CAPP

CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS

Via Electronic Submittal

April 22, 2009

Monica Vejar
Clerk of the Board
California Air Resources Board
Headquarters Building
1001 "I" Street
Sacramento, CA 95812
Electronic Submittal: http://www.arb.ca.gov/lispub/comm/bclist.php

Re: Comments on Proposed Low Carbon Fuel Standard Regulations

Dear Ms. Vejar:

The Canadian Association of Petroleum Producers (CAPP) appreciates the opportunity to comment on CARB's proposed low carbon fuel standard (LCFS) regulations. CAPP members are significant suppliers of crude oil to the U.S. market, potential suppliers to California and therefore interested in California policy in its own right and as it may influence policy in the markets currently supplied by Canadian oil. To be brief, this submission will focus on the key high-level points related to proposed treatment of crude oil produced from Canada's oil sands.

Key Concern

If adopted widely in the U.S., discrimination against oil sands crude under LCFS policies would disrupt Canada-U.S. crude oil trade, divert supplies to alternative markets thereby requiring more transportation, higher costs and higher GHG emissions, and be detrimental to U.S. energy security.

Main Points Regarding Proposed LCFS Regulation

1. The focus of LCFS versus broad carbon pricing

   Governments are using or proposing to use multiple policies to manage emissions, including two forms of carbon pricing:

   - Production, transportation and refining emissions covered under general pricing of industrial carbon emissions.
   - LCFS, with transferable compliance units, is intended to provide a stronger signal in the choice between petroleum fuels and low carbon alternatives.

   By specifying one basket for the crude supplies that California actually uses, CARB recognizes that the LCFS should not attempt to manage those emissions that are being addressed directly by broad carbon pricing covering production and refining emissions.

CAPP supports the need to signal the importance of all jurisdictions participating in a global climate change effort. However, using discrimination against oil sands crude supplies to pressure Alberta and Canada to participate in the international effort is unnecessary and inappropriate.

- Alberta was one of the first jurisdictions to put in place carbon pricing for large industry, five years ahead of when AB32 will introduce pricing in California.
- Canada’s federal government is planning a system of carbon pricing to be compatible with and comparable to an anticipated U.S. federal carbon pricing system.
- Alberta and the Canadian federal government are also developing with industry a strategy to demonstrate and deploy CO_2 capture and storage in the oil sands and coal-fired power sectors, investing more than $2B to implement these and related strategies.

2. Life cycle carbon emission intensities of products derived from oil sands crude are within the range of crude supplies ***currently in the California basket.***

   New studies of comparative life cycle emission intensities of various sources of crude oil are reinforcing that reality, showing that the life cycle intensity of products from oil sands crude are within the range of other crude sources. These studies are scheduled to be finished and released soon by the Alberta Energy Research Institute.

3. The upgrading of some of oil sands production in Alberta produces a light crude that is particularly suited for refining into transportation fuels. The refining emissions required to complete the production of transportation fuels from upgraded oil sands are lower than those associated with other crude oil feedstocks. Any comparison of crude supplies at the refinery gate has to take this into account to properly reflect life cycle intensities.

Recommendations

CAPP recommends that the discrimination against oil sands crude and products in the draft LCFS regulation be removed by including them in the single crude basket. If CARB wishes to retain a provision to signal to other jurisdictions the need to participate in the global effort to reduce GHG emissions, it should focus that on jurisdictions that are not adopting policies to manage their emissions. Alberta and Canada clearly should not be in that group.

Sincerely yours,

Rick Hyndman

Senior Policy Advisor, Climate Change and Air Issues