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BP America, Inc

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Via Email
Kevin Kennedy
California Air Resources Board
1001 I Street, P.O. Box 2815
Sacramento, CA 95812

Subject: Modified Text for the Proposed AB 32 Cost of Implementation Fee Regulation

Dear Kevin:

BP America, Inc. provides the following comments on the modified text for the fee regulation contained in the 15-day package.

Exempted Fuels
In general, further explanation, justification and consistency is needed in listing of fuels that are exempt from the fee, as contained in section 95201(b) of the modified regulation. For instance, "renewable diesel" and "biodiesel" are listed as exempt from the fee. Staff has clarified in conversations that the exemption applies to neat renewable diesel or biodiesel – and not to low level blends of renewable diesel or biodiesel blended into conventional fuel. The regulation requires clarification of this point.

Moreover, the regulation does not contain adequate justification or even explanation as to why some fuels are exempt and others are not. For instance, why aren't biofuels in general exempted from the fee? Biofuels are traditionally considered to be carbon neutral because the combustion emissions are essentially equal to the carbon sequestered during the production of the biomass. If, instead, the intent is to apply the exemption to high volume blends or neat volumes, why is that not explained and justified? At a minimum, E85 blends of biofuels should be listed as an exempt fuel.

Further, liquefied petroleum gas is listed as an exempt fuel. We note that the definition of liquefied petroleum gas includes normal butane and iso-butane (see 95202(a)(60)). At times our refinery will burn normal butane and iso-butane as part of the feed fuel stream to our cogeneration unit. These butanes come from the refinery and are purified to such an extent that they are they same as that sold to other users as butane. These purified butanes are typically mixed with our refinery fuel gas. It is our understanding that because these butanes are part of the list of exempt fuels that we can remove their contribution from our calculations of emissions for fee determination. Please confirm this assumption.

Renewable Electricity Standard
We do not see a provision in the regulation that provides a nexus for the payment of the administration of the RES to the regulated parties – i.e. Investor Owned and Municipal Utilities. Because renewable power is assumed to be emissions free, renewable power is essentially exempted from the fee – even though there will obviously be substantial staff time involved in designing and implementing this complex regulation. The analogy here is to the Low Carbon Fuel Standard (LCFS). The regulated parties for the LCFS will pay for the regulation through fees on conventional petroleum fuels – and through fees on blends of the lower carbon fuels. This is because even though the lower carbon fuels (traditionally considered carbon neutral) are lower carbon, CARB is giving them the same emissions factor as conventional fuel. To be consistent, the fee regulation <u>must</u> either assign an emissions factor to renewable power that is equivalent to fossil generation – or exempt biofuels from the fee.

Petroleum Coke
The modified language in section 95201(a)(5) correctly places the point of fee collection for emissions from Petroleum Coke at the point of combustion. However, the regulation includes the term "consume" as analogous to "combust". If petroleum coke is "consumed" in a manner which results in few or no GHG emissions (through sequestration or other means), the fee liability should be commensurately reduced.

Please don't hesitate to contact me should you have questions regarding this correspondence.

Sincerely,

Ralph J. Moran
Director, West Coast Climate Change Issues
BP America, Inc.

cc (via email): Edie Chang
Jon Costantino