



# Low Carbon Fuel Standard (LCFS) Supplemental Regulatory Advisory 10-04A

#### SCOPE

The Air Resources Board (ARB) is issuing a Supplemental Regulatory Advisory today, 10-04A (Supplemental Advisory 10-04A), which goes into effect July 1, 2011. This Supplemental Advisory 10-04A further elaborates on the guidance provided in Regulatory Advisory 10-04, which remains in effect, as specified in that advisory, and is unmodified except as clarified in this supplemental advisory. This Supplemental Advisory 10-04A will remain in effect in conjunction with Regulatory Advisory 10-04 through March 31, 2012, unless superseded by a subsequent ARB advisory or notice.

### **BACKGROUND**

On April 23, 2009, the California Air Resources Board (ARB, CARB or Board) approved for adoption the LCFS regulation pursuant to the California Global Warming Solutions Act of 2006. The regulation became effective on January 12, 2010, and was codified at title 17, California Code of Regulations, sections 95480-95490. Additional provisions became effective on April 15, 2010, and were codified in the same sections. The combined final regulation order can be found at: <a href="http://www.arb.ca.gov/regact/2009/lcfs09/lcfscombofinal.pdf">http://www.arb.ca.gov/regact/2009/lcfs09/lcfscombofinal.pdf</a>. The LCFS will reduce greenhouse gas (GHG) emissions by reducing the carbon intensity of transportation fuels used in California by an average of 19 medicent by the year 2020. Carbon intensity is a measure of the GHG emissions associated with the combination of all of the steps in the "lifecycle" of a transportation fuel. While carbon intensity (CI) standards were not applicable in 2010 (the first year of the regulation), compliance with the reporting and recordkeeping requirements in requirements and records a policy of the steps in cluding 2010.

On November 18, 2010, staff presented to the Board an update on LCFS implementation activities, including the development of the LCFS Reporting Tool, the proposed path forward on addressing land use change after receiving recommendations from the Expert Workgroup subgroups, the development of a screening tool for high-carbon-intensity crude oils, and several others. Through Resolution 10-49, the Board directed staff to issue guidelines regarding the implementation of the LCFS for 2011. Regulatory Advisory 10-04 represents those guidelines, and this Supplemental Advisory 10-04A clarifies specific provisions in Advisory 10-04.

## **DEFINITIONS**

For purposes of this Supplemental Regulatory Advisory, "we" means ARB, the Board, or ARB staff, and "Executive Officer" refers to the ARB Executive Officer or his or her designee. Also, "this advisory period" means the period during which this Supplemental Regulatory Advisory will remain in effect, which is January 1, 2011, through March 31, 2012, except as otherwise specified below or superseded by a subsequent ARB advisory or notice. Unless otherwise stated, all references to "section" are to the LCFS regulation, and references to the "Lookup Table" are to one or both of the carbon intensity lookup tables in section 95486(b)(1) of the LCFS regulation.

#### **OVERVIEW**

There are three main objectives for this supplemental advisory. First, this supplemental advisory addresses the need for guidance on the use of a generic CI value for biomass-based diesel products, similar to what was provided in Regulatory Advisories 10-02 and 10-03 but was inadvertently omitted in Regulatory Advisory 10-04. Second, this supplemental advisory extends to the end of 2011 the guidance relating to high-carbon-intensity crude oil (HCICO) that was provided in Regulatory Advisory 10-04. Further, this supplemental advisory provides additional guidance on the treatment of credits and deficits generated from the blending of CARBOB or CARB diesel derived from potential-HCICO with ethanol or biomass-based diesel, respectively, which was noted as a future action in Regulatory Advisory 10-04.

#### **ELECTRONIC REPORTING REQUIREMENTS**

#### A. Current Action: Use of Generic CI Value for Ethanol and Biomass-Based Diesel

Typically, a regulated party that purchases biomass-based diesel (as defined in section 95481(a)(9)) for blending with CARB diesel would be provided with documentation on the carbon intensity of that biomass-based diesel. However, there may be situations during this advisory period where a regulated party is in a position to purchase biomass-based diesel for which the CI is indeterminate and incapable of being reasonably determined. In such cases, we will administratively allow the regulated party for that biomass-based diesel to use the CI value of 94.71 g CO2e per megajoule (MJ), which is the baseline CI value for diesel in the Lookup Table in section 95486(b). For purposes of this Supplemental Advisory 10-04A and to amend Advisory 10-04, "incapable of being reasonably determined" means no CI value for the biomass-based diesel (or ethanol, as was discussed in Advisory 10-04) has been established by a person or otherwise listed by ARB through its list of registered biofuel facilities (see <a href="http://www.arb.ca.gov/fuels/lcfs/2a2b/2a-2b-apps.htm">http://www.arb.ca.gov/fuels/lcfs/2a2b/2a-2b-apps.htm</a>).

#### B. <u>Current Action: Use of Interim CI Value for HCICO-Related Reporting and Annual Credit Balances</u>

In LCFS Regulatory Advisory 10-04, we stated that a regulated party for CARBOB or diesel fuel derived from any HCICO or potential HCICO "may continue to use" the Lookup Table values for CARBOB and diesel, provided specified contract and delivery date criteria were met. In this Part B, we are extending but further clarifying the phrase "may continue to use" for HCICO or potentially HCICO feedstocks as follows. Specifically, for purposes of reporting through the LCFS Reporting Tool (LRT) and in annual credit balance calculations, a regulated party may use through March 31, 2012, the baseline CI value of 95.86 g CO2e/MJ for CARBOB or 94.71 g CO2e/MJ for diesel fuel, whichever applies, irrespective of whether the fuel or blendstock was derived from a non-HCICO, a HCICO, or a potential-HCICO. This provision applies only if the contract for such crude is executed by December 31, 2011, and the crude is delivered by March 31, 2012. A regulated party operating under this administrative action must maintain, and submitted the Executive Officer within 20 days after a written request, records of the volumes and crude marketing pages lake "marketable crude oil name") for all imported crudes.

Note that the CI and volumes of fuels and electrocal derived from all crudes, including HCICOs and potential HCICOs,

Note that the CI and volumes of fuels and blendstocks derived from all crudes, including HCICOs and potential HCICOs, which are delivered prior to the ember 31, 2011, must be accounted for in the 2011 annual credit balance calculation. On the other hand, products derived from HCICO or potential HCICO, which are delivered between January 1, 2012 and March 31, 2012, inclusive, and for which the contract was executed by December 31, 2011, must be accounted for in the 2012 annual credit balance calculation. Such HCICOs and potential HCICOs delivered in Q1 2012 are subject to Part C below except for subpart C(2) and Table 2. The treatment of non-HCICOs, HCICOs, and potential-HCICOs for credit/deficit generation is addressed in the next section.

# C. <u>Current Action: Calculation and Treatment of Credits & Deficits for Fuels/Blendstocks Derived from</u> Potentially High Carbon-Intensity Crude Oils

While Part B above addresses the use of the baseline CI values for reporting and annual credit balance calculations for CARBOB and diesel fuels and blendstocks, there remains the question of how to treat credits/deficits generated for a fuel pool that is comprised in some part of fuel/blendstock derived from potential-HCICO. Pursuant to Resolution 10-49, ARB staff is addressing the generation and banking of credits during this advisory period, as potentially affected by 2011 crude oil purchases that are not part of the 2006 baseline. Accordingly, we will administratively provide the following actions:

- (1) No fuel or blendstock sold, supplied, or offered for sale in California during this advisory period will be deemed in violation of the LCFS regulation solely because it was derived wholly or in part from non-HCICO, HCICO, or potential HCICO; and
- (2) A regulated party's annual credit balance is to be calculated pursuant to section 95484(b)(2) and using the approach specified in Part B above. Accordingly, any credits generated during this advisory period must be adjusted by the incremental deficits due to HCICO and potential-HCICO, as specified in Tables 1 and 2 below:

Table 1: Incremental Deficits and Credit Adjustments for Products Derived from Non-HCICO

If a crude:	Then:	Therefore, the regulated party:
<ul> <li>is "included in the 2006 California base crude mix";</li> <li>is listed in Table 3 of the Attachment to this Supplemental Advisory;</li> </ul>	the crude is deemed not a HCICO	has no incremental deficits. All credit/deficit calculations for a fuel or blendstock derived from such crude shall use the baseline CI values for CARBOB and diesel (95.86 gCO2e/MJ and 94.71 gCO2e/MJ, respectively).
is not listed in Table 3 of the Attachment to this Supplemental Advisory at this time but is listed as a "non-HCICO" in a subsequent ARB advisory or notice;		
has been determined by the Executive Officer or by ARB staff analysis to have a crude oil production and transport CI of 15.00 g CO2e/MJ or less; or		coreV
is used to produce CARBOB, finished gasoline, or diesel fuel outside California, and that CARBOB, finished gasoline, or diesel fuel is subsequently imported into California.  Cited in Saladon.	Rocky Mountai 2-15131 arch	n Farmers Union V. Corey Ned on October 7, 2013

Table 2: Incremental Deficits and Credit Adjustments for Products Derived from HCICO or Potential-HCICO

If a crude:	Then:	Therefore, the regulated party:
is none of the above in Table 1, and is either: one for which the Executive Officer has approved a Method 2B application pursuant to section 95486(b)(2)(A)2.a.ii., or one for which the Executive Officer or ARB staff analysis has determined that the crude oil production and transport CI is greater than 15.00 g CO2e/MJ.	the crude is deemed a HCICO	<ul> <li>must calculate its HCICO incremental deficits pursuant to section 95486(b)(2)(A)2.a. using either the CI value approved by the Executive Officer under Method 2B or the CI value determined by ARB staff analysis for the HCICO-derived product, and</li> <li>may use without restriction any credits remaining after the regulated party's 2011 annual credit balance has been adjusted with the incremental deficits.</li> </ul>
	the crude is deemed to be a potential-HCICO	has the following options that apply only when its 2011 annual credit balance is positive (i.e. there is a net credit); if the balance is negative (i.e. there is a net deficit), that deficit must be carried over into 2012 for reconciliation in all cases.  Option 1  Incremental HCICO deficits are set at zero; and No net credits for 2011 can be traded or transferred to 2012 or any subsequent year.  Or any subsequent yea

The incremental deficits applied toward credit carry forward restrictions as specified in Table 2 will be retained by CARB in an account that cannot be accessed by the regulated party subject to further clarification of the treatment of crudes in the LCFS. Under no circumstances shall ARB be held liable for any change in value for any credits held in such accounts or for any other consequences related to or resulting from the holding of credits in such accounts.

As already provided in the LCFS regulation, a regulated party applying the above guidance to its credit/deficit calculation will need to keep and maintain adequate documentation to support its claimed volumes and CI of fuels/blendstocks.

#### FOR MORE INFORMATION

Currently, the LRT can be accessed at <a href="https://ssl.arb.ca.gov/LCFSRT">https://ssl.arb.ca.gov/LCFSRT</a>, as specified in a listserv announcement on September 2, 2010. Other LRT-related materials can be accessed at: <a href="http://www.arb.ca.gov/fuels/lcfs/workgroups/workgroups.htm">http://www.arb.ca.gov/fuels/lcfs/workgroups/workgroups.htm</a>. The final regulation order and other rulemaking documents can be found in the LCFS rulemaking website at: <a href="http://www.arb.ca.gov/regact/2009/lcfs09/lcfscombofinal.pdf">http://www.arb.ca.gov/regact/2009/lcfs09/lcfscombofinal.pdf</a>. For any questions regarding this supplemental advisory, please contact Mr. Floyd Vergara, Chief, Alternative Fuels Branch at (916) 327-5986 or via email at <a href="mailto:fvergara@arb.ca.gov">fvergara@arb.ca.gov</a>, or Mr. Mike Waugh, Chief, Transportation Fuels Branch at (916) 322-6020 or via email at <a href="mailto:mwaugh@arb.ca.gov">mwaugh@arb.ca.gov</a>. If you need this document in an alternate format or language, please contact Mr. Stephen d'Esterhazy at (916) 323-7227 or <a href="mailto:sdesterh@arb.ca.gov">sdesterh@arb.ca.gov</a>. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

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# **ATTACHMENT**

During this advisory period, the Air Resources Board's Executive Officer considers each of the following marketable crude oil names as representing a crude oil source that is "not a high carbon intensity crude oil" (aka "non-HCICO"), as that term is used in section 95486(b)(2)(A)1. of the Low Carbon Fuel Standard regulation. Note that this list is subject to change based on further ARB staff review and analysis.

Table 3. List of Non-HCICO Sources

Designation	Country	Load Point
Algerian Condensate	Algeria	Loading Ports: Arzew & Bejaia
Saharan Blend	Algeria	Loading Ports: Arzew, Bejaia, Sidi Kerir, Skikda
Zarzaitine	Algeria	Loading Port: La Skhirra, Tunisia
Canadon Seco	Argentina	Caleta Olivia Single Buoy Mooring (SBM) off Comodoro Rivadavia
Escalante	Argentina	Caleta Cordova Single Buoy Mooring (SBM) off Comodoro Rivadavia
Medanito	Argentina	Puerto Rosales in the port of Bahia Blanca - two offshore SBMs
Rincon	Argentina	San Vicente Bay loading terminal in Concepcion, Chile
Bayu-Undan	Australia	Loading Port: Liberdade FPSO
Cossack	Australia	Loading Port: Cossack Pioneer FPSO
Enfield	Australia	Loading Port: Nganhurra FPSO V.
Gippsland	Australia	Loading Port: Westerproof Bay at Long Island Point and Crib Point
Laminaria Blend	Australia	Loading Rolt: The Northeric Endeavour FPSO
Northwest Shelf Condensate	Australia CCKY	Loading Rore Dampier at Withnell Bay
Pyrenees	Australia ROCKY	Coading Port: Pyrenees Venture FPSO
Stybarrow	Austratia 12-	Loading Port: Stybarrow Venture FPSO
Van Gogh	Australia	Loading Port: Ningaloo Vision FPSO
Vincent	Australia	Loading Port: Maersk Ngujima-yin FPSO
Azeri (BTC)	Azerbaijan	Loading Port: Ceyhan (Turkey)
Azeri Light	Azerbaijan	Loading Ports: Supsa, Batumi, Kulevi
Brunei Light	Brunei	Loading Port: Seria
Champion	Brunei	Loading Port: Seria
Seria Light	Brunei	Loading Port: Seria
Bow River	Canada	Pipeline: Enbridge Pipeline
Hibernia	Canada	Loading Port: Whiffen Head
Koch Alberta	Canada	Loading Port: Westbridge Marine Terminal
Sweet Mixed Blend	Canada	Enbridge Pipeline
Terra Nova	Canada	Loading Port: Whiffen Head
White Rose	Canada	Loading Port: Sea Rose FPSO
Doba Blend	Chad	Loading Port: Kome Kribi 1 FSO (Cameroon)
Changqing	China	Pipeline: Ma-Hui-Ning

Designation	Country	Load Point
Daqing	China	Loading Port: Dairen (Dalian)
Liu Hua	China	Loading Port: Nanhai Sheng Li FPSO
Nanhai Light	China	Loading Port: Nan Hai Fa Xian FPSO
Panyu	China	Loading Port: Panyu FPSO
Peng Lai	China	Loading Port: Hai Yang Shi You 117 FPSO
Shengli	China	Loading Port: Qingdao (T'sing Tao)
Cano Limon	Colombia	Loading Port: Covenas via 480-mile Cano Limon Pipeline
Castilla Blend	Colombia	Loading Port: Covenas via pipeline
Cusiana	Colombia	Loading Port: Covenas via 500-mile Ocensa pipeline
South Blend	Colombia	Loading Port: Tumaco
Vasconia	Colombia	Loading Port: Covenas via the Vasconia-Covenas pipeline
DUC	Denmark	Loading Port: Fredericia
Belayim Blend	Egypt	Loading Port: Wadi Feiran
Suez Blend	Egypt	Loading Port: Ras Shukheir
Alba Condensate	Equatorial Guinea	Loading Port: Punta Europa
Ceiba	Equatorial Guinea	Loading Port: Sendje Ceiba FPSO
New Zafiro Blend	Equatorial Guinea	Loading Port: Serpentina FPSO
Ardjuna	Indonesia	Loading Port: Serpentina FPSO  Loading Port: Ardjuna Terminalion V.  Loading Port: Blance Canal are 7. 2013
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Belanak	Indonesia OCKY	Loading Fort. Belanak FPSO
Belida	ite 6hesia 2-151	Loading Port: Belida Platform
Bontang Return Condensate	Indonesia	Loading Port: Santan Terminal
Cepu	Indonesia	Loading Port: Cepu FSO
Cinta	Indonesia	Loading Port: Cinta Terminal
Handil Mix	Indonesia	Loading Port: Senipah Sea Terminal
Minas	Indonesia	Loading Port: Dumai Terminal
Senipah Condensate	Indonesia	Loading Port: Senipah Sea Terminal
West Seno	Indonesia	Loading Port: Santan
Widuri	Indonesia	Loading Port: Widuri
Azadegan	Iran	Loading Port: Kharg Island
Doroud	Iran	Loading Port: Kharg Island
Foroozan (Fereidoon)	Iran	Loading Port: Kharg Island & Sidi Kerir
Iranian Heavy	Iran	Loading Port: Kharg Island
Iranian Light	Iran	Loading Port: Kharg Island
Lavan Blend	Iran	Loading Port: Lavan Island
Nowruz-Soroush	Iran	Loading Port: Soorena FSU
Sirri	Iran	Loading Port: Sirri Island

Designation	Country	Load Point
Baobab	Ivory Coast	Loading Port: Baobab FPSO
CPC Blend	Kazakhstan	Loading Port: Yuzhnaya Ozereevka (Russia)
Karachaganak Condensate	Kazakhstan	Loading Ports: Primorsk (Russia), Odessa (Ukraine)
Kashagan	Kazakhstan	Loading Port: Ceyhan (Turkey)
Kumkol	Kazakhstan	Loading Ports: Batumi (Georgia) & Atasu-Alashankou Pipeline to China
Tengiz	Kazakhstan	Loading Ports: Odessa, Feodosiya, Batumi, Supsa, Kulevi
Kuwait Export	Kuwait	Loading Port: Mina al-Ahmadi
Ratawi (Wafra)	Kuwait	Loading Port: Mina Saud/Mina al-Zour
Abu Attifel	Libya	Loading Port: Zueitina
Al-Jurf	Libya	Loading Port: Farwah FPSO
Amna	Libya	Loading Port: Ras Lanuf
Bouri	Libya	Loading Port: Bouri FPSO
Brega	Libya	Loading Port: Marsa al-Brega
El-Sharara	Libya	Loading Port: Zawia Terminal via 435-mile Pipeline
Es Sider	Libya	Loading Port: Es Sider via Pipeline
Mellitah	Libya	Loading Port: Mellitah Terminal via Pipeline
Sarir	Libya	Loading Port: Marsa al-Hariga
Sirtica	Libya	Loading Port: Marsa al-Hariga  Loading Port: Marsa al-Breganion V.  Loading Port-Zucifine TS  Loading Port: Marsa al-Hariga  Loading Port: Marsa al-Hariga
Zueitina	Libya	Loading Port Zucitina 15 the 7, 201
Bintulu Condensate	Malaysia	Loading Port: Marsa al-Breganion V.  Loading Port: Zugitina TS  Loading Port: Bintuly October 7, 2013  Loading Port: Bintuly October 7, 2013  Loading Tolt: Dulang Terminal
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Kikeh	ilve Gysia 12-151	Loading: Kikeh FPSO
Labuan	Malaysia	Loading Port: Labuan
Miri Light	Malaysia	Loading Port: Miri
Tapis	Malaysia	Loading Port: Terengganu
Khafji	Neutral Zone	Loading Port: Ras al-Khafji
Maari	New Zealand	Loading Port: Raroa FPSO
Tui	New Zealand	Loading Port: Umuroa FPSO
Alvheim	Norway	Loading Port: Alvheim FPSO
Asgard Blend	Norway	Loading Port: Asgard Platform
Balder	Norway	Loading Port: Balder FPSO
Draugen	Norway	Loading Port: Draugen Terminal
Ekofisk Blend	Norway	Loading Port: Tees River, Teesside, UK
Grane	Norway	Loading Port: Sture
Gullfaks Blend	Norway	Loading Ports: Gullfaks Platform, Mongstad Terminal
Heidrun	Norway	Loading Port: Mongstad
Jotun	Norway	Loading Ports: Jotun A FPSO
Njord	Norway	Loading Port: Njord Platform

Designation	Country	Load Point
Norne	Norway	Loading Ports: Norne FPSO & Mongstad
Ormen Lange Condensate	Norway	Loading Port: Nyhamma
Oseberg	Norway	Loading Port: Sture
Sleipner Condensate	Norway	Loading Port: Karsto
Snohvit Condensate	Norway	Loading Port: Melkoya
Statfjord Blend	Norway	Loading Ports: Statfjord Platforms, Mongstad
Troll	Norway	Loading Port: Mongstad
Volve	Norway	Loading Port: Navion Saga FSO
Loreto	Peru	Loading Port: Bayovar
Al Shaheen	Qatar	Loading Port: Al-Shaheen Platform
Dukhan	Qatar	Loading Port: Umm Said
Low Sulfur Condensate	Qatar	Loading Port: Ras Laffan
North Field Condensate	Qatar	Loading Port: Ras Laffan
Qatar Condensate	Qatar	Loading Port: Ras Laffan
Qatar Marine	Qatar	Loading Port: Halul Island
Dar Blend	Sudan	Loading Port: El Khair (Port Sudan)
Nile Blend	Sudan	Loading Port: Marsa Bashaver Crude Oil Marine Terminal
Souedie	Syria	Loading Ports: Banias, Tartousion V.
Syrian Light	Syria	Loading Ports: Barrias Partouser 7,
Bualuang	Thailand	Loading Port: Rubicor Varitage FPSO
Calypso	Trinidad & Telego	Loading Fort: Guayaguayare Bay Terminal
Murban	itas - Aby Dhap51	Loading Port: Jebel Dhanna
Umm Shaif	UA <b>F\</b> \Qbu Dhabi	Loading Port: Das Island
Upper Zakum	UAE - Abu Dhabi	Loading Port: Zirku Island
Zakum	UAE - Abu Dhabi	Loading Port: Das Island
Dubai	UAE - Dubai	Loading Port: Fateh
Alba	United Kingdom	Loading Port: Alba FPSO
Anasuria	United Kingdom	Loading Port: Anasuria FPSO
Beryl	United Kingdom	Loading Port: Beryl
Brent Blend	United Kingdom	Loading Port: Sullom Voe
Captain	United Kingdom	Loading Port: Captain FPSO
Clair	United Kingdom	Loading Port: Sullom Voe
Flotta	United Kingdom	Loading Port: Flotta
Foinaven	United Kingdom	Loading Port: Flotta West
Forties	United Kingdom	Loading Port: Hound Point
Liverpool Bay	United Kingdom	Loading Port: Liverpool Bay Platform
Schiehallion	United Kingdom	Loading Port: Sullom Voe
Triton	United Kingdom	Loading Port: Triton FPSO

Designation	Country	Load Point
Heavy Louisiana Sweet	USA	Pipeline Terminal: Empire
Light Louisiana Sweet	USA	Pipeline Terminal: St. James
Mars Blend	USA	Pipeline Terminal: Loop/Clovelly
Poseidon	USA	Pipeline Terminal: Houma
Southern Green Canyon	USA	Pipeline Terminals: Port Arthur, Texas City
Thunder Horse	USA	Pipeline Terminal: Loop/Clovelly
West Texas Intermediate	USA	Pipeline Terminals: Cushing, Midland
West Texas Sour	USA	Pipeline Terminal: Midland
Anaco Wax	Venezuela	Loading Port: Puerto La Cruz
Boscan	Venezuela	Loading Port: Bajo Grande
Merey	Venezuela	Loading Port: Puerto La Cruz Refinery
Mesa 30	Venezuela	Loading Port: Puerto La Cruz
Santa Barbara	Venezuela	Loading Port: Puerto La Cruz Refinery
Bach Ho	Vietnam	Loading Port: Bach Ho Platform
Rang Dong	Vietnam	Loading Port: Rang Dong MV17 FSO
Su Tu Den	Vietnam	Loading Port: Su Tu Den Terminal

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