

December 14, 2023

California Air Resources Board (CARB) Public Comment for Proposed Amendment to the California Cap-and-Trade Program

Re: Proposal to Include Early Retirement of Highly Emissive Oil Fields for Allowance Generation

Dear Members of the California Air Resources Board,

I am writing on behalf of Onyx Transition to submit a proposal for the early retirement of highly-emissive, economically-viable oil fields as a method for generating allowances within the California Cap-and-Trade Program.

1. Highly emissive oil fields are 2-4x worse than average:

Highly emissive oil fields exhibit carbon intensities that are 2-4 times higher than the California field average¹. Many of these high emissions fields are worth more as GHG allowances than as oil. We firmly believe that early retirement of these fields aligns with California's ambitious climate goals and offers a critical pathway to addressing fossil fuel-based emissions.

In collaboration with academics from MIT, Duke, and NC State, and policy experts from Resources for the Future (RFF), GHG Management Institute, Systemiq, and others, Onyx Transition has developed a methodology to enable the early retirement of emissive assets.

2. Early retirement offers measurable impact:

The GHG impact from retiring oil fields is realized from the switching to lower emissions oil sources and the incomplete replacement of shut-in supply. The economics that underlie have been detailed in a paper from RFF and RMI, [Estimating the Reductions from a Supply Side Intervention](#)². Further, papers from [MIT's Center for Energy and Environmental Policy Research](#), detail how a supply-side intervention like early retirement of oil fields [can speed overall decarbonization](#)³ and confer [positive policy spillover effects](#)⁴.

3. Compares Favorably to Other GHG Mitigation Approaches:

Early retirement of high carbon intensity oil fields presents advantages in terms of immediacy, permanence, and other key quality metrics when compared to nature-based and carbon dioxide removal activities. Systemiq has published a comprehensive paper, [The Time is Now](#)⁵, which provides a detailed comparison of the value of early retirement of high carbon intensity oil fields in relation to nature-based and carbon dioxide removal activities.

¹https://ww2.arb.ca.gov/sites/default/files/classic/fuels/lcfs/crude-oil/2021_crude_average_ci_value_final.pdf

² https://media.rff.org/documents/WP_23-11_July_3_Revision.pdf

³<https://mmehling.mit.edu/sites/default/files/images/Mehling%20-%20Supply-Side%20Crediting%20for%20Accelerated%20Decarbonization%20-%20A%20Political%20Economy%20Perspective%20FINAL%20%282023%29.pdf>

⁴ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4491674

⁵ <https://www.systemiq.earth/resource-category/eos-credit/>

4. Enables policy implementation

Onyx Transition's early retirement mechanism can be folded directly into regulation, enabling policy ambitions in a manner that confers benefit to industry, government, and local stakeholders. Onyx Transition has supported a similar Cap-and-Trade implementation strategy at a federal level and is able to provide advice on how such a mechanism can be integrated into pending California regulation, or as an update to existing regulation. In particular, implementation can incentivize improvement in the overall emissions intensity of the regulated sector while still enabling economic growth for participating entities, and accommodating those affected by the intervention in service of a sustainable and just transition.

5. Gratitude and Commitment to Participation:

Onyx Transition highly appreciates the opportunity to contribute to the discussion surrounding potential amendments to the California Cap-and-Trade Program. We are dedicated to continuing our active participation in this vital process, and we welcome any questions or inquiries regarding our proposal.

Sincerely,

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