

Consulate General of Canada



Consulat Général du Canada

San Francisco | Silicon Valley
580 California Street, 14th Floor
San Francisco, CA 94104

October 21, 2011

Ms. Mary D. Nichols
Chairman
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Dear Chairman Nichols:

It was a pleasure to meet with you on April 20 to discuss California's Low Carbon Fuel Standard (LCFS), and I appreciate the recent meeting between Mr. James Goldstene, Executive Officer of the California Air Resources Board (CARB), and Canada's Minister of Natural Resources, Mr. Joe Oliver. I am writing to follow-up on our discussion on the treatment of Canadian oil sands crude under LCFS. Canada recognizes California's commitment to the environment in reducing greenhouse gas (GHG) emissions through the *Global Warming Solutions Act* of 2006 and acknowledges the important work of CARB in helping to implement this mandate. As you know, Canada is also committed to taking action to reduce GHG emissions, aligning our approach with that of the U.S. to maximize progress on reducing emissions while maintaining economic competitiveness.

I understand that CARB released the newest proposal to amend the LCFS on October 14 and will be meeting in mid-December to vote on proposed amendments to the LCFS. Canada has been closely following the development of these standards and appreciates your consideration in helping to ensure the treatment of crude oil under the LCFS is fair, proportional and grounded in science.

Overall, Canada is supportive of California's efforts to reduce GHG emissions from the transportation sector. However, Canada is concerned that, if done incorrectly, the LCFS could impose an administratively burdensome chain of custody system to track crude oil and could potentially drive higher carbon-intensive crude oils to other markets, resulting in no net decrease in global GHG emissions.

Canada would like to highlight the importance of ensuring the LCFS applies equal scrutiny and proportional treatment to crude oil sources based on actual GHG emissions, encourages transparency from crude oil producers, and does not duplicate Canada's existing regulatory measures.

On a life-cycle basis (i.e. from well-to-wheels), oil sands crude has life-cycle GHG emissions similar to other crude oils used in California, including California's own heavy crude oil, as well as crude oil from Venezuela, Angola, Nigeria, and some heavy Middle Eastern crude oils. The LCFS should seek to assign individual GHG values to all crude oils used in California and allow each crude oil to stand on its own merits, based on sound science.

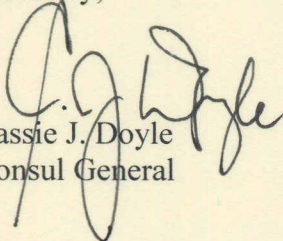
Canada supplies detailed, verifiable data regarding GHG emissions from the production of crude oil. In contrast, several other Californian suppliers have relatively lax or opaque regulatory oversight and lack data concerning their oil sector's GHG emissions. The LCFS should encourage transparency from other crude oil producers to ensure that the carbon intensities of crude oils used in California are not based on estimates or concealed by using country or regional averages.

The LCFS should also avoid duplicating existing Canadian regulatory measures. Unlike most other major oil producers and exporters, Canada is a responsible supplier of crude oil, with a highly regulated oil industry. Canada also has an economy-wide GHG emissions reduction target of 17% below 2005 levels by 2020, with federal regulations being developed for the oil sands as part of Canada's sector-by-sector approach to meet this target. The Province of Alberta, where oil sands crude is produced, has regulations to limit GHG emissions already in place, which includes a carbon price for the energy industry when emitters fail to meet reduction targets. Canada believes that LCFS should reflect actions taken by Canadian producers to meet domestic regulations and should account for the fact that both Canada and the U.S. have aligned, economy-wide GHG reduction targets.

Finally, as California is a major importer of crude oil, I would encourage CARB to take into account the implications of the LCFS on California's energy security. Any policy that impedes the market-based flow of global crude oil supplies could have a negative impact on the security of California's energy supply and such considerations should be balanced against the goals of the LCFS.

Canada seeks to remain a stable, reliable and responsible supplier. We are reviewing the most recent amendments and look forward to continuing to work with you on this important regulation.

Sincerely,



Cassie J. Doyle
Consul General

CC: Mr. James N. Goldstene, Executive Officer, California Air Resources Board
Mr. John Laird, Secretary, California Natural Resources Agency
Mr. Robert B. Weissenmiller, Chair, California Energy Commission
Dr. John R. Balmes, M.D, Board Member, California Air Resources Board
Ms. Sandra Berg, Board Member, California Air Resources Board
Ms. Dorene D'Adamo, Board Member, California Air Resources Board
Ms. Lydia H. Kennard, Board Member, California Air Resources Board
Mr. Ronald O. Loveridge, Board Member, California Air Resources Board
Ms. Barbara Riordan, Board Member, California Air Resources Board
Mr. Ron Roberts, Board Member, California Air Resources Board
Mr. Daniel Sperling, Board Member, California Air Resources Board
Mr. Ken Yeager, Board Member, California Air Resources Board
Mr. James D. Boyd, Commissioner, California Energy Commission
Ms. Karen Douglas, Commissioner, California Energy Commission
Ms. Carla Peterman, Commissioner, California Energy Commission
The Honourable Joe Oliver, Minister of Natural Resources, Canada
The Honourable Ed Fast, Minister of International Trade and Minister for
the Asia- Pacific Gateway, Canada