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California Independent Petroleum Association Comments on the November 9, 2022- LCFS Workshop

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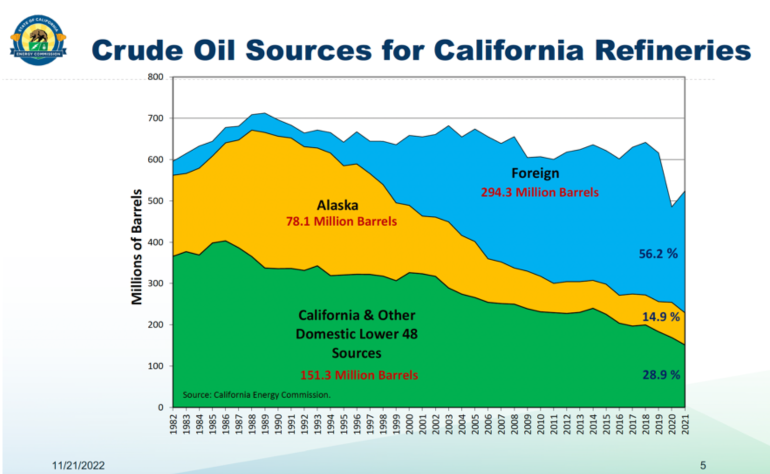
Via electronic submittal to:
https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=lcfs-wkshp-nov22-ws&comm_period=1

Thank you for the opportunity to share comments and key concerns related to the recent LCFS workshop on proposed regulatory amendments 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.

CIPA strongly opposes any LCFS amendments in which in-state crude, produced under the strictest environmental standards in the world, is replaced with imported crude either by direct regulation or indirect impact. A true and successful LCFS would not shift emissions, tax-base and jobs to other jurisdictions. The CEC staff recently presented the slide below at last month's meeting on gasoline prices[2] showing just such an increase.



[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://www.energy.ca.gov/event/workshop/2022-11/commissioner-hearing-california-gasoline-price-spikes-refinery-operations?utm_medium=email&utm_source=govdelivery

The workshop staff presentation laid out potential changes to the LCFS program that would limit and ultimately phase out credit generation for petroleum projects[3]. This would be a major step backward in reducing the carbon intensity (CI) of California's transportation fuel feedstock. CIPA is opposed to policy shifts which discourage in-state carbon reduction investments. As long as there is demand for liquid fuels, California should be promoting in-state oil and gas extraction given it is the only crude oil that is compliant with California's climate program. Imports are totally exempt.

Updating the Innovative Crude program to continually reward true innovation is policy consistent, while possibly eliminating the incentive to truly be innovative is not. CIPA members are actively deploying various carbon reduction strategies including renewable energy to replace both electricity <u>and</u> thermal loads, as well as, carbon capture and sequestration. Replacing thermal loads has direct and local air quality benefits in the state's most impacted communities. Staff rationalized the potential removal of petroleum project crediting with the statement that there were few projects using these mechanisms. This is a short-sighted view as the true benefit of the mechanism is the mid to long term investment signal it sends. It also misses the fact that there are projects in the building stage currently based on the existing rule. Cutting these investments off midstream would be a horrendous precedent to set.

Our members appreciate this opportunity to provide input, and in the spirit of transparent process based on robust science, CIPA submits these additional comments for CARB consideration.

CIPA has 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.[4,5] It is worrisome that the opposite is being proposed, i.e., policy decisions preceding finalized updates to the foundational GHG model. We incorporate those comments by reference and provide these additional thoughts.

California produced 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. California's LCFS goals simple cannot declare victory by shifting the emissions math to other (higher-emitting) jurisdictions.

CIPA has supported its members in these GHG-reducing endeavors for years. We believe there should be an analysis that looks at the *<u>global</u>* 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 foreign crude. Such an analysis needs to consider all the emission reduction efforts highlighted in the previous CIPA OPGEE letters to CARB. It is also known that California refineries are limited in the types of crudes they can accept, and that they are already optimized to received California crude.

The possibility of eliminating California produced crude, and replacing it with foreign crude will completely be undermined once the OPGEE model is updated to take into account California's

[3] https://ww2.arb.ca.gov/sites/default/files/2022-11/LCFSPresentation.pdf (Slide 35)
[4] https://www.arb.ca.gov/lists/com-attach/53-lcfs-wkshp-oct20-ws-WjldMgBxUmACWwVp.pdf
[5] https://www.arb.ca.gov/lists/com-attach/4-opgee-general-ws-AGMBbgNyVmQAWVI9.pdf

regulatory regime and scientifically assesses the impact of these other crude sources. CIPA is working to show that the OPGEE model clearly 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.

Bottom-line is that the technical work is not yet completed for the next OPGEE update, therefore no policy decisions should be made in advance of that work.

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—staff's proposal is just the opposite. Any regulatory proposals that run counter to the ultimate goal of reducing GHG emissions worldwide should be discarded.

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 that was enabled through consistent policy implementation. 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