



Submitted by Brian Doherty, on behalf of Western States Petroleum Association

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Brian Doherty, testifying on behalf of Western States Petroleum Association. WSPA members include oil companies doing business in the state of Oregon.

From day one, members of the Western States Petroleum Association have been concerned about the potential fuel cost impacts the Clean Fuel Standard will have on Oregon drivers. The largest impact of these cost increases is felt by those who can afford it the least: low- and middle-income families and small businesses. We have consistently shared these concerns with lawmakers.

Our members continue to feel that it is important that the Clean Fuel Standard program include protections that would shield consumers from both short- and long-term price spikes based on the cost or availability of program credits. This was the original thinking behind HB 3386 and is why we have initially supported the bill.

Early experience with the Clean Fuel Standard shows that regulated parties will be forced to rely on credit trading to remain in compliance. The market availability of alternative fuel supplies is not sufficient to reach the reduction goals established in the program. That gap will only grow as the program goals become more ambitious. Thus, the use of credits will become a de facto compliance requirement.

Given that these credits will become a program requirement, we see three significant problems with the compliance credits proposed in the amendment:

- First, the four NGO programs listed in the -6 amendments do not produce accurately verifiable carbon reductions, if any. With ethanol and biodiesel purchases, we know the carbon reductions we are obtaining.
- Second, the use of the fees generated under this program to provide support for the development of alternative products is inappropriate. It places the burden on one industry to fund publicly subsidized competitors. State policy should not create winners and losers.
- As the BETC experience clearly demonstrates, even with the most generous subsidies in the country, successful development of alternative energy sources is a risky and uncertain business.

We urge you to reject the proposed amendment and instead move forward with HB 3386 as originally contemplated, creating a market mechanism that shields consumers from fuel costs impacts arising from shortages in the availability or increases in the price of credits.