CALIFORNIA
RESOURCES CORPORATION

May 5, 2017

Samuel Wade
Chief, Transportation Fuels Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: Low Carbon Fuels Standard Rulemaking

Dear Mr. Wade:

California Resources Corporation is the largest oil and natural gas exploration and production company in California on a gross-operated basis. The Company operates its world class resource base exclusively within the State of California, applying integrated infrastructure to gather, process and market its production. Using advanced technology, California Resources Corporation focuses on safely and responsibly supplying affordable energy for California by Californians.

CRC explores for, develops and produces oil, condensate, natural gas liquids (NGLs) and natural gas in over 137 fields in each of California's four major oil and gas basins (San Joaquin, Los Angeles, Ventura and Sacramento). We believe we are the largest private oil and natural gas mineral acreage holder in California, with interests in approximately 2.4 million net acres. With a 100% California workforce, CRC is committed to reducing the state's chronic dependence on imported energy by growing our local energy production in a manner that achieves California's world-leading environmental, labor and safety standards.

California imports 63% of its oil, 90% of its natural gas and 28% of its electricity. A majority of our imported oil comes from foreign countries, which have little or no environmental oversight than California. Despite a local world-class resource base, Californians pay higher prices for energy and are reliant mainly on foreign countries for energy. In addition, California does not receive the high-paying jobs, economic activity and tax revenues that go to foreign countries or other states from which we import oil and natural gas.

As the largest petroleum producer in California, CRC is vested in the success of California's goals toward reducing the carbon intensity (CI) of transportation fuels. CRC, as the leading California-only petroleum producer seeks to take a leading role in employing innovative technologies to decrease the CI of oil production. As such, CRC is developing several

project applications to employ power generation technologies under the innovative crude oil production provisions of California's Low Carbon Fuel Standard (LCFS). However, we find the definition of innovation as allowed under the current LCFS regulations limiting such that there are opportunities left unexplored.

The current regulation allows the following innovations: 1) Solar Photovoltaic, 2) Solar Thermal, 3) Wind and, 4) Carbon Sequestration. While these are useful technologies to lower the CI of crude produced in California, the list is limited and excludes several other promising routes to accomplish California's goal of reducing CI of its transportation fuels. These other routes could include geothermal energy, biogas, ocean wave energy, or some other innovative energy source or efficiency not considered under the current regulation.

CRC suggests that the existing language be broadened to include other innovative pathways such as those pathways enumerated above. CRC suggests that in addition to the existing language pertaining to CI reductions, the following language be added to §95489:

(d)(1)(A)(5) Geothermal energy,
(d)(1)(A)(6) Biogas,
(d)(1)(A)(7) Ocean wave energy, or
(d)(1)(A)(8) Other technologies or methods as approved by the Executive Officer.

The addition of this language allows the Board flexibility and discretion to use other CI reduction methods outside those explicitly named to meet California's LCFS goals. These changes will also allow California to meet directives outlined in other State laws such as the recently passed SB 1383, by providing a ready off take for economical projects outside existing power generation or natural gas vehicle markets.

CRC understands the concerns raised in response to ARB's changes proposed to the Innovative Crude provisions at the June 2, 2016 workshop and supports limiting credits generated by the Innovative Crude provisions to crudes:

1) Produced in California,
2) With CIs above the 2010 baseline, and
3) At volumes supplied during the 2010 baseline year.

CRC believes that by providing flexibility in reduction methods along with the limits described above will maximize the impact of the Innovative Crude provisions while minimizing the geopolitical considerations governing global crude movements potentially affecting the California crude slate. CRC produces energy for California by Californians and as such, California deserves to meet the CI reduction initiatives envisioned by its leaders for the benefit of Californians.

Please feel free to contact myself at 661.529.4453 or Brian Pellens at 661.529.4384 if you have any questions on this matter.

Sincerely,

Mike Glavin
Director, Sustainability
California Resources Corporation

cc: James Duffy, Manager, Alternative Fuels Section
Jim Robinson, VP HSE