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SUBMITTED ELECTRONICALLY

June 21, 2024

Mark Sippola, Ph.D.
Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on the May 31, 2024 Cap-and-Trade Program Workshop

Dr. Sippola:

Marathon Petroleum Company LP (MPC), a subsidiary of Marathon Petroleum Corporation, appreciates the opportunity to provide comments to the California Air Resources Board (CARB) public workshop to discuss potential changes to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (the Cap-and-Trade Regulation, or C&T).

MPC is a supplier of fuels in the State of California and, both directly and through its subsidiaries, is investing in low-carbon solutions to meet the energy demands of today and into the future. MPC's commitment to low-carbon solutions is reflected in the successful conversions of its Dickinson, North Dakota and Martinez, California petroleum refineries into renewable fuel production facilities. Combined, these two operating facilities are expected to produce up to 2.5 million gallons per day of renewable transportation fuel from renewable feedstock sources, with an aggregate life-cycle carbon intensity that is approximately 60 percent less than petroleum-based fuels.

During the May 31, 2024 workshop, CARB discussed potential changes to the C&T, including the addition of a product benchmark for renewable fuel facilities and a liquid hydrocarbon fuel benchmark.

MPC's recommendations on the potential changes to the C&T are listed below. Additional discussion and support for this recommendation is provided in the subsequent section.

- MPC supports the addition of a product benchmark for California producers of renewable diesel, renewable jet, renewable naphtha and renewable NGLs.
- MPC recommends CARB provide additional information to stakeholders on the liquid hydrocarbon fuel concept before it is proposed as an amendment to the C&T.

CARB must maintain a robust leakage protection mechanism for California industries, as AB32 identified.

The Global Warming Solutions Act of 2006 (AB32)¹ instructed CARB to develop and administer the C&T program to cost-effectively reduce emissions within California and minimize leakage² that may result from the increased costs placed on C&T-covered businesses manufacturing products within California. To minimize leakage, CARB developed a series of benchmarks to determine the number of C&T allowances a covered business would receive. Covered businesses may then use the directly allocated allowances for compliance with the C&T or sell the allowances to other market participants.

California's policies, including the C&T and Low Carbon Fuel Standard, send market signals to businesses operating and supplying fuels within the state to lower their greenhouse gas footprint. These market signals have increased the mix of lower-carbon fuels used within California's transportation sector. Lower-carbon fuels like renewable diesel, which had largely been imported by out-of-state producers and marketers, are now being produced in California. MPC's investment in the Martinez Renewable Fuels (MRF) facility, which converted a petroleum refinery to process 100% renewable feedstocks and produce 100% renewable fuels, has increased the supply of renewable diesel in California. As a result, MRF is contributing to emission reductions within California's transportation sector³, as well as supporting the community where the facility is located.

MPC supports the addition of a benchmark to the C&T for renewable production facilities located within California. Adding a benchmark for facilities that produce renewable fuels, including renewable diesel, renewable jet, renewable naphtha and renewable NGL, will allow CARB to continue to incentivize efficient production of renewable fuels and reduce the leakage risk.

The concept of creating a single benchmark for facilities producing different types of transportation fuels lacks the clarity stakeholders need to understand the concept's impacts.

Today, a product-based emissions efficiency benchmark exists for petroleum refining. To determine the number of direct allocations for petroleum refineries, CARB used data from 17 petroleum refineries operating in California from 2008 to 2010⁴. The petroleum refinery benchmark was determined by dividing each of the 17 petroleum refinery emissions by the respective petroleum refinery's complexity weighted barrel (CWB). The CWB is a methodology that utilizes a refinery process unit factor multiplied by the process unit throughput; the sum of each petroleum refinery process unit factor times the process unit throughput is the refinery's CWB. Each year a petroleum refinery receives direct allocations from CARB, the petroleum

¹ [Global Warming Solutions Act 2006](#)

² Leakage means a reduction in emissions of greenhouse gases within the state that is offset by an increase in emissions of greenhouse gases outside the state.

CARB Quarterly data 2023 LCFS Reporting. [Report No. 4](#). LCFS credits are awarded to fuels with certified carbon intensities below a petroleum fuel carbon intensity standard. LCFS credits represent the life-cycle GHG emission reduction of a fuel below the petroleum fuel standard.

⁴ CARB 2013 Regulation, [Appendix A](#) to the First 15-Day Notice. P 16

refinery calculates a CWB. The CWB is then used as the output value in the CARB product output-based allocation calculation methodology⁵.

Petroleum refining has utilized the CWB to determine the number of industrial allocation allowances for 10 years. Now, CARB is proposing to combine petroleum refining with renewable fuel production and co-processing. It is unclear from the May 31, 2024 workshop how the concept's framework will provide a level of leakage risk protection to the petroleum refining sector equal to the current methodology, while also ensuring facilities producing non-petroleum based transportation fuels are adequately protected as well. The difference in production for renewable versus petroleum-based transportation fuels is particularly notable, as the number of process units required to produce renewable fuels is significantly less than the number of units required to produce petroleum-based fuels. These production differences, when combined to develop a single liquid hydrocarbon fuel benchmark, may result in unintended shifts to the number of industrial allocations awarded to an entity.

For this reason, MPC recommends CARB provide additional detail on its concept to create a single transportation fuel production benchmark and allow for stakeholders to determine the impact the concept may have on the process to minimize leakage for renewable fuel facilities.

Thank you for the opportunity to comment on these subjects. If you have any questions about anything discussed here, feel free to reach out to me at bcmcdonald@marathonpetroleum.com.

Sincerely,



Brian McDonald
Marathon Petroleum Company LP | West Coast Regulatory Affairs Advisor

Cc: Rajinder Sahota, Deputy Executive Officer, Climate Change and Research
Matthew Botill, Division Chief, Industrial Strategies

⁵ Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. §95891(b)