



June 24, 2015

Dear Chair Edwards and Special Committee Members:

I urge you to pass a transportation package as a separate stand-alone vote and to reject the politically motivated efforts to tie this package to a repeal of the Clean Fuels Program.

We should not repeal the Clean Fuels Program, which has demonstrated its worth, value, and ability to succeed.

- **The Clean Fuels Program works.** It is a truly market based program that encourages innovation and reduces carbon at the least cost to consumers. We've seen similar programs running successfully already in California and British Columbia. Those regions have reduced their air pollution, increased local and regional jobs, and have not seen gas price increases while doing so.
- **The Clean Fuels Program was vetted.** The program went through 6 years of public and transparent hearings, rule-making, a one-year Advisory Committee Review, and legislative debate.

HB 2281-B7's proposed package will not be successful

- **The new proposal kills innovation.** HB 2281-B7 specifically limits ethanol production types available under the program, and prevents Oregon from using the only ethanol that is currently commercially available in the world. This limitation not only prevents the innovation that is happening in the industry today, the exclusion of the lowest carbon commercially available fuel essentially ensures that the biofuels blending program will fail.
- While the Clean Fuels Program has demonstrated its ability to achieve economic benefits, local and regional jobs, cleaner air for Oregon. **There is no guarantee that any of those benefits can be provided under the proposed substitutive policies of HB 2281-B7.**
- **This bill's carbon emission reduction claims are phantom reductions.** Many of the claimed carbon pollution reductions are either double counted (e.g., diverting money from programs that currently reduce carbon pollution already) or simply hoped for - without requirements or guarantees.
- **This proposal could actually allow carbon emissions to increase** as it removes any accountability mechanisms from oil companies.

HB 2281-B7 is bad for Oregon's economy and the business community

- **It breaks a promise made to the business community.** The clean fuel business sector has been operating under one set of rules for five years, and to change the game now has huge impacts on our business models with zero warning. Red Rock Biofuels and Sequential Pacific have already expanded and opened facilities because of the Clean Fuels Program. Other clean fuel producers – Pacific Ethanol included – have made strategic plans with the understanding that the Clean Fuels Program is law.
- **Real-world application of these laws is virtually impossible.** The commercially available clauses are a bureaucratic and commercial intrusive nightmare. Businesses cannot run under these regulations.

The governing process around HB 2281-B7 is highly concerning

- **HB 2281-B7** emerged from **secret, back-door meetings** that purposefully excluded stakeholder engagement. In fact, the final deals of this package were revealed to the public for the first time less than 24 hours before today's hearing.
- This process would be a **completely unprecedented notion of passing, signing, and then killing a bill in the same session.** Lawmakers and the Governor will be breaking the public and business community's trust in this process. That trust is vital to a successful democracy.

Pacific Ethanol's Boardman plant generates 40 million gallons of ethanol; provides 35 direct living-wage jobs with benefits and supports more than 700 jobs servicing the production, marketing, maintenance and operations of our plant; and provides a cleaner, lower carbon fuel alternative for the transportation market. We are the leading producer and marketer of low-carbon renewable fuels in the Western United States.

We're proud of our role in Oregon's efforts to reduce greenhouse gas emissions, provide clean fuel options, and create Oregon jobs. HB 2281-B7 is not the mechanism to get us there.

I urge you to reject HB 2281-B7's poorly designed substitute for Oregon's Clean Fuels Program. At the very least, this bill must be referred to revenue and taxation committees for consideration before proceeding.

Thank you,
Tom Koehler
Pacific Ethanol Co-Founder