



Marla K. Benyshek
Director, Fuels Regulatory Issues

1000 S. Pine
Ponca City, Ok. 74602-1267
Phone 580-767-6118
e-mail marla.k.benyshek@conocophillips.com

November 10, 2009

Submitted electronically

Mr. Arthur Marin
Executive Director
NESCAUM
89 South Street, Suite 602
Boston, MA 02111

Subject: Northeast/Mid Atlantic Low Carbon Fuel Standard

Dear Mr. Marin:

ConocoPhillips appreciates the opportunity to submit comments regarding the concept for a Northeast/Mid Atlantic regional Low Carbon Fuel Standard. ConocoPhillips is an integrated oil company with refining, marketing, and transportation assets throughout the United States. As the third largest refiner in the U.S., we own and operate twelve domestic refineries producing nearly every type of unique fuel formulation in the country. Two of our refineries are located in the Northeast region – one in New Jersey and one in Pennsylvania. Together they produce over 14 million gallons per day of transportation fuels for consumers in the northeast region. This is in addition to volumes we deliver from our gulf coast refineries via pipeline and import from international sources. Our company as a whole and these particular refineries are directly impacted by any actions the Northeast states may take regarding a low carbon fuels standard. We have also been actively involved in the California LCFS rulemaking efforts. Some of our comments are based on our experiences with the California process.

ConocoPhillips opposes the implementation of a state or regional low-carbon fuel standard (LCFS). Any programs aimed at greenhouse gas emission reductions should be promulgated at the Federal level to avoid the problems inherent in having unique requirements that vary from state to state or region to region.

ConocoPhillips supports the advancement of an environmentally effective and economically efficient climate change policy in the United States. In 2007, we became the first U.S.-based oil and gas company to publicly call for the development of a mandatory U.S. national framework to address greenhouse gas emissions. In that same year we joined the US Climate Action Partnership, also known as USCAP, a group of businesses and leading environmental organizations calling on the federal government to quickly enact strong national legislation to require significant reductions of greenhouse gas emissions. Earlier this year, USCAP produced a set of integrated principles and recommendations to guide the formulation of a mandatory economy-wide, market-driven approach to climate protection. The recommendations are publicly available in a document entitled a Blueprint for Legislative Action.

Regarding a Fuels Performance standard, the USCAP Blueprint recommends that:

- EPA develop a methodology and process for gathering data and determining the actual lifecycle GHG performance of the transportation fuel pool.
- With this base information, EPA should assess transportation GHG emissions and the degree to which existing and projected programs along with market conditions are or are not sufficient to substantially reduce the lifecycle carbon intensity of the transportation fuel pool. Based on this assessment, the EPA would develop and promulgate a technologically and economically achievable GHG performance standard for the transportation fuel pool as needed.
- Congress should assure that the existing renewable fuel standard (RFS) ceases to apply at the time that a GHG fuel performance standard takes effect.

As reflected by the USCAP Blueprint, ConocoPhillips supports a national approach to the issue of Greenhouse Gas Emission Reduction and has significant concerns with individual state or regional programs.

Individual state or regional programs have the potential to create unique fuel specification requirements. These unique standards could have adverse, unintended consequences to the efficient supply and distribution to motor fuel markets. This concern is magnified if the standards that are set are not achievable or if they conflict with federal or other regional or state programs.

Today, there are a limited number of fuels that could theoretically reduce carbon emissions from petroleum. Competition for these fuels between states and regions would likely lead to fuel shuffling based on differing approaches to standards setting. For example, California is in the process of implementing a low carbon fuels standard. According to that state's life cycle analysis, the ethanol fuel with the lowest carbon intensity value is Brazilian ethanol produced from sugar cane. Currently, there is little volume of Brazilian ethanol imported into California. However, because of California's local LCFS that may change, resulting in Brazilian ethanol displacing current corn based ethanol from the Mid West. This shuffling, while necessary to meet a state/regional LCFS mandate, is costly and inefficient, but does nothing to reduce the nation's GHG emissions and is more likely to cause an increase in GHG emissions. Additionally, some fuels with potentially low carbon intensity values are not yet commercially or economically viable, such as ethanol produced from cellulose.

The California LCFS program requires 10% reduction in carbon intensity (CI) in a 10-year time frame. The California Air Resources Board included various compliance scenarios in the supporting documentation that accompanied the LCFS rule. The Western States Petroleum Association consolidated this information into a comparative table, which is included below. As can be seen, achieving a 10% reduction in carbon intensity relies heavily on the use of the following fuels - low CI electricity, hydrogen and E85 produced from low CI ethanol (i.e. cellulosic). These scenarios appear to be infeasible within the 10-year time frame given the current status of these fuel and vehicle technologies.

**Table VI-6
Summary of Fuels and Vehicles Used in Each Scenario to Meet the
2020 Standard for Gasoline and Fuels that Substitute for Gasoline***

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Total Volume of Ethanol (Million Gallons)	2.9	3.1	2.8	2.2
Total Amount of Electricity (Gigawatt Hours)	1,210	1,210	2,240	4,470
Total Amount of Hydrogen (Megagrams)	10,500	10,500	16,500	33,000
Number of Advanced Vehicles (Battery Electric, Plug-in Electric, and Fuel Cell Vehicles) (Million of Vehicles)	0.56	0.56	1.0	2.0
Number of Flexible Fuel Vehicles Operating on E85 (Millions)	3.0	3.4	2.9	1.8

* Numbers are rounded.

¹ Baseline gasoline consists of 90% CARBOB and 10% Ethanol by volume.

Additionally, the NESCCAF report issued July, 2009 contained the following points in the Executive Summary section

- Successful implementation of a 10 percent LCFS will require very rapid commercialization of advanced fuels and/or advanced technology vehicles that are presently in the pre-commercial stage. While the outlook for these technologies is promising, the volumes that would be required in order to meet a 10 percent LCFS by 2020 greatly exceed the volumes that have been produced to date.
- Technologies that could potentially be used to reduce average fuel carbon intensity include advanced low carbon biofuels such as cellulosic ethanol, and biomass-based diesel, and vehicles powered in part or entirely by electricity.
- If the LCFS is met solely with the most advanced type of biofuel required under the federal RFS (cellulosic ethanol with a carbon intensity of 60 percent lower than that of gasoline,) it would require approximately 4 billion gallons to meet a 10 percent reduction target in the Northeast region by 2020. To put this in context, the federal RFS as proposed will require nationwide production of 10.5 billion gallons of cellulosic ethanol with an equivalent carbon intensity in 2020.
- If the LCFS gasoline carbon intensity reduction were to be met through the use of cars powered in part or entirely by electricity, approximately 3 million plug-in hybrid and all-electric vehicles would need to be in the Northeast vehicle fleet by 2020. Assuming these vehicles are charged when sufficient capacity and transmission exist, the region's electric grid could likely accommodate them without the need for additional capacity. The Zero Emission Vehicle program when implemented could result in the placement of approximately 500,000 plug-in hybrid vehicles in the region by 2020.

These conclusions by NESCCAF clearly point out the enormous challenge in implementing state and regional LCFS programs.

Any fuel programs aimed at reducing greenhouse gas emissions should be established at the Federal level. This helps ensure consistency across regions, allows for optimization and reduces the likelihood of shuffling to supply consumers at the most competitive cost, and is the best framework to avoid market disruptions that could occur with state or regional programs.

ConocoPhillips firmly believes that State or regional actions to reduce GHG emissions related to transportation fuel use creates inefficiencies and undue complexities with little to no benefit. Should NESCAUM be compelled to seek regional controls it remains imperative that it consider fuel supply, complexity issues, incremental cost-benefit impacts, standards harmonization with other federal/state programs, sun setting of provisions covered by federal programs, and timing consistent with technology.

ConocoPhillips urges NESCAUM to refrain from adopting a regional LCFS at this time and to support efforts to improve the scientific basis for federal action. ConocoPhillips remains committed to working with Congress and the new Administration, as well as with state and local governments, to develop and implement US climate policy that effectively and efficiently protects the climate while ensuring safe, secure and affordable supplies of energy necessary to build and sustain our economy.

Please contact me if you have any questions concerning these comments.

Marla K. Benyshek