



**CIPA**

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***California Independent Petroleum Association Comments  
on the November 16, 2023 – Informal Cap-and-Trade Workshop on Cost Modeling***

Ms. Rajinder Sahota  
Deputy Executive Officer  
California Air Resources Board

December 12, 2023

*Via electronic submittal to: [regulatory docket](#)*

Thank you for the opportunity to comment on the recent Cap-and-Trade Program Public Workshop held on November 16, 2023, on behalf of the members of the California Independent Petroleum Association (CIPA). CIPA represents nearly 300 crude oil and natural gas producers, royalty owners, and service and supply companies who all operate in California under the toughest regulations on the planet.

The mission of CIPA is to promote greater understanding and awareness of the *unique* nature of California's independent oil and natural gas producer and the marketplace in which they operate; highlight the economic contributions made by California independents to local, state and national economies; foster the efficient utilization of California's petroleum resources; promote a balanced approach to resource development and environmental protection and improve business conditions for members of our industry.

Transportation feedstocks are a global commodity. The workshop slides highlight the potential costs of the Cap-and-Trade Program (Program) as California ratchets down the compliance curves<sup>1</sup>. Though the workshop only focused on Cap-and-Trade the concurrent amendments of the Low Carbon Fuel Standard will simultaneously raise in-state production and transportation fuel costs. CIPA, and its members, strongly oppose Program amendments in which in-state crude, produced under the strictest environmental standards in the world, is replaced with imported crude either by direct regulation or indirect impact.

The goal of the Cap-and-Trade Program is to provide the most cost-effective emission reductions, while minimizing emissions leakage. CIPA is concerned the potential changes previewed during this informal regulatory effort will continue to accelerate cost increases of doing business in California—especially within the permit approval constraints in the State. During the morning cost modeling results presentation, CARB staff interjected a number of times to state that CCUS is a critical abatement strategy for the state. CIPA has historically, and remains today, a supporter of the inclusion of CCUS under the Cap-and-Trade Regulation. Showing modeling results without CCS, which is called for as necessary under the 2022 Scoping Plan Update, provided stakeholders with an incomplete picture.

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<sup>1</sup> [https://ww2.arb.ca.gov/sites/default/files/2023-11/nc-combinedSlides\\_Nov162023.pdf](https://ww2.arb.ca.gov/sites/default/files/2023-11/nc-combinedSlides_Nov162023.pdf)

Cost containment has always been a key pillar of the Program. CIPA members compete with a world market, and minimizing the costs of the Program should remain the focus for CARB. Cost containment can be in the form of regulatory efforts, like the inclusion of CCUS under the Program accounting.

Cap-and-Trade compliance costs place tangible pressure on in-state production and could result in early retirement of locally produced crude, and could reduce jobs, taxes, and impact on the State's reliable highly-regulated energy supply. California produced crude oil, is the only traditional fuel feedstock produced under California's Cap-and-Trade Program where the production emissions are *already accounted for, and capped*. Imported crude is neither subject to the State's methane rules, nor price on carbon. California's GHG goals simple cannot claim success if the result is shifting the emissions to other (higher-emitting) jurisdictions.

California will need petroleum and natural gas fuels for many years. During this time, California should not only prioritize in-state supply but incent its carbon intensity reduction. Any regulatory proposals that run counter to the ultimate goal of reducing GHG emissions worldwide should be discarded.

**The last barrel of oil used in California, should be produced in-state with all the local, regional and statewide environmental, health and safety and labor standards ensured to be used.** California environmental and worker leadership cannot include looking the other way through direct or indirect promotion of foreign crude supplies.

We appreciate the opening of stakeholder dialogue with us. We look forward to working with CARB in the coming months to ensure these regulatory amendments include all possible cost-containment provisions.

Sincerely,



Rock Zierman  
Chief Executive Officer  
California Independent Petroleum Association