor recovery rules and short pipeline transport distances with the equivalent volume of less regulated, long-distance transported

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[4] https://ww2.arb.ca.gov/resources/documents/ldar-analysis-paper-published-environmental-challenges

[5] https://www.arb.ca.gov/lists/com-attach/53-lcfs-wkshp-oct20-ws-WjldMgBxUmACWwVp.pdf

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

foreign crude. Such an analysis needs to consider all the emission reduction efforts highlighted in the previous CIPA OPGEE letters to CARB

The OPGEE model overestimates the CI of California crude oil, and underestimates the CI of foreign crudes, most notably those from Saudi Arabia and Ecuador, the two largest suppliers of oil to California. The data support the common-sense conclusion that California's demand for oil is best met by locally produced, locally regulated, and lesser greenhouse gas emitting oil than those foreign sources which require long transport distances in addition to non- or under-reported greenhouse gas emissions and environmental protections.

Summary

As shown in the State's officially adopted climate planning document, California will need petroleum and natural gas fuels for many years. During this time, California should not only prioritize in-state supply but incent its carbon intensity reduction.

The last barrel of oil used in California, should be produced in-state with all the local, regional and statewide environmental, health and safety and labor standards ensured to be used. California environmental and worker leadership cannot include looking the other way through direct or indirect promotion of foreign crude supplies.

Thank you.

Sincerely,

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association