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SUBMITTED ELECTRONICALLY

October 26, 2023

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

Re: Comments on the October 5, 2023 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 Cap-and-Trade Program (C&T).

MPC is a supplier of fuels in the State of California and MPC, 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 October 5, 2023 workshop, CARB discussed potential changes to the C&T program, including the treatment of biogenic emissions.

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 recommends CARB designate all biogenic emissions as emissions without a compliance obligation.

The C&T program must consider how to adapt to the development of new technologies in support of California policy.

Executive Order N-79-20¹ calls for state regulatory agencies to support and expedite regulatory processes to repurpose refineries consistent with the goals of California. The Executive Order also

¹ California EO [N-79-20](#)

pointed at the need to consider labor and high-wage jobs throughout California's decarbonization efforts. Renewable diesel has played a significant role in reducing emissions in California's transportation sector², and with MPC's work at the Martinez facility, renewable diesel will continue to play a significant role in decarbonizing California's transportation sector.

To support the C&T program's alignment with California's policy goals, MPC recommends CARB provide consistent and equal exemption treatment for all biogenic combustion and process CO₂ emissions. As noted in the October 5, 2023 workshop, little has changed in the C&T regulation since 2010. CARB must, in its next rulemaking, recognize the importance of in-state development of biofuel production and use.

CARB can provide for the consistent and equal treatment of all biogenic combustion and process CO₂ emissions through the following additions and modifications to the C&T:

- 1) §95802(a): Add a new definition for bio-refinery fuel gas (bio-RFG) to mean: A mixture of methane and heavier constituents produced when catalytically converting biomass-based feedstocks to a renewable product, such as renewable diesel, renewable jet fuel, renewable naphtha, renewable propane, or other renewable product.
- 2) §95852.2(a): Add bio-RFG combustion emissions to emissions without a compliance obligation.
- 3) §95802(a): Modify the definition of Renewable Liquid Fuel to include renewable gasoline, renewable naphtha, renewable propane, and other renewable products.
- 4) §95852.2(a): Add CO₂ emissions from combustion of renewable gasoline as emissions without a compliance obligation.
- 5) §95852.2(a): Add CO₂ emissions from combustion of renewable naphtha as emissions without a compliance obligation.
- 6) §95852.2(a): Add CO₂ emissions from combustion of renewable propane as emissions without a compliance obligation.
- 7) §95852.2(b): Add biogenic process emissions from hydrogen production as emissions without a compliance obligation.

Additionally, as new biomass-based feedstocks and products emerge, MPC recommends CARB include the ability for entities processing new biomass-based feedstocks and producing new products to petition CARB and ensure equal and consistent treatment of their biogenic emissions.

During the October 5, 2023 workshop, CARB requested stakeholder feedback to a series of questions. MPC's responses to several of CARB's specific questions follow:

- *How could CARB ensure a clear pathway for reporting biomass-derived fuel use under MRR and for treatment of biogenic CO₂ emissions in Cap-and-Trade?* Adding and modifying the C&T regulation as detailed above would provide a clear pathway for

² California GHG [inventory trends](#) 2000 – 2020

reporting biomass-derived fuels. MRR will need to be amended to include renewable propane, renewable naphtha, and renewable gasoline.

- *Should emissions exemptions be amended to provide consistent treatment of biomass and biomass-derived fuels based on their source biomass?* MPC supports amending the existing exemptions in § 95852.2 to include all biomass-based fuels. Biomass-based fuels should not be treated differently based on biomass source.
- *Within Cap-and-Trade, how should biomass and biomass derived fuels be evaluated and accounted for in a manner consistent with AB 32 mandates and Scoping Plan directives?* Accounting for the biomass and biomass derived fuel emissions in California's greenhouse gas (GHG) inventory should remain consistent with today's practice³ and separate biogenic CO₂ from the rest of the emissions in the inventory, and not include it in the total emissions when comparing to California's GHG emission limits.
- *Would any supplier or supply of biogenic transportation fuels, gaseous or liquid biomethane, or biogenic propane not be addressed by emission categories specified in 95852 (c),(d),(e),(f),(k), and (i)?* MPC has not identified any issues.
- *What biomass-derived fuels or non-fossil fuels associated GHG emissions not listed in 95852.2(a) are currently or likely to be used in California in the next decade?*
 - 1) Renewable naphtha
 - 2) Renewable gasoline
 - 3) Renewable propane
 - 4) Bio- RFG

Other biomass-derived fuels not identified may come online in the future. It is important that CARB allow for all biomass-derived fuels to be recognized by the C&T through a petition process if the new fuel or product has not previously been identified.

- *Do any of these fuels pose specific challenges with regard to accurate quantification and/or reporting of emissions?* MPC supports a mass balance approach to quantifying the number of bio-RFG emissions associated with catalytically converting biomass feedstocks to a renewable fuel. A mass balance approach should be utilized to capture the fraction of bio-refinery fuel gas combusted or processed to produce a renewable fuel. Another example could be

³ CARB [GHG Inventory Report](#) p 12

for facilities that supply both petroleum and renewable propane through a rack, a mass balance or a financial transaction recording process should be used to quantify the quantity of renewable propane, or the quantity of petroleum propane sold for use in California.

- *How could terminal position holders know the biomass source of supplied biofuels?* Terminal position holders should know the biomass source of a fuel within a terminal based on the CA LCFS fuel pathway code of the biomass fuel and financial record tracking.
- *How could terminal position holders know the biogenic content of supplied biofuels?* Terminal position holders should know the biogenic content of supplied biofuels through financial record tracking of bulk and rack transactions.
- *What challenges might terminal position holders face with determining/documenting biogenic content and biomass source?* California's fuel distribution system includes a series of interconnected pipelines and tanks. The transport mode for a given biomass-based fuel will differ, some biomass-based fuels are produced in state while some biomass-based fuels are produced out of state. The biomass-based fuels produced out of state are then imported to California via ocean-going vessel or by rail car. Because the source of the biomass-based fuel will differ and aggregates within the common pipelines and tank systems, the exact quantity and quality of biomass-based fuel at the time it is combusted will be a challenge to track. MPC recommends a mass balance approach to documenting the quantity of biomass-based fuel distributed through the bulk transfer system. CARB can require a producer or importer of a biomass-based fuel to include the quantity of biomass-based fuel sold to a counterparty receiving a biomass-based fuel on a financial transaction receipt. The quantity sold to a counterparty and recorded should not exceed the amount of biomass-based fuel a producer or importer has reported to CARB in a given reporting period.
- *How will existing and emerging transportation biofuels be distributed in California?* Provided the existing infrastructure, it should be expected liquid biofuels will utilize the existing infrastructure to be distributed.
- *If blended with other fuels, what fuels will biofuels be blended with, under what product name will the fuels be marketed, and where will blending occur?* It is expected that biofuels will continue to be blended with their petroleum counterparts. For example, renewable naphtha may be blended with CARBOB and renewable diesel with CARB diesel. Blending may occur at a terminal rack as it enters a distribution truck or at a

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facility with tanks at a refinery, within the bulk transfer system or outside the bulk transfer system. Individual companies will market fuels according to their own marketing strategies.

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

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