CIPA (Rock Zierman)

See attached CIPA Comments

California Independent Petroleum Association
1001 K Street, 6th Floor
Sacramento, CA 95814
Phone: (916) 447-1177
Fax: (916) 447-1144

CIPA

California Independent Petroleum Association Comments on the Cap-and-Invest 15-day amendment package

April 29, 2026

Lauren Sanchez- Chair
Board Members
California Air Resources Board

Via electronic submittal to: [regulatory docket]

The California Independent Petroleum Association (CIPA) is deeply disappointed with the staff proposed amendments (Amendment Package) released on April 13th.[1] Though we appreciate the opportunity to comment again on the Cap-and-Invest Program (Program), this Amendment Package completely fails to be considered a viable proposal on several levels. It is policy inconsistent, both historically and within this singular version. As repeated several times in the Notice of Public Availability of Modified Text (Notice)[2], California is in uncharted territory with respect to industrial leakage due to "the current economic uncertainty" and the barriers to maintaining efficient production in the State while competing against a world economy where a "slower pace of adoption for carbon pricing" has occurred, yet staff has doubled down on imposing costs on in-state producers.

This is a critical time for the energy sector as California's climate goals are ramping up, at the same time the State is experiencing both an energy affordability crisis and demonstrable sector leakage. California's energy infrastructure is literally being dismantled in real-time. The State will need refined petroleum products for decades. Staff clearly made an effort to reduce the costs for the refineries that receive *all* feedstocks produced by CIPA members, but didn't connect the dots that it is an integrated fuel system. With more near-term costs (less allocations), more mid-term costs (single benchmark) and uncertainty on long-term carbon costs (no post-2030 clarity), the staff proposal is a one, two, three strikeout for in-state producers.

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 Proposed Amendments will not decrease California demand for finished product, but rather encourage foreign imports from jurisdictions' that do not have the same standards for their labor or the environment. This will proposal directly lead to sector leakage.

[1] https://ww2.arb.ca.gov/rulemaking/2026/cap-and-invest2026
[2] https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_15d_ci_noticeada.pdf

Throughout the Notice, the following phrase is used "Ensuring a dedicated pool of allowances for petroleum refineries, hydrogen production, and associated sectors is necessary to support ongoing investment in these facilities to meet consumer fuel demand as the state transitions towards low carbon fuels." These facilities can't run without feedstocks. Staff's inclusion of only including half the transportation fuel supply chain is fatally flawed.

Transportation fuel feedstocks, such as crude oil, are a global commodity. There is a world market and global infrastructure operating today which is capable of producing and delivering the marginal barrel to California's remaining refiners for any amount of crude not produced in-state. The potential leakage of the sector has never been higher. Crude imports are climbing. Imports of both crude and refined products have soared in recent years, with import of finished product only accelerating with the recent additional in-state refinery closures. The proposed amendments will add significant costs to in-state producers that are not required of international producers who import crude. This cost dynamic is already having an impact on in-state producer economic decisions, both in the near-term and over the long-term. If the cost of local production outpaces the world price of oil, in-state production declines and is backfilled with imports, a lose-lose proposition for the State's economy and the world environment.

The Notice clearly singles out in-state producers without looking at the bigger picture. Until Californian's stop needing gasoline, diesel, and jet fuel feedstocks, the Proposal needs to be fixed. CIPA requested amendments are attached.

Our members have historically responded to the State's carbon reduction goals and the steady carbon price policy driver to reduce GHG emissions. Over the past decade, CIPA members have embraced emission reduction technology and operational improvements, including installing higher efficiency equipment, adding renewable power infrastructure directly on site, implementing cutting edge thermal energy storage, planning for Carbon Capture and Storage, and reducing methane emission rates. However, this Proposal provides no incentive to keep investing in cleaner production efforts. The Proposal combines no immediate capital relief, no long-term cost transparency, and frankly, no sense that staff cares about in-state production. Such a result is the direct opposite of recent legislative efforts to protect in-state production volumes.[3]

CIPA's 45-day package comments describe the impacts of these challenges to industry. We again recommend that CARB take the time to amend the Proposal before it is finalized.

The demand for petroleum and natural gas will persist in California for many years to come. CIPA members have stood ready to produce this energy locally, but CARB must prioritize in-state supply while maintaining realistic incentives to reduce its carbon intensity. The staff proposal does not provide a reasonable operating environment. Instead, they create a disincentive for deployment of capital, thus directly leading to sector leakage.

California crude extraction is subject to the strictest environmental standards in the world. We and our members continue to urge CARB to structure Cap-and-Invest amendments to support

[3] SB 237, Statutes of 2025

responsible crude extraction in California. California environmental and worker leadership cannot include looking the other way through direct or indirect promotion of foreign crude supplies.

Sincerely,

Rock Zierman
Chief Executive Officer
California Independent Petroleum Association

Attachment A-2

Proposed 15-Day Amendments

Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

[CIPA Recommended Amendments]

Table 9-1: Product-Based Efficiency Benchmarks

NAICS Sector Definition	NAICS code	Activity (a)	Benchmark (B_a) (Allowances/ Benchmark Units)	Electricity Benchmark (BEPa) (MWh / Benchmark units)	Benchmark Units
Crude Petroleum and Natural Gas Extraction	211111	Thermal EOR Crude Oil Extraction ~~(through vintage 2032 allocation)~~	0.0811	0.00515	Barrel of Oil Eqv. Produced Using Thermal EOR
		Non Thermal Crude Oil Extraction ~~(through vintage 2032 allocation)~~	0.0076	0.0168	Barrel of Non Thermal Crude Oil Eqv.
		~~Crude Oil Extraction (vintage 2033 allocation and beyond)~~	~~0.0463~~	~~0.0112~~	~~Barrel of Crude Oil Eqv.~~
		Natural Gas Processing ≥ 25 MMscf/day	0.022	0.0132	Barrel of Gas Processed Eqv.

~~Table 9-1a: NAICS Codes Ineligible for Manufacturing Decarbonization Incentive Allocation, Except for Eligible GHG Emissions Reduction Activities Pursuant to Section 95891(g)(2)(H).~~

~~Industrial Sector~~	~~NAICS Code~~
~~Crude Petroleum and Natural Gas Extraction~~	~~211111~~
~~Natural Gas Liquid Extraction~~	~~211112~~

Table 9-2: Cap Adjustment Factors for Allowance Allocation

Budget Year	Cap Adjustment Factor, c		
	Standard Activities	Industrial Activities with NAICS codes 325311, 327310, and 327410#	Universities and Public Service Facilities, Legacy Contracts, Natural Gas Suppliers~~, and Industrial Activities with NAICS codes 211111 and 211112~~
2013	0.981	0.991	0.981
2014	0.963	0.981	0.963
2015	0.944	0.972	0.944
2016	0.925	0.963	0.925
2017	0.907	0.953	0.907
2018	0.888	0.944	0.888
2019	0.869	0.935	0.869
2020	0.851	0.925	0.851
Budget Year	Cap Adjustment Factor, c		
	Standard Activities	Industrial Activities with NAICS codes 324199 (coke calcining only), 325311, 327310, 327410#	Universities and Public Service Facilities, Legacy Contracts, Natural Gas Suppliers~~, and Industrial Activities with NAICS codes 211111 and 211112~~
2021	0.817	0.909	0.817
2022	0.783	0.892	0.783
2023	0.749	0.875	0.749
2024	0.715	0.858	0.715
2025	0.681	0.841	0.681
2026	0.647	0.824	0.647
2027	0.807	0.807	0.613
2028	0.782	0.799	0.579
2029	0.756	0.790	0.545
2030	0.731	0.782	0.511