

HB 3386

April 5, 2017

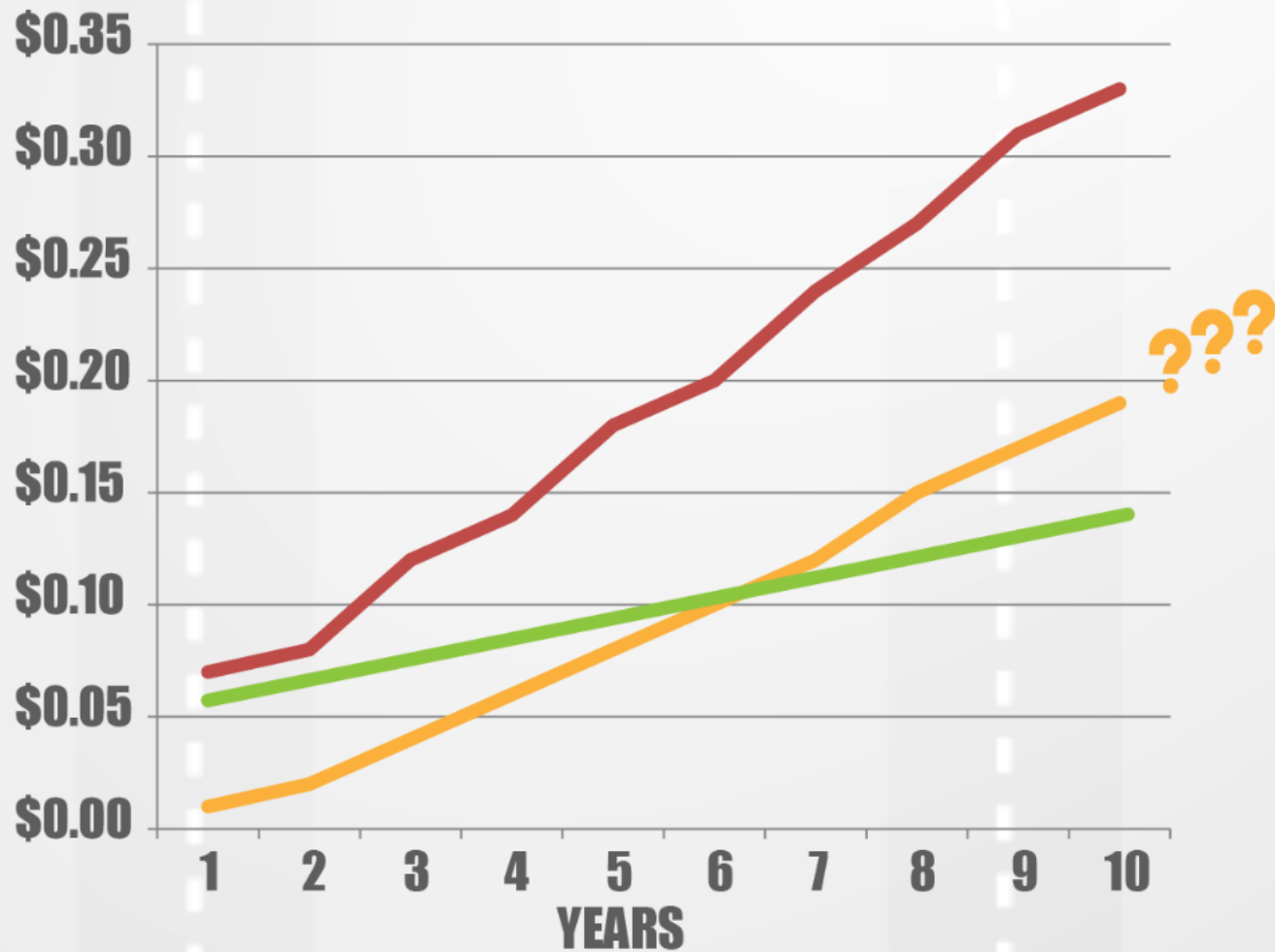
***House Energy &
Environment
Committee***

THE CONCERNS:

Impact on transportation package

Impact on low income Oregonians who drive cars

Failure to achieve CO2 reduction at rational cost



GAS TAX + EST. LCFS COST
LCFS INCREASE IN COST PER GALLON

3

**THINGS
TO HELP
LCFS**

- 1. Adopts a \$75 per metric ton cost containment measure**
- 2. Establishes direct pathway to green investments**
- 3. Provides for transparency**

**To understand
HB 3386,
we need to discuss
the LCFS.**

Proponents argue that Oregonians will continue to drive liquid fuel cars

But, this can only happen if someone invents a new liquid low carbon additive.

**But, this can only happen
if someone invents a new
liquid low carbon additive.**

BY THE NUMBERS

In Oregon...
3.5 MILLION
CARS & LIGHT
TRUCKS



34,634 HEAVY
TRUCKS



In Oregon...

3.5 MILLION

**CARS & LIGHT
TRUCKS**



34,634 HEAVY TRUCKS



Oregonians Burn Approximately





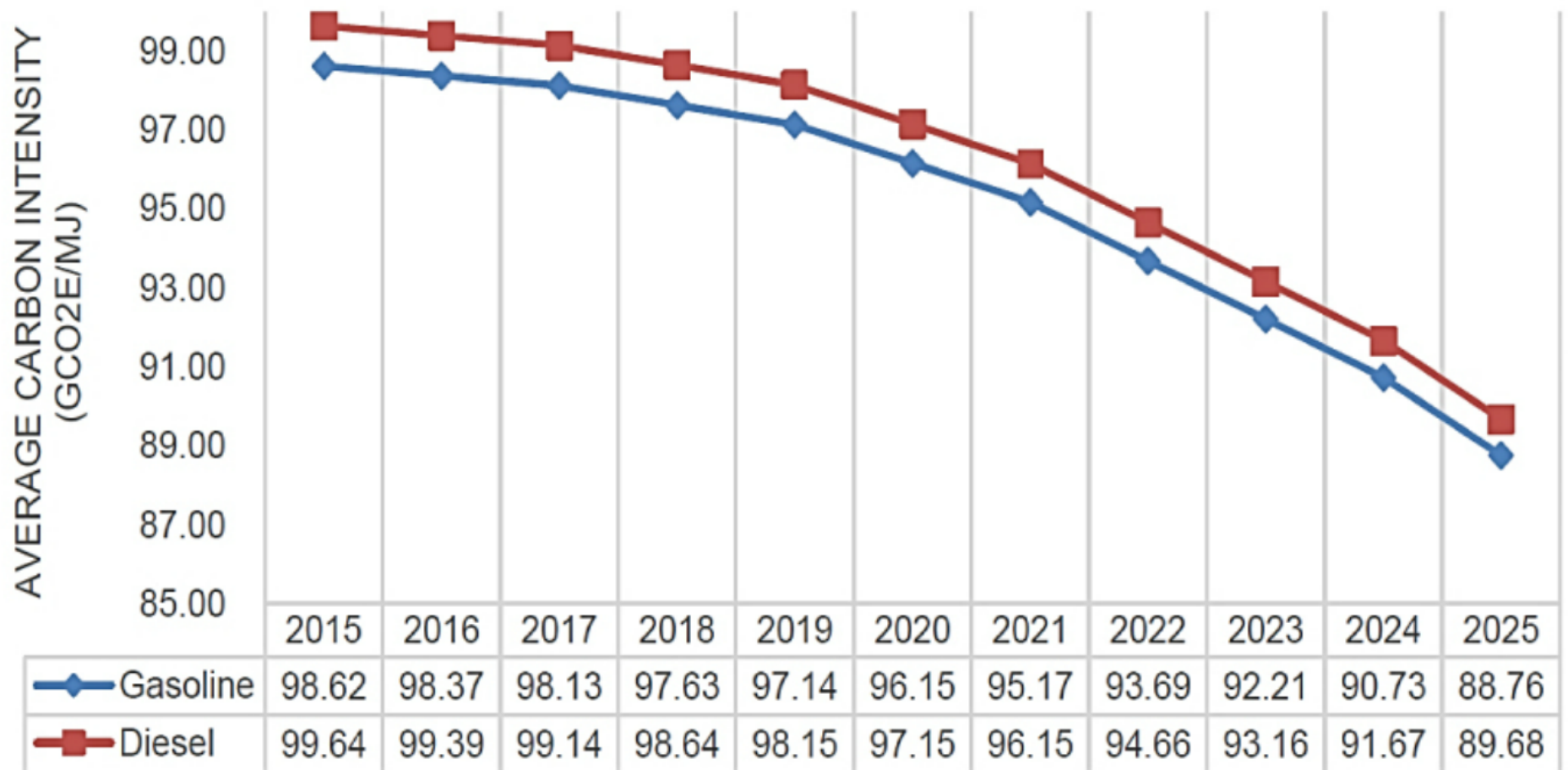
2.3

**BILLION
GALLONS
ANNUALLY**

Beginning in 2015, the LCFS began to force a 10% reduction in carbon contained in this 2.3 billion gallons of fuel.



CLEAN FUELS STANDARDS



Slide prepared by Rep. Bentz's office---calculations & estimates should be verified before being quoted.

**Reductions in carbon
intensity of gasoline are
achieved by
“BLENDING”**



2024	2025
0.73	88.76
1.67	89.68

1 Gallon of 100% Gasoline

**Carbon
Intensity:
100.77
gCO₂e/MJ**



10% ETHANOL
+90% GASOLINE

E10

A solid black silhouette of the state of California is positioned on the left side of the slide. The background features a light gray gradient with several vertical dashed white lines that create a perspective effect, suggesting a road or a tunnel.

CALIFORNIA TEST CASE

CALIFORNIA TEST CASE




California Burns:
14.2 billion gallons gas;
3.8 billion gallons diesel

This cost Californians 630
million dollars last year.
(at .0335 per gallon)



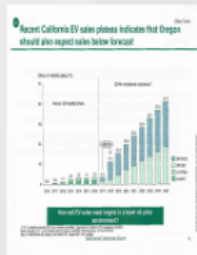
Prezi



**Beginning in 2010,
California initiated its LCFS
attempting to force CO2
reduction in its 18 billion
gallons of fuel.**

This cost Cal
million dolla
(at .0335 p

**This cost Californians 630 million dollars last year.
(at .03335 per gallon)**



This cost is estimated to double next year and double again each year thereafter.

**This cost is estimated to
double next year and
double again each year
thereafter.**

Hopefully, this massive amount Californians are spending will lead to the development of lower-carbon liquid fuel.

Unless this happens,
Oregonians and Californians
will run into the so-called

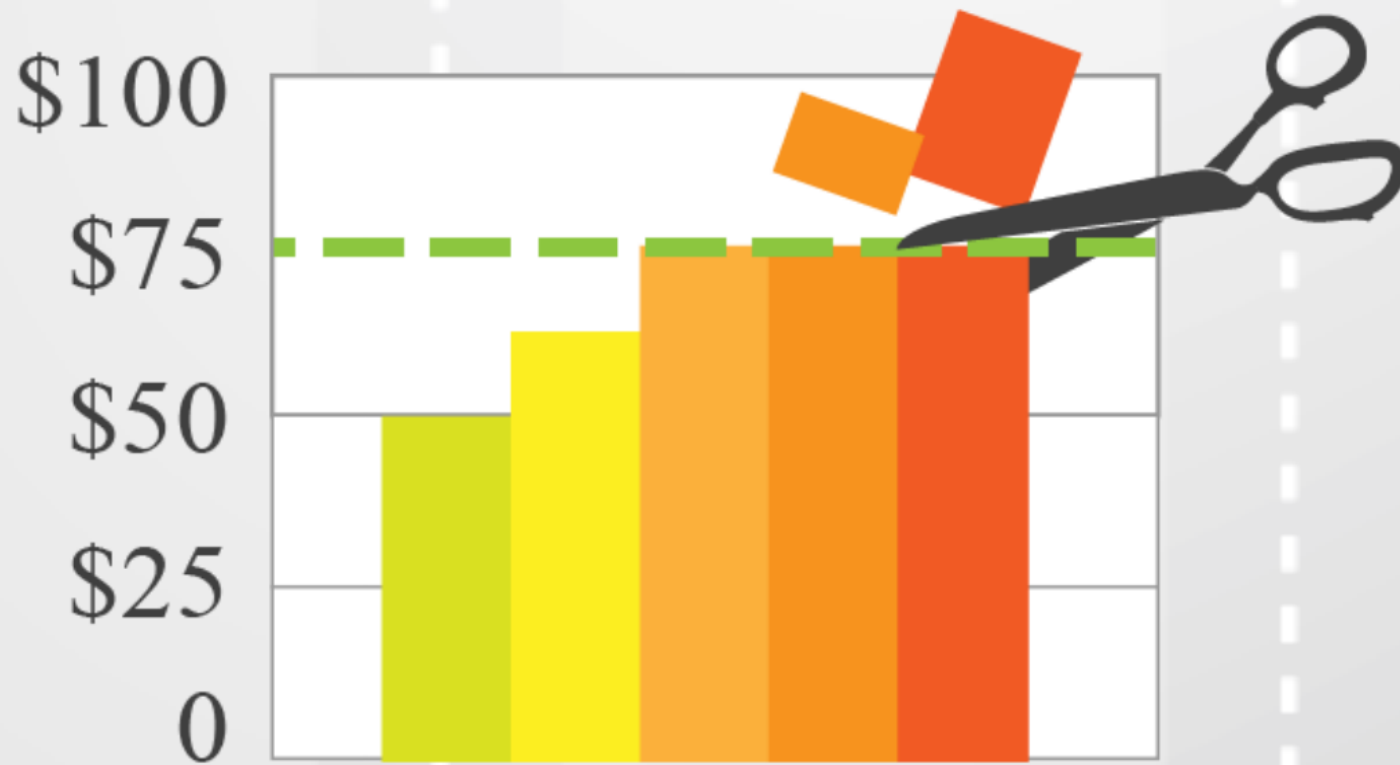
**BLEND
WALL**

A "BLEND WALL" occurs when gas and diesel can no longer be blended with something else to achieve compliance with the LCFS.

**When we hit the blend wall,
the cost of what little fuel
does comply with the LCFS
will skyrocket.**

**What we need is...
Cost Containment**

COST CONTAINMENT



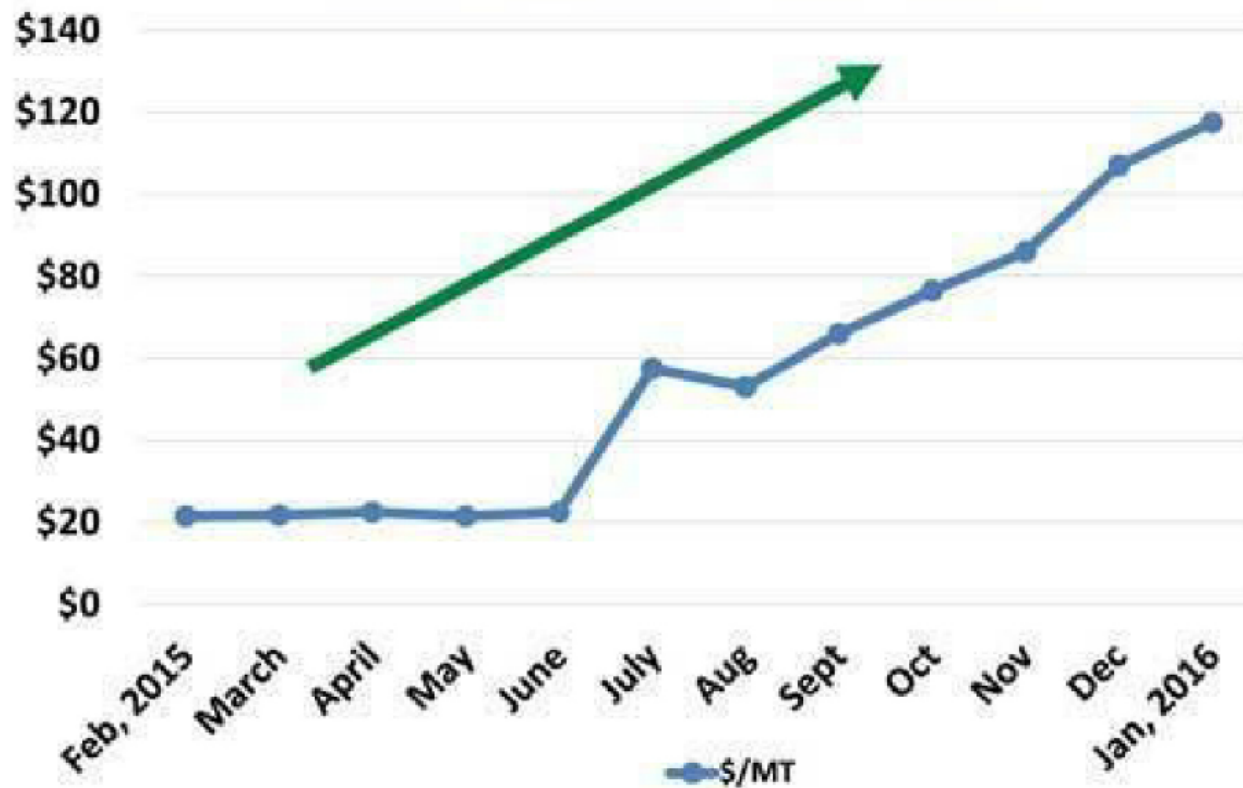
Cost containment protects against crazy swings in the price of fuel (“VOLATILITY”), which ultimately damages the LCFS, not to mention the consumer.

**"In the first three quarters of
2015, California Low Carbon
Fuel Standard credits
increased in price by 212%."**

-Ethanol Producer Magazine

LCFS Credit Prices

Quoted in Dollars per Metric Ton (MT)



Avg. 2014 price was \$31. Source: CARB.

(Most recent cost=\$85—it's volatile)

Slide prepared by Rep. Bentz's office---calculations & estimates should be verified before being quoted.

The "Fixes" for the problems caused by the Blend Wall:

- 1. Forgiving deficits (thus allowing utilization of non-complying fuel); or**
- 2. Delaying/postponing imposition of the scheduled lower standard.**

f

How much will the LCFS cost Oregonians?

According to the DEQ,
somewhere between
\$0.04 - 0.19 / gallon per year
until 2025

\$0.19
X 2.3 BILLION GALLONS
\$437 MILLION
A YEAR

Even at just California's current
rate of \$0.03/gallon,
Oregonians would pay
\$77 MILLION

Why not let the DEQ
set the rates?
Because the DEQ will set the
same paid containment as
California.

\$0.19

X 2.3 BILLION GALLONS

\$437 MILLION

A YEAR

Even at just California's current
rate of \$0.03/gallon...
Oregonians would pay

\$77 MILLION

Why not let the DEQ set the rules?

Because the DEQ will set the
same cost containment as
California...

Which is \$200/Ton of CO₂
avoided...
(which is rumored to
reach \$300-\$400/ton...
\$0.30 - 0.40/gallon)

\$0.40
x 2.3 BILLION GALLONS
\$920 MILLION
EACH YEAR!!!

**Which is \$200/Ton of CO₂
avoided...**

**(which is rumored to
reach \$300-\$400/ton...
\$0.30 - 0.40/gallon)**

**If Oregon follows suit, as
some Oregon
environmental groups will
ask, and raises the cap to
400.00...**

\$0.40
X 2.3 BILLION GALLONS

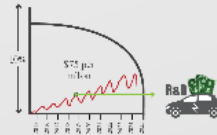
\$920 MILLION

EACH YEAR!!!

THE ALTERNATIVE:

**Invest, right now, these
LCFS monies in alternative
fuel vehicles and/or R&D.**

THAT'S WHAT HB 3386 DOES.



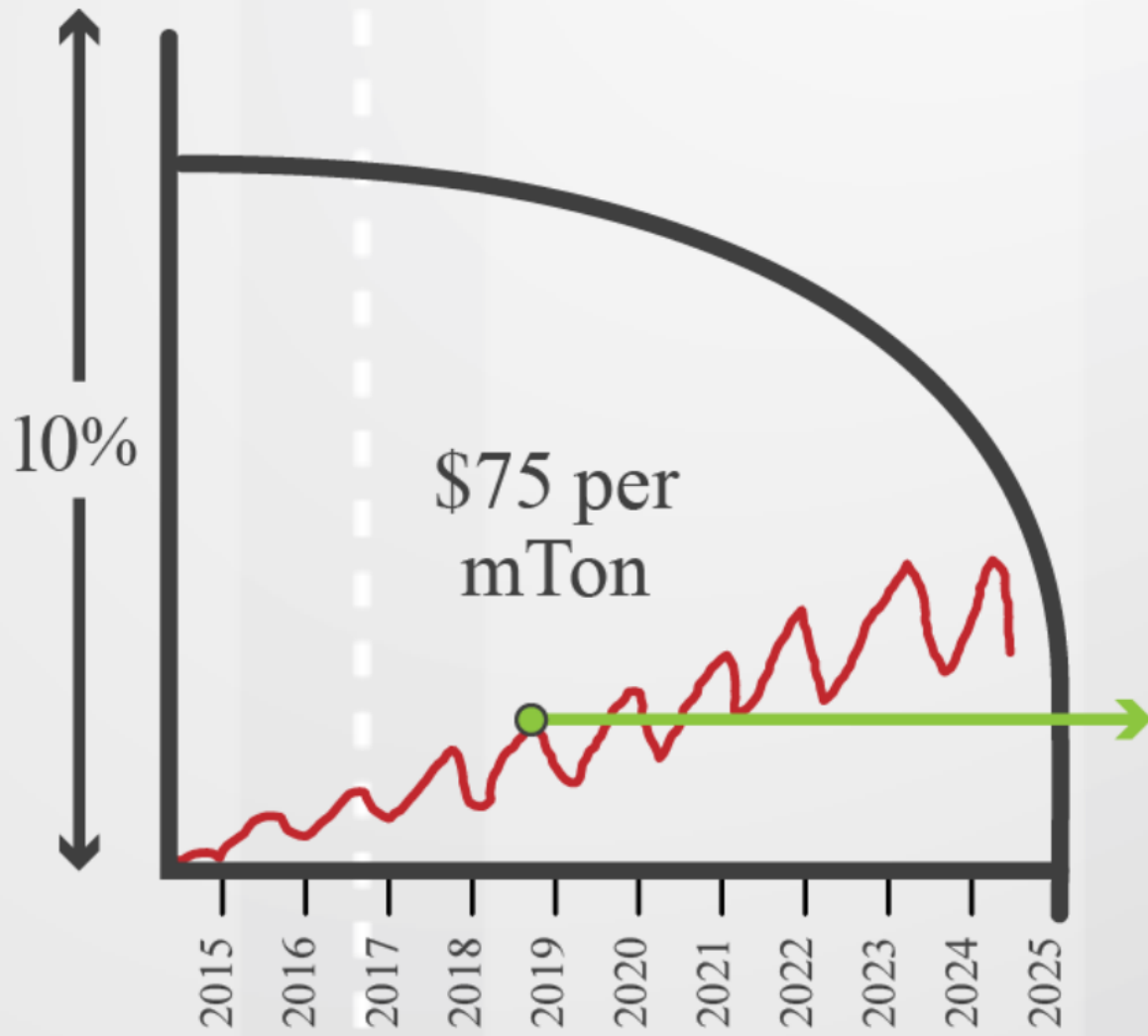
Allows us to reduce CO2 immediately while letting the LCFS continue to work.

Regulated parties (RP) can purchase needed credits for \$75 ea.

for purchases for less than the market

\$75/per ton credits go to:





**Allows us to reduce CO2
immediately while letting
the LCFS continue to work.**

**Imposes an effective cap
of \$75 per ton on the
program and creates a
“Credit Window.”**

Source: California Air Resources Board

**Imposes an effective cap
of \$75 per ton on the
program and creates a
“Credit Window.”**

This method for IGFS
cost containment is
mentioned approvingly by
Researchers at UC-Berke

**This method for LCFS
cost containment is
mentioned approvingly by
Researchers at UC-Davis**

**Regulated parties (RP)
can purchase needed
credits for \$75 ea.**

**(or purchase for
less from the
market)**

**(or purchase for
less from the
market)**

\$75/per ton credits go to:



The \$75 / ton Cap

**\$0.08 PER GALLON
X 2.3 BILLION GALLONS**

\$184 MILLION

PER YEAR

HB 3386 allows NGO's to invest this money in R & D, mass transit, and alt. fuel vehicles.

ASSUME

\$5000

CREDIT FOR

ELECTRIC

CARS

\$184 MILLION

\$5,000

=36,800

ELECTRIC CARS

Oregonians can drive true
TRANSFORMATION...

HB 3386 proposes
to designate half of the
public purpose charge to go into
electric cars & infrastructure

THIS IS TRANSFORMATION

\$75 MILLION (CURRENTLY ALLOCATED TO ELECTRIC INFRASTRUCTURE)

+ \$184 MILLION (CURRENTLY ALLOCATED TO ELECTRIC INFRASTRUCTURE)

\$259 MILLION (CURRENTLY ALLOCATED TO ELECTRIC INFRASTRUCTURE)

\$5,000 (CREDIT FOR ELECTRIC CARS)

=51,800

ELECTRIC CARS (PER YEAR)





\$184 MILLION

\$5,000

=36,800

ELECTRIC CARS

Oregonians can drive true TRANSFORMATION...

**HB 3386 proposes
to designate half of the
public purpose charge to go into
electric cars & infrastructure**

THIS IS TRANSFORMATION

\$75 MILLION (1/2 THE PURPOSE CHARGE)
+ \$184 MILLION (\$75 PER TON CREDIT)

\$259 MILLION (NEW TOTAL GOING TO ELECTRIC CARS)

\$5,000 (CREDIT FOR ELECTRIC CARS)

= 51,800

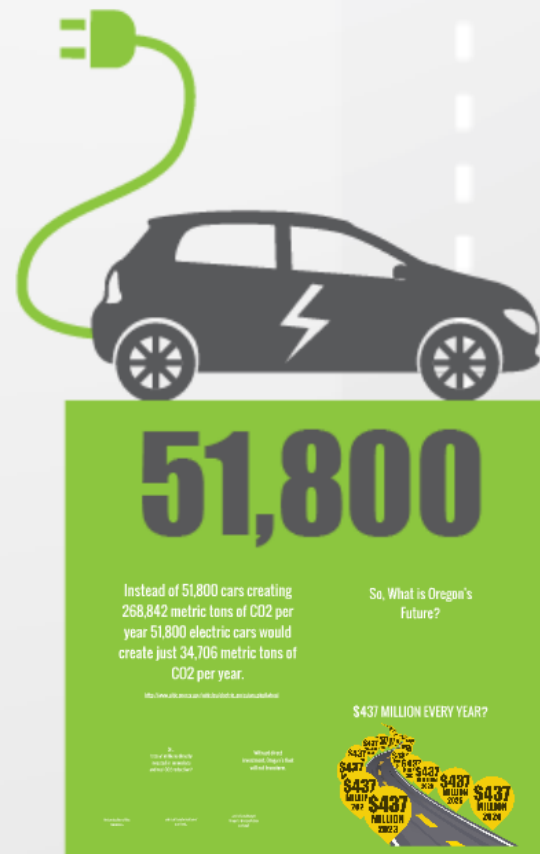
ELECTRIC CARS
(PER YEAR)



HOW MUCH GOOD WILL THIS DO FOR THE ENVIRONMENT?



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So, What is Oregon's Future?



36,800 metric tons of CO2 per year

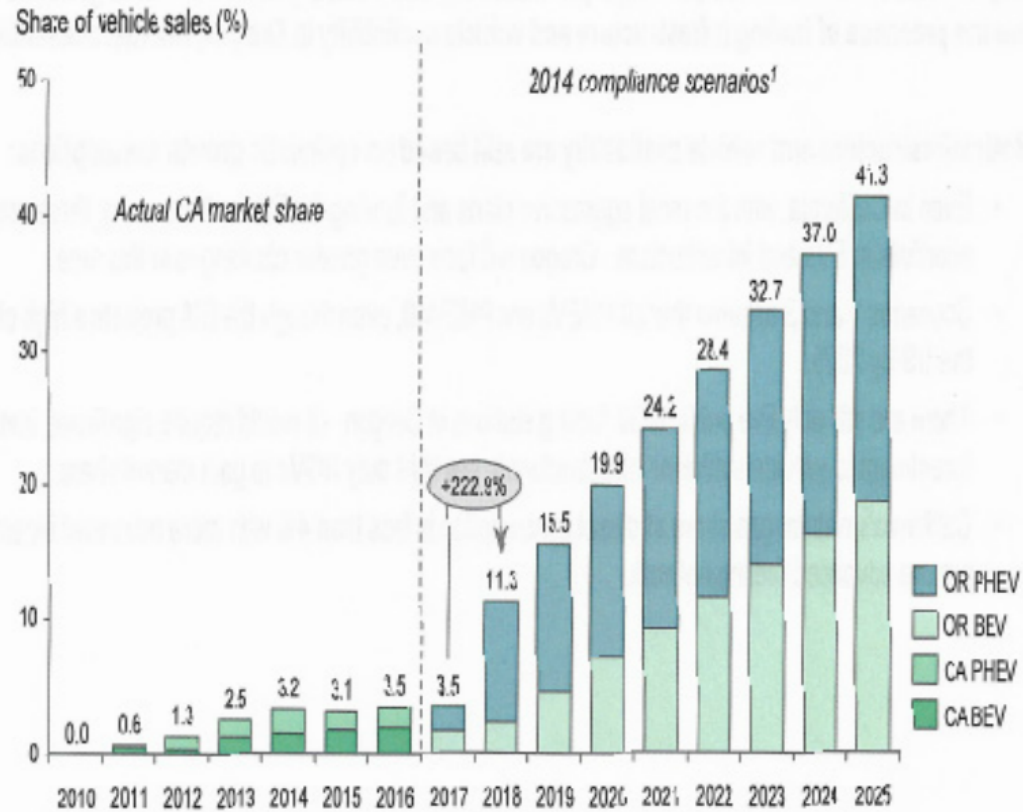
**Instead of 51,800 cars creating
268,842 metric tons of CO₂ per
year 51,800 electric cars would
create just 34,706 metric tons of
CO₂ per year.**

http://www.afdc.energy.gov/vehicles/electric_emissions.php#wheel

**Without direct
investment, Oregon's fleet
will not transform.**

4

Recent California EV sales plateau indicates that Oregon should also expect sales below forecast



How will EV sales meet targets in a lower oil price environment?

1. 2017 compliance scenario PHEV sales volumes unavailable. Expected to be similar to 2014 compliance scenarios
 Notes: Scenario 1-RS. current market share for Oregon unavailable, fleet composition ~0.3% EV in 2018
 Source: California New Car Dealers Association, ICF, Oregon DMV, BCG analysis



So, What is Oregon's Future?

\$437 MILLION EVERY YEAR?



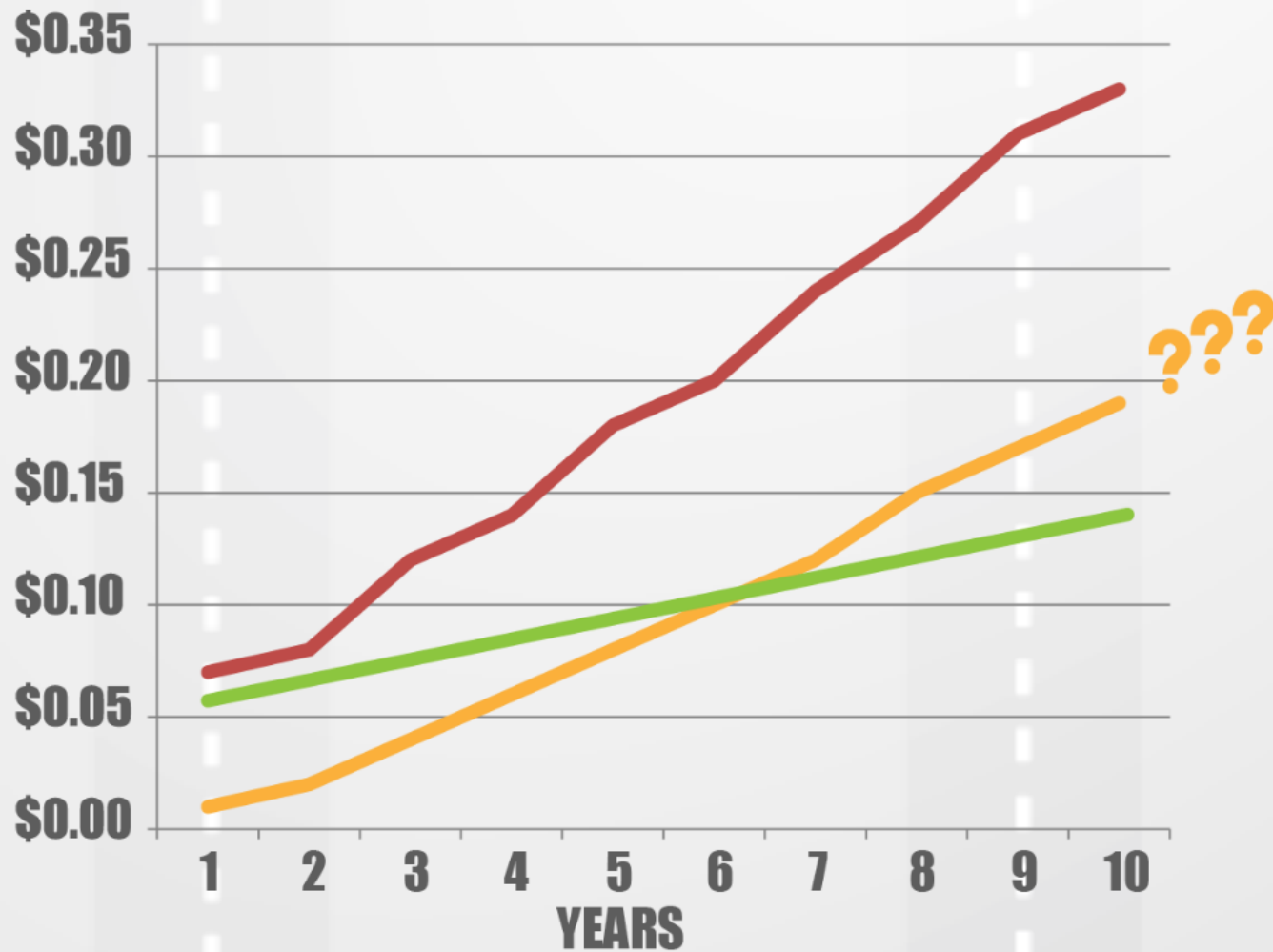
Or...

**100s of millions directly
invested in immediate
and real CO2 reduction?**

**And protection of the
consumer...**

**and real transformation of
our fleet...**

and let's not forget
**Oregon's transportation
package!**



GAS TAX + EST. LCFS COST
LCFS INCREASE IN COST PER GALLON