



Shell Oil Products US

1000 Main Street

Level 12

Houston, TX 77002

Via Electronic Submittal

October 1, 2012

Clerk of the Board

Air Resources Board

1001 "I" Street

Sacramento, CA 95814

Electronic Submittal: <http://www.arb.ca.gov/lispub/comm/bclist.php>

Re: Comments on the Third 15-Day Modified Regulation Order for the Low Carbon Fuel Standard

Dear Clerk of the Board,

Shell Oil Products US appreciates the opportunity to comment on the Third 15-Day Modified Regulation Order for the Low Carbon Fuel Standard. Shell is a regulated party under these regulations and, therefore, has a direct and significant interest in this issue.

At Shell, we understand that the demand for energy will continue to grow both in the developed and developing world. This means greater demand for oil and gas. However supplies of readily accessible oil and gas cannot keep up with the growth in energy demand. As a result, society will need to add other sources of primary energy, including solar, wind, biofuels and fossil fuels from oil sands and oil shale. Furthermore, even with huge improvements in energy efficiency and growth in renewables and other alternatives like electricity, fossil-based fuels will remain the predominant part of the transport fuel mix at least through the first half of this century. New vehicle technology and new infrastructure (if required to support significant alternatives such as hydrogen fuel cell and electric vehicles) will take time to develop and penetrate the market.

More energy means more CO₂ emitted at a time when climate change looms as a critical global issue. The societal imperative to limit greenhouse gases in the atmosphere to a level that equates to a 2 degree C temperature rise will require the strict management of CO₂ emissions from both the production of energy and its use by consumers. At Shell, we take these issues seriously. Helping to meet future global demand for energy and taking a leadership role in tackling greenhouse gas emissions are priorities at Shell.

Shell supports action to address greenhouse gas emissions and climate change and believes that biofuels, particularly advanced biofuels, can provide significant reductions in greenhouse gas production on a "well to wheel" basis for the road transport sector. We are already probably the world's largest distributor of fuel containing biocomponents, and we have technology development programs in advanced biocomponents that have the potential to offer the lowest

overall greenhouse gas production, without taking resources from the food chain for conversion to fuel.

It is against this background, and in an effort to ensure that California develops a workable Low Carbon Fuels program, that we offer the following comment on the Third 15-Day Modified Regulation Order for the Low Carbon Fuel Standard.

We appreciate that ARB staff strives to encourage innovation and investment in technology that will reduce the carbon intensity of fuels, including carbon capture and storage (CCS) technology and support the principle of regulated parties being able to earn LCFS credits if they obtain crudes from sources that have implemented innovative methods such as CCS to reduce emissions for crude oil recovery. As we have previously commented, we still believe it is premature to set a minimum threshold carbon intensity reduction in order for an innovative method for crude oil production to qualify for these LCFS innovative credits, because any threshold could actually act as a barrier to the developments of such projects and actually act to discourage work in this field. However, we are pleased to at least see, in the section of this third 15-day package addressing crude oil production from innovative methods, that ARB has revised the proposed minimum threshold from 5.00gCO₂e/MJ to 1.00 gCO₂e/MJ in order for the carbon intensity reductions to qualify for innovative LCFS credits.

Sincerely yours,

/s/ Robert E. Nelson
Fuel Product Quality Lead