LOW CARBON
FUELS COALITION

February 24, 2015

House Committee on Energy and Environment
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Via email to beth.patrino@state.or.us

Re: Oregon Clean Fuels Program, SB 324

Dear Committee Members,

Thank you for the opportunity to provide comments on SB 324, the proposed extension of the Oregon Clean Fuels Program ("the Program"). This letter provides the comments of the Low Carbon Fuels Coalition ("the Coalition"). The Coalition represents a broad range of low carbon fuel providers including producers and developers of biodiesel, ethanol, renewable natural gas, waste-derived fuels and retail low carbon fuel providers. The Coalition tracks regulations and legislation, advocates for policies that benefit the entire low carbon fuels industry, and facilitates industry success through consensus and coalition building.

At the outset, we would like express the Coalition's strong support for the Program. The Program is well-designed to achieve two vital objectives: the reduction of greenhouse gas pollutants that cause climate change, and the expansion of in state production of low carbon fuels. Low carbon fuel standards like the Program are increasingly being recognized as the most efficient and flexible policy tool to achieve environmental, economic, and energy security goals.

The massive relocation of stored carbon from the earth's crust into the atmosphere and oceans over the past century is changing our climate and threatening the life support systems that we rely upon for sustenance. Solutions like the Program enable us to maintain and improve our quality of life while stabilizing our climate. In the transportation sector, clean low carbon fuels represent the most practical and immediate solution. The Program begins to account for the true health and environmental costs of

fossil fuel dependence, enables the transition to more sustainable clean fuels, and contributes to climate stabilization.

Regarding job creation, an economic study on the Clean Fuels Program, by Jack Faucett Associates (the "Oregon Economic Study"), shows that the Program could provide as many as 29,000 Oregon jobs by keeping billions of dollars currently spent on imported petroleum fuel in-state through the construction of clean fuel production capacity, the expansion of distribution networks, the construction of new retail stations, and the expansion of alternative vehicles and other technologies to achieve the Program's goals.[1] Given that the existing mix of low carbon fuels primarily consists of biomass based fuels, the Program creates substantial opportunities to expand agricultural jobs in rural counties for the production of sustainable feedstocks.

The next generation of low carbon fuels currently being commercialized includes substantial quantities of waste-derived fuels. These fuels can already be produced from waste oils and fats (biodiesel), separated municipal solid wastes (ethanol and drop in fuels), and dairy manure and waste organics (renewable natural gas). The rapid expansion of these waste-derived fuels will reduce landfilling, nutrient waste run-offs, and other negative environmental consequences, and transform waste into feedstock.

The flexibility of the Program enables the utilization of this full range of low carbon fuels to achieve carbon intensity reduction goals. A recent study by International Council on Clean Transportation found that the goals of the Program, together with similar programs in California, Washington and British Columbia, are obtainable given fuel availability today and into the future.

In order to realize these benefits, we urge you to remove the 2015 sunset date. The sooner the full ten-year program is in place with certainty, the sooner the state can realize the benefits of domestically produced low carbon fuels in the Oregon market.

To the extent that there are concerns regarding the cost, feasibility and effectiveness of the Program, Oregon can look to the direct experience of California in implementing its own Low Carbon Fuel Standard program (the "LCFS"). The LCFS has been successfully operating for almost four years. In particular, I would recommend a review of the findings contained in the Status Review of California's Low Carbon Fuel Standard

[1] Jack Faucett Associates. Economic Impact of Low Carbon Fuel Standard for Oregon. 2011. http://www.deq.state.or.us/aq/committees/docs/lcfs/appendixDeconimpact.pdf

released in July 2014 from the Institute of Transportation Studies at UC Davis ("Status Review"). For the Committee's record, I have included the Status Review with my comment.

I would highlight the following findings from the Status Review:

> *• Excess or "net" credits continued to rise. Fuel suppliers in the program generated excess LCFS credits beyond what was required in every quarter since the program was initiated. Excess credits accumulated from 2011 through 2013 totaled 2.62 MMTCO2e, more than the deficits generated in any single year.*
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> *• Reported emission reductions achieved is equivalent to annual emissions from about 900,000 cars. From 2011 to the end of 2013, the LCFS generated 6.6 million emission reduction credits (measured in metric tons (MT) of CO2e), equivalent to emissions from about 900,000 cars for a year. Cumulative net credits for the program totaled 3.2 million MT by March 2014.*
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> *• Alternative fuels' energy share increased. Alternative fuels' share of California LCFS transportation fuels (by energy content) was 6.2 percent in 2011 and 2012 and 7.3 percent in 2013.*

As a collateral benefit of the Program, the displacement of fossil fuels by bio-based and waste-derived fuels reduces the economic costs of petroleum dependence. While innovations and high crude oil prices have enabled the extraction of fossil fuels from aging domestic oilfields, the US still imports approximately half of its crude oil requirements, resulting in a net export in 2013 of about $500 million per day to foreign coffers.[2] By contrast, the majority of the clean fuels that the Program will incentivize are

[2] The US is a massive net importer of crude oil at a monthly value that ranged from 20-25 billion dollars per month during 2013. A small portion of this trade deficit is offset by finished petroleum product exports

US produced and will keep US dollars in the US economy. According to the Oregon Economic Study, the Program will save Oregonians as much as $1.6 billion in fuel costs, and generate as much as $2.1 billion in gross state product.

As previously noted, while Oregon is taking a leadership role with the Program, the state can benefit from the experience of its neighbor to the south. California's LCFS was developed and implemented by the California Air Resources Board ("ARB"). The LCFS has been reducing the carbon intensity of California fuels since 2011. California's experience has demonstrated that there are sufficient low carbon fuels in the marketplace to enable carbon intensity reduction. ARB projections show multiple paths for California to achieve 10% CI reduction by 2020. Cumulatively through Q2 2014, ARB has calculated a total of approximately 3.5 million metric tons of excess credits have accrued.[3] These excess credits establish that regulated parties have been able to over-comply with the standard at relatively low cost with no discernible negative impact on the state's economy. California's LCFS has facilitated the expansion of low carbon fuel production and lowered the carbon intensity of existing fuels.

Oregon's Program is largely consistent with the LCFS but has been developed to meet Oregon's state objectives and to be consistent with the state's more streamlined and flexible regulatory structure. We strongly support the Program's extension.

We would be glad to discuss any of these comments with you or provide any clarifications that would be helpful to your process. Thank you for your leadership in the vital area and for considering our recommendations.

Sincerely,

Graham Noyes
Acting Executive Director

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which ranged from 1-7 billion dollars per month during the same period. See US Energy Information Administration, Monthly Crude Oil Trade and Monthly Petroleum Products Trade, http://www.eia.gov/todayinenergy/detail.cfm?id=15151#tabs_SpotPriceSlider-2 (last viewed November 1, 2014).

[3] California Air Resources Board. Q2 2014 data summary. http://www.arb.ca.gov/fuels/lcfs/20141017_q2datasummary.pdf