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Cap-and-Trade Workshop
California Air Resources Board
1001 I Street, Sacramento, CA 95814

Submitted electronically via the Workshop Comment Submittal Form

Re: Joint California-Québec Workshop - Potential Amendments to the Cap-and-Trade Regulation

Dear CARB Staff,

Phillips 66 Company (Phillips 66) appreciates the opportunity to comment on the Joint California-Québec Workshop that was conducted on June 14, 2023, to consider potential amendments to the Cap-and-Trade (C&T) regulation. We support and incorporate herein by reference comments submitted by the Western States Petroleum Association (WSPA), dated July 7, 2023, and provide the following comments to emphasize key points.

1. Program stability is key for regulated entities

Phillips 66 is an obligated entity under the C&T regulation and considers C&T as a key market-based approach to help California achieve GHG reduction goals. CARB's focus on C&T program stability and allowance cost containment during previous rulemaking has been crucial in ensuring compliance certainty for regulated entities that conduct business operations in California. Phillips 66 is aware of the GHG reduction and net zero targets for 2045 that were set in 2022 under the California Climate Crisis Act (AB 1279, Muratsuchi) and GHG targets for 2030 included in the 2022 Scoping Plan. These targets could warrant changes in the C&T regulation; however, CARB should continue to focus on ensuring stability of the C&T regulation and compliance certainty for regulated entities. This can be achieved by ensuring availability of allowances, allowing continued use of allowance banking, and using robust allowance cost containment mechanisms. In addition, as discussed during the June 14 workshop, Phillips 66 agrees with and supports CARB staff's focus on overall program assessment that will be more beneficial than introducing sector-specific changes such as "facility-level caps," "no trade zones" or changing specific program design features such as "compliance offsets."

2. Carbon Capture and Sequestration (CCS) protocol should properly account captured CO₂ emissions for compliance

The 2022 Scoping Plan underscored the need for CCS and Direct Air Capture in California to meet the 2045 statutory GHG targets and net zero goals per AB 1279. Phillips 66 is supportive of and is looking forward to seeing the detailed methodology of the CCS protocol. Phillips 66 recommends that any captured CO₂ emissions should be properly accounted for and treated under the C&T CCS protocol, and they should not create any compliance obligation.



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3. Biogenic CO₂ exemptions should apply to all bio-derived molecules irrespective of type of feedstocks

Phillips 66 supports updating the C&T regulation for biogenic CO₂ exemptions. In California, C&T and Low Carbon Fuel Standard regulations have been the driving force in decarbonization of transportation sector, which has been achieved through fuel economy improvements and incorporating all biofuels in the transportation fuel mix. California has shown that biofuels are effective in decreasing GHG emissions and in the recently published GHG inventory report¹, CARB states that, “*Without biofuels, California tailpipe fossil CO₂ would be 15 MMT higher in 2020*”. Current C&T regulation does not provide exemption for biogenic CO₂ emitted from combustion of bio-propane (bio refinery fuel gas), that is typically produced along with renewable diesel, if crop-based feedstocks are utilized. We appreciate and support CARB’s efforts to address this regulatory deficiency in the upcoming rulemaking.

Concluding Remarks

Phillips 66 considers C&T regulation as a key market-based approach to help California achieve GHG reduction goals. We look forward to participating in the rulemaking process to update the C&T regulation and thank CARB for this opportunity to submit comments. If there are any questions, please contact me at (832) 765-1274 or sourabh.s.pansare@p66.com.

Sincerely,



Sourabh Pansare

¹ [California Greenhouse Gas Emissions for 2000 to 2020 Trends of Emissions and Other Indicators](#)

