



April 4, 2017

House Committee on Energy and Environment
Hearing of April 5, 2017, 3:00 pm
RE: HB 3386

Comments Submitted Electronically

Dear Chair and Committee Members,

Thank you for the opportunity to provide comments on HB 3386, and its potential impact on the Oregon Clean Fuels Program (the “CFP”).

This letter provides the comments of the Low Carbon Fuels 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 Low Carbon Fuels 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.

Strong Support for CFP

At the outset, we would like express the Coalition’s strong support for the CFP. The CFP is well-designed to achieve a vital objective: the reduction of greenhouse gas pollutants that cause climate change. The CFP begins to account for the true costs of fossil fuels, enables the transition to more sustainable clean fuels, and contributes to climate stabilization.

In March 2015, Oregon’s Legislature and Governor approved SB 324 to implement the CFP, and directed the Environmental Quality Commission (EQC) to methodically evaluate cost containment mechanisms. As Executive Director of the Coalition, I have appreciated the opportunity to participate in the EQC’s Advisory Committee along with colleagues representing diverse stakeholders including petroleum companies, consumer groups, utilities, truckers, and environmental groups. I have included the Advisory Committee roster, background and objectives, as part of this exhibit.¹

¹ Roster and excerpts of the Charter downloaded from <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/cfp2017.aspx> (download of April 4, 2017).



The EQC is conducting the rulemaking, known as “Clean Fuels Program Improvements 2017” in an exemplary fashion. The schedule for the committee was established at the outset, there are well-organized agendas for each meeting, and there is ample opportunity for both stakeholders and the general public to provide input to the process. Simply put, the CFP Improvements rulemaking is democracy at its finest combining clear legislative action, executive branch stewardship, and public involvement to facilitate well-designed policy in the fuels sector. We would highly recommend that the CFP Improvements rulemaking be allowed to fulfill the task that SB 324 assigned it, and are confident that Oregon will be well-served by the outcome of the process, including in the cost containment sector.

By contrast, HB 3386 contains features that appear more likely to undermine rather than accomplish the objectives of Oregon’s Clean Fuels Program. The bill lacks a cohesive policy design and is continuously being altered. To the extent that it contains policy proposals of merit, we would recommend that these proposals be introduced into the CFP Improvements rulemaking process.

Conclusion

Thank you for Oregon’s leadership in the vital area and for considering our input to the committee.

Sincerely,

A handwritten signature in blue ink, appearing to read "Graham Noyes", is positioned above the printed name.

Graham Noyes



2017 Clean Fuels Program Improvements Rulemaking
 Rulemaking Advisory Committee Members

Name	Title	Affiliation
Craig Campbell	President/Legal Counsel	AAA (The Victory Group)
Mike Freese	VP, Environment & Energy and Transportation	Associated Oregon Industries
Anne Smart	Director of Government Relations and Regulatory Affairs	ChargePoint
Micah Berry	Fuels Advocacy Specialist	Chevron USA Inc
Bob Jenks	Executive Director	Citizens Utility Board
Brandon Price	Environmental Commodity Compliance Manager	Clean Energy Fuels
Meredith Connolly	Oregon Policy Manager	Climate Solutions
Annie Stuart	Systems Manager	Coleman Oil Company
Jeff Allen	Executive Director	Drive Oregon
Graham Noyes	Executive Director	Low Carbon Fuels Coalition
Jana Gastallum	Climate Program Director	Oregon Environmental Council
Danelle Romain		Oregon Fuels Association (The Romain Group)
Beth Vargas Duncan	Executive Director	Oregon Municipal Electric Utilities Association
Bob Russell	Vice President Government Affairs	Oregon Trucking Association
Tom Koehler	VP Government Affairs and Communications	Pacific Ethanol
Mary Wlencke	Director, Environmental Policy & Strategy	PacifiCorp
Brendan McCarthy	State Environmental Policy Manager	Portland General Electric
Lindsay Fitzgerald	Senior Manager, Government Affairs	Renewable Energy Group
Jessica Hoffmann	Regulatory and Compliance Manager	RPMG
Ian Hill	Founder	SeQuential Biofuels
Connor Nix	Regulatory Project Lead	Shell Oil Products US
Miles Heller	Director, West Coast Fuels & Regulatory Affairs	Tesoro
Peter Welsberg	Senior Investment Manager	The Climate Trust
Lester Spitzer	Manager of Purchasing	TriMet
Jeremy Martin	Senior Scientist and Fuels Lead	Union of Concerned Scientists
Joshua Skov	Instructor of Management	University of Oregon
Kim Kaminski	Senior Government Affairs Manager	Waste Management
Jessica Spiegel	WSPA-NW Region	Western States Petroleum Association



Background

The 2009 Legislature authorized the Environmental Quality Commission (EQC) to adopt low carbon fuel standards in order to reduce greenhouse gas emissions from Oregon's transportation fuels. The Department of Environmental Quality (DEQ) implements that statute as amended in 2015 through the Oregon Clean Fuels Program.

The EQC adopted rules for the first phase of the program in December 2012 which consisted of requirements to register, keep records and report fuel imports and transactions. The EQC adopted rules for the second phase of the program with enforced carbon intensity requirements in January 2015.

In March 2015, Gov. Kate Brown signed SB 324 which removed the December 2015 sunset date in the original 2009 statute and allowed DEQ to move forward with implementing the Clean Fuels Program. It also modified several aspects of the program's authorization and directed the EQC to consider additional cost containment measures. Rules implementing SB 324, apart from the consideration of additional cost containment measures, were adopted by the EQC in December 2015.

DEQ's next step is to begin a rulemaking that considers whether additional cost containment measures are needed. The Clean Fuels Program 2017 Rulemaking Advisory Committee is being convened to provide stakeholders with an opportunity to comment on technical and policy issues, as well as the fiscal and economic impact of the proposed amendments when compared to the existing rule. Committee meetings will be held through the spring of 2017.

DEQ will seek additional formal public comment on the amendments when they are formally proposed, likely in the third quarter of 2017. DEQ will consider all comments before preparing a final package of amendments to the rule for consideration by the EQC prior to the end of 2017.

Objectives and Scope

Policy Objectives

The committee will discuss and be asked to provide input on the following topics:

- A methodology to implement the Forecasted Fuel Supply Deferral mechanism
- Updates to the illustrative compliance scenarios from the 2014 study
- Development of new illustrative compliance scenarios for the program
- The need for additional cost containment measures in the program and the design of those measures if they are needed
- Other topics, as identified by DEQ staff