



**Testimony to the Senate Environment and  
Natural Resources Committee  
on Senate Bill 324  
February 2, 2015**

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Founded in 1968, the Oregon Environmental Council (OEC) is a nonprofit, nonpartisan, membership-based organization. We advance innovative, collaborative solutions to Oregon's environmental challenges for today and future generations.

Oregon Environmental Council supports SB 324 to reauthorize the Clean Fuels Program in order to build a stronger, more resilient economy, support jobs, improve health, and address climate change.

**Rewards innovation**

The Clean Fuels Program is well designed. As a performance-based standard, the Clean Fuels Program will create a market for clean fuels that will reduce pollution at the lowest cost. It will reward continued innovation (California's program is already driving improvements in conventional ethanol) and leaves room for new market entrants. The program creates opportunities for Oregon-based clean fuels development, which will create jobs, economic development and add to the tax base. But many innovative fuel producers from around the country also view Oregon as an attractive marketplace and stand ready to supply cleaner fuels.

**Oregonians want choices**

The Oregon Clean Fuels Program is supported by nearly 150 small and large businesses, economic development entities, workers, consumers, farmers, health professionals and civic leaders. (For a complete list, see [CleanFuelsWork.com](http://CleanFuelsWork.com).) A recent poll showed that a large majority of Oregonians support the program. Consumers and businesses are tired of the yo-yoing of oil prices and the lack of options. Oregon's clean fuels program creates a marketplace for alternatives and rewards investment in the infrastructure needed to deliver these fuels to consumers and businesses. During the DEQ public comment period, 75% of in-person testimony and over 75% of written comments were supportive of the program.

**Clean fuels are abundant**

Biofuels are already commercially available. Electricity, natural gas, and propane are also abundant. Since 2009, biogas development has made a surprising entrance into the transportation fuels market. When ICF International ran compliance scenarios for the Oregon's program, they used very conservative assumptions—they assumed zero use of cellulosic biofuels and in some scenarios, zero use of renewable diesel. Both of these fuels are being produced and supplied to fuel markets throughout the country and up to 1.7 billion gallons of capacity is expected online by 2017.<sup>1</sup> If Oregon puts a program in place, we'll attract those fuels here as well.

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<sup>1</sup> *E2 Advanced Biofuel Market Report 2014*. Available at:  
<https://www.e2.org/ext/doc/E2AdvancedBiofuelMarketReport2014.pdf>

A new study, by the International Council on Clean Transportation (ICCT) and E4Tech showed that low carbon fuels supplies to the Pacific Coast region (from BC to CA) could triple by 2030.<sup>2</sup> That would displace nearly 25% of petroleum use and yield 14-21% carbon pollution savings—far more than is currently called for in our collective programs.

### **The program is modest and feasible**

In the same timeframe that we are asking oil importers to reduce their pollution 10%, Oregon utilities will deliver 25% renewables and automakers will double the fuel economy of our vehicles. A 10% reduction is reasonable and quite modest. Since California's program began, they're achieved *three times* what Oregon will need by 2025.

### **Regional efforts—will Oregon fall behind?**

If Oregon acts, we will be joining British Columbia and California in fully implementing a clean fuels program. Washington State has also started drafting rules for their program. These four jurisdictions together represent 53 million citizens and the world's fifth largest regional economy. We can be part of a west coast clean fuels corridor, or we can fall behind. Businesses throughout Oregon and the region are urging this Legislature to show Oregon is committed to clean fuels development and worthy of longer-term investment. Clean fuel manufacturers and fleets have acted in reliance on the Legislature's promise to follow through on this program. If the legislature fails to lift the sunset, they are leaving these businesses in the lurch and creating an uncertain market that tells start-ups and investors in every sector that they can't rely on Oregon to protect their investments.

### **Climate imperative**

Six years have passed since the program was authorized, and in that time, greenhouse gases have continued to accumulate. Inaction has costs and consequences: Oregon has experienced record wild fire seasons in the last five years, ocean acidification is already impacting our oyster industry, and this year and last paltry snow pack has caused our ski areas to open late costing Oregon's tourism economy. 2014 was also the hottest year on record globally. Oregon is not making progress fast enough to reach our climate goals, and the Clean Fuels Program is a critical piece of the solution. The program will reduce over 7 million metric tons of climate pollution cumulatively in ten years. That's equivalent to about 37,500 rail cars worth of coal burned.<sup>3</sup> When it comes to reducing climate pollution, every jurisdiction has an obligation to act and the oil industry needs to do its fair share here in Oregon.

### **Public health benefits**

The Clean Fuels Program is not only an important climate protection strategy, but important for improving Oregon's air quality through co-benefits associated with a long-term transition to cleaner fuels. The Portland Air Toxics Report, published by DEQ, cites gasoline and diesel-powered cars and trucks as major sources of hazardous air pollutants, including 15 PAH, benzene, 1,3 butadiene, formaldehyde, arsenic and chromium, many of which may not be reduced through better engine design or pollution controls currently being phased-in.<sup>4</sup> Rather, the report recommends reducing the use of gasoline and diesel. The Clean Fuels Program will aid air quality by rewarding the transition from gasoline and diesel to cleaner fuels such as electricity.

Public health will also benefit by reducing greenhouse gases. Climate change is a major public health threat. The Oregon Health Authority recently published the *Oregon Climate and Health*

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<sup>2</sup> ICCT and E4Tech, *Potential Low Carbon Fuel Supply to the Pacific Coast Region of North America*, 2014, available at: <http://www.theicct.org/potential-low-carbon-fuel-supply-pacific-coast-region-north-america>

<sup>3</sup> EPA Carbon Calculator, available at: <http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results>

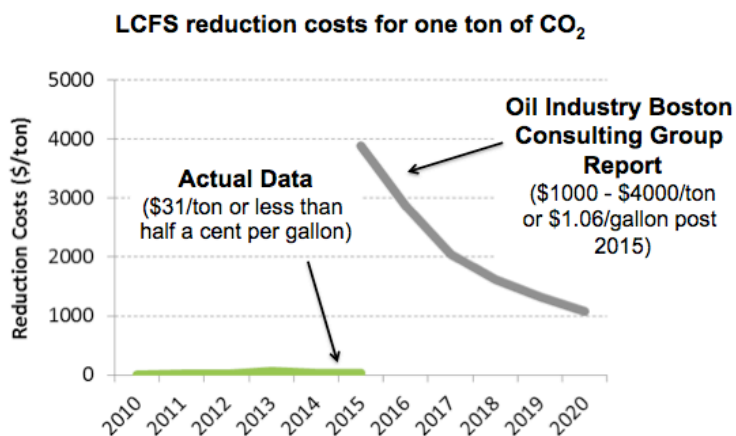
<sup>4</sup> Available at: <http://www.deq.state.or.us/air/aq/planning/patsReport.htm>

*Profile Report* that identifies climate health threats to Oregonians.<sup>5</sup> In addition to extreme heat, floods and other weather-related threats, rising temperatures will also create air quality problems by increasing ground level ozone and haze from wild fires. These air quality problems exacerbate health problems such as asthma and cardiovascular diseases. And these impacts will harm the most vulnerable amongst us—the elderly, already ill, children, and disadvantaged communities.

### **Oil industry misinformation**

Using the same old playbook of front groups and scare tactics, out-of-state oil interests are attempting to influence Oregon public policy. Using industry-funded studies, they're willfully putting out implausible cost assumptions. A comparison of oil industry cost estimates compared to the reality in California is shown below.

### **Oil industry study assumes their compliance costs are hundreds of times higher than actual data**



Sources: Credit value data: <http://www.arb.ca.gov/fuels/lcfs/lrtmonthlycreditreports.htm>  
 NRDC Review of BCG Report; TIAX Review of BCG Report (prepared for California Business Alliance). Note: Conservatively assumes no reduction are undertaken by regulated party and all 7 credits are purchased.

The Boston Consulting Group (BCG) analysis has been discredited by independent analysis at Stanford, MIT, UC Davis, the national laboratory system, and other universities. The BCG study ignores Oregon’s program flexibility, doesn’t account for economic or public health benefits, and uses far-fetched fuel assumptions.

### **Oil too costly**

A recent New York Times article highlighted the extreme expense, perils and ultimate failure of a recent arctic drilling expedition. Oil exploration increasingly has to reach into more remote, dangerous and costly areas. Production becomes uneconomical below \$70/barrel<sup>6</sup>, meaning that low prices cannot and will not last forever. Our best hedge against oil prices is diversification.

### **Urge strong support for SB 324**

There has been a robust public process showing strong support for Oregon’s Clean Fuels Program. The Oregon Environmental Council enthusiastically urges your support.

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<sup>5</sup> Oregon Health Authority, *Climate and Health Profile*, 2014, available at: <http://public.health.oregon.gov/HealthyEnvironments/climatechange/Documents/oregon-climate-and-health-profile-report.pdf>

<sup>6</sup> Funk, McKenzie, *The Wreck of the Kulluck*, New York Times, Dec. 30, 2014, available at: [http://www.nytimes.com/2015/01/04/magazine/the-wreck-of-the-kulluk.html?\\_r=2](http://www.nytimes.com/2015/01/04/magazine/the-wreck-of-the-kulluk.html?_r=2)