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June 24, 2015

The Honorable Chris Edwards  
Chair, Senate Special Committee on Sustainable Transportation  
900 Court St. NE,  
Salem Oregon 97301

**RE: STRONGLY OPPOSE HB 2281 -B7: WILL DISINCENTIVIZE  
ALTERNATE FUELS AND NOT MEET CARBON INTENSITY REDUCTION  
NEEDS**

Dear Senator Edwards:

On behalf of Clean Energy, I would like to respectfully express **STRONG  
OPPOSITION TO HB 2281 – B7.**

As North America's largest provider of natural gas transportation fuel with over seventeen years of experience, we provide construction, operation and maintenance services for refueling stations. We have a deep understanding of the growing marketplace, and our portfolio includes over 550 stations in 43 states, including several locations in Oregon. Already used as a clean source of energy around the world, natural gas is abundant and proven to be a cost-saving alternative fuel. Natural gas for transportation fuel strengthens our economy with lower fuel costs, increases our energy security, and significantly benefits our environment.

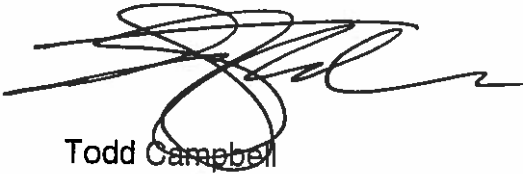
We understand that the Oregon Legislature is reconsidering its decision to support SB 324, a bill Clean Energy and Clean Energy Renewables strongly supports because it implements a well thought out and publicly vetted Clean Fuels Standard for the state to achieve meaningful carbon reductions. Ironically, this bill that has been signed into law is now threatened by a rushed legislative bill **HB 2281 – B7 that was clearly orchestrated by special oil interests as it eliminates any low carbon fuel alternative that CANNOT be blended with diesel or gasoline. HB 2281-B7 not only represents bad public policy, it represents a huge step backwards for Oregon in terms of process. Having been a stakeholder in Oregon's Clean Fuels Standard for the past six years, we STRONGLY OPPOSE HB 2281-B7.** Please consider these concerns:

- The amended bill language states: *"The goal of the program shall be to reduce, over time and subject to availability, price and feasibility, the carbon intensity of gasoline and diesel fuel sold or offered for sale in this state."* Ironically, gasoline and diesel have the highest carbon intensities of any fuel, and blends will not reduce them enough to meet the low carbon intensities that alternate fuels inherently enjoy. **Natural gas, for example, has up to 23% less greenhouse gas emissions than gas or diesel, and renewable natural gas is up to 90% less. The upper limit of 5% carbon intensity reduction of gasoline and diesel does not even come close to the much lower carbon intensities of the majority of alternate fuels;**
- Abandoning a competitive market of low carbon fuels in favor of blended gasoline and diesel all but eliminates any roadmap for a future with low carbon fuels in Oregon. Industries that want to invest and create Oregon jobs will not be supported or incentivized and thus will be dissuaded to make significant capital investments in Oregon, leaving the state with dirtier and more expensive transportation fuels;
- Carbon intensity benchmarks: HB 2281-B7 mandates a gradual 5% reduction, but uses a mandate and not incentives. The Clean Fuels Program incentivizes alternate fuel production through the use of credit generation. Conventional gasoline and diesel enjoy a first-mover cost advantage, therefore there is a cost barrier for alternative fuels to initially overcome without credits that support alternate fuel production such as natural gas and renewable natural gas;
- HB 2281-B7 completely ignores the remedy to one of the biggest polluters in Oregon: heavy duty diesel trucks. The Clean Fuels Program was the answer to replacing dirty diesel trucks – classes 7 and 8 – from highways and ports with significantly cleaner alternatives. Diesel particulate matter and black carbon are major contributors to environmental problems and health impacts. The Clean Fuels Program allowed the marketplace to replace diesel with natural gas or renewable natural gas, realizing up to 90% less greenhouse gas emissions and nitrogen oxide emissions with a cleaner burning fuel. **This bill will slow the remedy of cleaner burning engines by allowing dirty diesel trucks to continue to operate on Oregon's road for decades.**

- HB 2281-B7 also proposes short-sighted policy language directing the Public Utility Commission to work with investor-owned utilities, in part, to incentivize electric, compressed natural gas (CNG) and propane vehicle adoption for a market transformation framework to be used by investor-owned utilities. Moneys received would also go toward the installation of private sector-owned fueling infrastructure. As one of the largest privately-owned natural gas fuel providers in the country, HB 2281-B7 should be **OPPOSED** just based on these misguided provisions alone for the following reasons:
  1. IOUs are in the business of pipes and wires. An IOU's priority is to deliver reliable electric and/or gas service to commercial and residential customers; it is not to develop an effective framework for alternative fuel transportation. Further, their ability to do develop an effective fueling network is bound by the very limitations to their service territory. The fact that HB 2281-B7 believes that the highest and best use of natural gas is with school bus fleets is indicative of the author's lack of knowledge of our industry;
  2. The language does not include any consultation with privately-owned natural gas fuel providers that are currently creating regional, state and interstate natural gas fueling infrastructure, despite the inclusion of IOUs, the propane industry, the Citizens' Utility Board and a non-governmental entity;
  3. Directing the IOUs to rate-base fueling infrastructure when there is already a competitive marketplace established creates an un-level playing field in favor of the IOU. Further, the creation of a monopoly position for the IOUs will lead to less alternative fuel infrastructure, not more.
  4. We are not confident the state can determine the initial allocation of market incentives better than the marketplace, especially when it is left to undetermined rulemaking. Nor is there a need if a marketplace already exists. Furthermore, it is highly doubtful any such incentives based on taxes and mandates can effectively incentivize natural gas transportation fuel demand over gasoline and diesel.

For these reasons and more, we **STRONGLY URGE** your **NO VOTE** on **HB 2281-B7** as it is based on very poor public policy, little public process, and will deliver marginal results. Thank you for your time and consideration of our views.

Sincerely,

A black ink handwritten signature, appearing to read 'Todd Campbell', with a large loop and a horizontal line extending to the right.

Todd Campbell  
Vice President, Public Policy & Regulatory Affairs  
Clean Energy

A blue ink handwritten signature, appearing to read 'Harrison Clay', with a large loop and a horizontal line extending to the right.

Harrison Clay  
President, Clean Energy Renewables

Cc: Members, Oregon Senate Special Committee on Sustainable Transportation