



November 7, 2014

Jane O'Keeffe, Chair
Environmental Quality Commission
811 SW Sixth Ave.,
Portland, OR 97204-1390

Dear Chair O'Keeffe and Commission Members,

On behalf of the members of the AGC Oregon Columbia Chapter, we are writing to ask you to suspend further action on the proposed Phase 2 of the Low Carbon Fuels Standard (LCFS) rules being drafted by the Department of Environmental Quality. Our Association has served as the voice of the commercial construction industry in Oregon and SW Washington since 1922. The Oregon Clean Fuels Program/Low Carbon Fuel Standard contradicts AGC's core policy to oppose new environmental regulations that impose financial burdens on the industry and/or the broader economy. Instead, AGC advocates for an incentive-based approach for emission reduction equipment.

The LCFS sounds simple but is extremely complex. Fuel providers say the standard, patterned after a similar regulation in California, is not feasible because the biofuels necessary to meet the standard do not yet exist in commercial quantities. While there is some optimism that eventually ultra-low carbon cellulosic ethanol will emerge domestically, volumes being produced are still extremely low. As the proposed targets begin to ramp up, fuel providers would be forced to import these expensive fuels to meet the targets, with the inevitable result of increasing prices. This is one reason why very few other states are even considering a program like LCFS.

Our industry is only now emerging from what has been called the "Great Recession." The Oregon construction sector was hit twice as hard as the rest of the business community. Fuel costs are an important expense for all of our members. These businesses often rely on fleets of trucks or other heavy machinery as a central part of their business operations. Every additional dollar that they have to pay for fuel as the result of new state regulations, such as the LCFS, is a dollar that they can't use to hire additional workers or invest in their business.

AGC has concerns with using special fuel blends in construction equipment for a number of reasons, including the following: it has a lower energy point so it takes more fuel to complete the same job; fuel will be more expensive and more taxpayer money will be spent on public work; retro-fitting the equipment so that it can run on the special blends would be incredibly costly and could nullify warranties on engines; and there are lubricity and freezing issues as well. Our members have also been testing existing biofuels on their equipment with negative impacts and we are concerned.

Again, on behalf of the members of the AGC Oregon Columbia Chapter, we urge you to not move forward with policies that will increase costs and jeopardize our contractors' business growth in our state. Environmental policies must be reasonable and achievable to minimize the barriers to business opportunities. At the state level, a program such as the Oregon Clean Fuels/LCFS is neither of those and is therefore not something we can support. Thank you for providing us with the opportunity to offer our views on this matter.

For further inquiries, please contact Government Affairs Director, John Rakowitz at 503-317-1781

Sincerely,

A handwritten signature in black ink that reads "Mike Salsgiver". The signature is written in a cursive, flowing style.

Mike Salsgiver
Executive Director, AGC Oregon-Columbia Chapter