HB 3386-9 (LC 4186) 4/5/17 (MAM/ps)

Requested by Representative BENTZ

PROPOSED AMENDMENTS TO HOUSE BILL 3386

1 On page 1 of the printed bill, line 2, after "468A.275" insert "and 2 646.932".

3 Delete lines 5 through 28 and delete pages 2 through 6 and insert:

4 "SECTION 1. (1) Sections 2 and 4 to 7 of this 2017 Act are added to
5 and made a part of ORS chapter 468A.

6 "(2) ORS 468A.275 is added to and made a part of sections 2 to 7 of 7 this 2017 Act.

8 "SECTION 2. As used in sections 2 to 7 of this 2017 Act:

9 "(1) 'Biodiesel' means a motor vehicle fuel consisting of mono-alkyl
10 esters of long chain fatty acids derived from vegetable oils, animal fats
11 or other nonpetroleum resources, not including palm oil.

"(2) 'Compliance credit' means an instrument issued by a compli ance credit generator that may be used by a regulated party in place
 of a credit to demonstrate compliance with the low carbon fuel stan dards.

"(3) 'Compliance credit generator' means a nongovernmental entity
 that has entered into an agreement with the Department of Environ mental Quality to issue compliance credits.

"(4) 'Credit' means a unit of measure, expressed in metric tons of
 carbon dioxide equivalent that is generated when the carbon intensity
 of a fuel that is produced, imported, dispensed or used in Oregon is

1 less than the applicable low carbon fuel standard.

"(5) 'Deficit' means a unit of measure, expressed in metric tons of
carbon dioxide equivalent, that is generated when the carbon intensity
of a fuel that is produced, imported, dispensed or used in Oregon exceeds the applicable low carbon fuel standard.

6 "(6) 'Greenhouse gas' has the meaning given that term in ORS
7 468A.210.

6 "(7) 'Low carbon fuel standards' means standards adopted by the 9 Environmental Quality Commission by rule under ORS 468A.275 for the 10 reduction of greenhouse gas emissions, on average, per unit of fuel 11 energy.

"(8) 'Motor vehicle' has the meaning given that term in ORS
801.360.

"(9) 'Regulated party' means a person responsible for complying
 with the low carbon fuel standards.

¹⁶ **"SECTION 3.** ORS 468A.275 is amended to read:

17 "468A.275. [(1) As used in this section:]

18 "[(a) 'Greenhouse gas' has the meaning given that term in ORS 468A.210.]

19 "[(b) 'Low carbon fuel standards' means standards for the reduction of 20 greenhouse gas emissions, on average, per unit of fuel energy.]

²¹ "[(c) 'Motor vehicle' has the meaning given that term in ORS 801.360.]

"[(2)(a)] (1) The Environmental Quality Commission shall adopt by rule
low carbon fuel standards for gasoline, diesel and fuels used as substitutes
for gasoline or diesel.

²⁵ "[(b)] (2) The commission may adopt the following related to the stan-²⁶ dards, including but not limited to:

"[(A)] (a) A schedule to phase in implementation of the standards in a manner that reduces the average amount of greenhouse gas emissions per unit of fuel energy of the fuels by 10 percent below 2010 levels by the year 2025 or by a later date if the commission determines that an extension is 1 appropriate to implement the standards;

[(B)] (b) Standards for greenhouse gas emissions attributable to the fuels throughout their lifecycles, including but not limited to emissions from the production, storage, transportation and combustion of the fuels and from changes in land use associated with the fuels;

6 "[(C)] (c) Provisions allowing the use of all types of low carbon fuels to 7 meet the low carbon fuel standards, including but not limited to biofuels, 8 biogas, natural gas, liquefied petroleum gas, gasoline, diesel, hydrogen and 9 electricity;

"[(D)] (d) Standards for the issuance of deferrals, established with ade quate lead time, as necessary to ensure adequate fuel supplies;

"[(E)] (e) Exemptions for fuels that are used in volumes below thresholds
established by the commission;

"[(F)] (f) Standards, specifications, testing requirements and other measures as needed to ensure the quality of fuels produced in accordance with the low carbon fuel standards, including but not limited to the requirements of ORS 646.910 to 646.923 and administrative rules adopted by the State Department of Agriculture for motor fuel quality; and

"[(G)] (g) Adjustments to the amounts of greenhouse gas emissions per unit of fuel energy assigned to fuels for combustion and drive train efficiency.

²² "[(c)] (3) Before adopting standards under this section, the commission ²³ shall consider the low carbon fuel standards of other states[, *including but* ²⁴ *not limited to Washington*,] for the purpose of determining schedules and ²⁵ goals for the reduction of the average amount of greenhouse gas emissions ²⁶ per unit of fuel energy and the default values for these reductions for ap-²⁷ plicable fuels.

²⁸ "[(d) The commission shall adopt by rule provisions for managing and ²⁹ containing the costs of compliance with the standards, including but not lim-³⁰ ited to provisions to facilitate compliance with the standards by ensuring that persons may obtain credits for fuels used as substitutes for gasoline or diesel
and by creating opportunities for persons to trade credits.]

"[(e)] (4) The commission shall exempt from the standards any person who imports in a calendar year less than 500,000 gallons of gasoline and diesel fuel, in total. Any fuel imported by persons that are related or share common ownership or control shall be aggregated together to determine whether a person is exempt under this [paragraph] subsection.

8 "[(f)(A) The commission by rule shall prohibit fuels that contain biodiesel 9 from being considered an alternative fuel under these standards unless the fuel 10 meets the following standards:]

"[(i) Fuel that consists entirely of biodiesel, designated as B100, shall comply with ASTM D 6751 and shall have an oxidation stability induction period of not less than eight hours as determined by the test method described in European standard EN 15751; and]

¹⁵ "[(*ii*) Fuel that consists of a blend of diesel fuel and between 6 and 20 ¹⁶ volume percent biodiesel, and designated as biodiesel blends B6 to B20, shall ¹⁷ comply with ASTM D 7467 and shall have an oxidation stability induction ¹⁸ period of not less than 20 hours as determined by the test method described ¹⁹ in European standard EN 15751.]

²⁰ "[(B) The commission may adopt rules different from those required under ²¹ subparagraph (A) of this paragraph if an ASTM or EN standard applicable ²² to biodiesel is approved or amended after March 12, 2015, or if the commission ²³ finds that different rules are necessary due to changes in technology or fuel ²⁴ testing or production methods.]

²⁵ "[(C) As used in this subsection, 'biodiesel' means a motor vehicle fuel ²⁶ consisting of mono-alkyl esters of long chain fatty acids derived from vegetable ²⁷ oils, animal fats or other nonpetroleum resources, not including palm oil.]

28 "[(3) In adopting rules under this section, the Environmental Quality 29 Commission shall evaluate:]

30 "[(a) Safety, feasibility, net reduction of greenhouse gas emissions and

1 cost-effectiveness;]

2 "[(b) Potential adverse impacts to public health and the environment, in-3 cluding but not limited to air quality, water quality and the generation and 4 disposal of waste in this state;]

5 "[(c) Flexible implementation approaches to minimize compliance costs; 6 and]

"[(d) Technical and economic studies of comparable greenhouse gas emissions reduction measures implemented in other states and any other studies
as determined by the commission.]

10 "[(4)(a) The provisions of this section do not apply to fuel that is demon-11 strated to have been used in any of the following:]

"[(A) Motor vehicles registered as farm vehicles under the provisions of
 ORS 805.300.]

¹⁴ "[(B) Farm tractors, as defined in ORS 801.265.]

¹⁵ "[(C) Implements of husbandry, as defined in ORS 801.310.]

"[(D) Motor trucks, as defined in ORS 801.355, used primarily to transport
 logs.]

"[(E) Motor vehicles that are not designed primarily to transport persons
 or property, that are operated on highways only incidentally, and that are used
 primarily for construction work.]

21 "[(*F*) Watercraft.]

22 "[(G) Railroad locomotives.]

"[(b) The Environmental Quality Commission shall by rule adopt standards
for persons to qualify for the exemptions provided in this subsection.]

"<u>SECTION 4.</u> (1) The Environmental Quality Commission by rule
 shall prohibit fuel that contain biodiesel from being considered an al ternative fuel under the low carbon fuel standards adopted under ORS
 468A.275 unless the fuel meets the following standards:

"(a) Fuel that consists entirely of biodiesel, designated as B100,
 shall comply with ASTM D 6751 and shall have an oxidation stability

induction period of not less than eight hours as determined by the test
 method described in European standard EN 15751; and

"(b) Fuel that consists of a blend of diesel fuel and between 6 and
20 volume percent biodiesel, and designated as biodiesel blends B6 to
B20, shall comply with ASTM D 7467 and shall have an oxidation stability induction period of not less than 20 hours as determined by the
test method described in European standard EN 15751.

8 "(2) The commission may adopt rules different from those required 9 under subsection (1) of this section if an ASTM or EN standard appli-10 cable to biodiesel is approved or amended after March 12, 2015, or if 11 the commission finds that different rules are necessary due to changes 12 in technology or fuel testing or production methods.

"<u>SECTION 5.</u> (1) In order to facilitate compliance with the low
 carbon fuel standards adopted under ORS 468A.275, the Environmental
 Quality Commission shall adopt by rule a program in which:

"(a) Regulated parties generate deficits and may reconcile the defi cits, and thus be in compliance with the low carbon fuel standards for
 a compliance period, by obtaining credits; and

19 "(b) Persons shall have opportunities to trade credits.

"(2) The program adopted by the Environmental Quality Commis-20sion under this section must include provisions for managing and 21containing the costs of compliance with the low carbon fuel standards. 22Provisions required by this subsection must include, but need not be 23limited to, provisions for regulated parties to purchase compliance 24credits from compliance credit generators, and to use purchased com-25pliance credits to demonstrate compliance with the low carbon fuel 26standards. Provisions relating to compliance credits must provide that: 27

28 "(a) Compliance credits may not be banked; and

29 "(b) Compliance credits may not be traded.

³⁰ "<u>SECTION 6.</u> (1) Under the program adopted by the Environmental

HB 3386-9 4/5/17 Proposed Amendments to HB 3386 Quality Commission pursuant to section 5 of this 2017 Act, a nongovernmental entity may not participate as a compliance credit generator unless the Department of Environmental Quality and the nongovernmental entity enter into an agreement. The agreement entered into under this section must require the compliance credit generator to:

6 "(a) Offer for transfer to regulated parties an unlimited quantity
7 of compliance credits.

8 "(b) Transfer compliance credits at a price of \$75 per compliance
9 credit.

"(c) Use funds received through the transfer of compliance credits
for:

"(A) Providing grants to Oregon's post-secondary institutions of
 education to research, in partnership with manufacturers, low carbon
 intensity transportation technology;

"(B) Establishing and managing a revolving loan fund to provide
 loans for the manufacture of products in Oregon that will reduce
 transportation-related greenhouse gas emissions;

"(C) Providing grants to school districts that do not provide transportation to students on school buses, as defined in ORS 801.460, for the costs incurred to provide transportation to students on a commercial bus operated by a city or county, a mass transit district established under ORS 267.010 to 267.390 or a transportation district established under ORS 267.510 to 267.650; or

"(D) Establishing and managing a rebate program to provide rebates to low income persons for the purchase in this state of alternative fuel or zero-emission vehicles, under which an alternative fuel or zero-emission vehicle for which a person receives a rebate must be:

²⁸ "(i) Registered in this state; and

"(ii) Used to replace a motor vehicle powered by a combustion en gine.

"(d) Regularly provide the commission with timely and detailed information on the activities under paragraph (c) of this subsection that the compliance credit generator has funded in whole or in part by funds received by the compliance credit generator through the transfer of compliance credits.

"(e) Include on the governing body of the compliance credit generator an ex officio member designated by the department, who shall
also serve on the compliance credit generator's nominating committee
for filling governing body vacancies.

"(f) Allow the department to inspect, after providing notice, any financial record related to the activities under paragraph (c) of this subsection that are funded in whole or in part by funds received by the compliance credit generator through the transfer of compliance credits.

"(g) Arrange, during the term of the agreement, to be audited by
 the Secretary of State or an independent auditor selected by the Sec retary of State, and provide to the department all records related to
 the audit.

"(h) Ensure that each officer of the compliance credit generator and
 each member of the governing body of the compliance credit genera tor:

"(A) Files with the department on or before April 15 of each year
a statement disclosing the economic interests of the officer or member
that contains the same information as a statement of economic interest described in ORS 244.060;

"(B) At meetings of the governing body of the compliance credit
 generator, declares any actual conflict of interest or potential conflict
 of interest, as those terms are defined in ORS 244.020, whenever an
 actual conflict of interest or potential conflict of interest arises; and
 "(C) At meetings of the governing body of the compliance credit

generator, abstains from participating in any discussion or decisionmaking process involving an actual conflict of interest as defined in
ORS 244.020.

"(2) An agreement entered into under this section must be for a
term that does not exceed one year, but may be renewed upon the
expiration of a term.

"(3) The department shall post all information received by the department pursuant to this section on a website of the department.

"(4) On or before February 1 of each year, the department shall 9 report to the appropriate interim committees of the Legislative As-10 sembly, in the manner required by ORS 192.245, a summary of all ac-11 tivities by compliance credit generators under subsection (1)(c) of this 12 section that are funded in whole or in part by funds received through 13 the transfer of compliance credits, and an estimate of the greenhouse 14 gas emissions reduced through the activities, expressed in metric tons 15 of carbon dioxide equivalent. 16

17 "(5) The commission may adopt rules to implement this section.

"SECTION 7. (1) In adopting rules under sections 2 to 7 of this 2017
 Act, the Environmental Quality Commission shall evaluate:

"(a) Safety, feasibility, net reduction of greenhouse gas emissions
 and cost-effectiveness;

"(b) Potential adverse impacts to public health and the environment, including but not limited to air quality, water quality and the
generation and disposal of waste in this state;

25 "(c) Flexible implementation approaches to minimize compliance
 26 costs; and

"(d) Technical and economic studies of comparable greenhouse gas
emissions reduction measures implemented in other states and any
other studies as determined by the commission.

30 "(2)(a) The provisions of sections 2 to 7 of this 2017 Act do not apply

to fuel that is demonstrated to have been used in any of the following:
 "(A) Motor vehicles registered as farm vehicles under the provisions

3 of ORS 805.300.

4 "(B) Farm tractors, as defined in ORS 801.265.

5 "(C) Implements of husbandry, as defined in ORS 801.310.

6 "(D) Motor trucks, as defined in ORS 801.355, used primarily to 7 transport logs.

"(E) Motor vehicles that are not designed primarily to transport
 persons or property, that are operated on highways only incidentally,
 and that are used primarily for construction work.

11 "(F) Watercraft.

12 "(G) Railroad locomotives.

"(b) The commission shall by rule adopt standards for persons to
 qualify for the exemptions provided in this subsection.

"SECTION 8. If the provisions of sections 2 and 4 to 7 of this 2017 15 Act and the amendments to ORS 468A.275 by section 3 of this 2017 Act 16 relating to the receipt of funds by compliance credit generators for the 17 transfer of compliance credits are, on or before January 1, 2021, 18 judicially declared to impose a tax or excise levied on, with respect to, 19 or measured by the storage, withdrawal, use, sale, distribution, 20importation or receipt of motor vehicle fuel or any other product used 21for the propulsion of motor vehicles, that is subject to the provisions 22of Article IX, section 3a, of the Oregon Constitution, then: 23

"(1) Section 2 of this 2017 Act is repealed and section 9 of this 2017
 Act is enacted in lieu thereof;

"(2) Section 5 of this 2017 Act is repealed and sections 10 and 11 of
 this 2017 Act are enacted in lieu thereof; and

- 28 "(3) Section 6 of this 2017 Act is repealed.
- ²⁹ "<u>SECTION 9.</u> As used in sections 2 to 7 of this 2017 Act:
- 30 "(1) 'Biodiesel' means a motor vehicle fuel consisting of mono-alkyl

HB 3386-9 4/5/17 Proposed Amendments to HB 3386 esters of long chain fatty acids derived from vegetable oils, animal fats
 or other nonpetroleum resources, not including palm oil.

"(2) 'Compliance credit' means an instrument issued by the Department of Environmental Quality that may be used by a regulated
party in place of a credit to demonstrate compliance with the low
carbon fuel standards.

"(3) 'Credit' means a unit of measure, expressed in metric tons of
carbon dioxide equivalent that is generated when the carbon intensity
of a fuel that is produced, imported, dispensed or used in Oregon is
less than the applicable low carbon fuel standard.

"(4) 'Deficit' means a unit of measure, expressed in metric tons of carbon dioxide equivalent, that is generated when the carbon intensity of a fuel that is produced, imported, dispensed or used in Oregon exceeds the applicable low carbon fuel standard.

"(5) 'Greenhouse gas' has the meaning given that term in ORS
 468A.210.

"(6) 'Low carbon fuel standards' means standards adopted by the
Environmental Quality Commission by rule under ORS 468A.275 for the
reduction of greenhouse gas emissions, on average, per unit of fuel
energy.

"(7) 'Motor vehicle' has the meaning given that term in ORS
801.360.

"(8) 'Regulated party' means a person responsible for complying
with the low carbon fuel standards.

"<u>SECTION 10.</u> (1) In order to facilitate compliance with the low
 carbon fuel standards adopted under ORS 468A.275, the Environmental
 Quality Commission shall adopt by rule a program in which:

"(a) Regulated parties generate deficits and may reconcile the deficits, and thus be in compliance with the low carbon fuel standards for
a compliance period, by obtaining credits; and

1 "(b) Persons shall have opportunities to trade credits.

2 "(2) The program adopted by the Environmental Quality Commis-3 sion under this section must include provisions for managing and 4 containing the costs of compliance with the low carbon fuel standards. 5 Provisions required by this subsection must include, but need not be 6 limited to, provisions for the use of compliance credits to demonstrate 7 compliance with the low carbon fuel standards. Provisions for the use 8 of compliance credits must provide that compliance credits:

9 "(a) May not be banked;

10 "(b) May not be traded;

"(c) May be transferred only to regulated parties by the Department
 of Environmental Quality; and

"(d) May be transferred only at a price of \$75 per compliance credit.
 "(3) Funds received by the department for the transfer of compli ance credits to regulated parties shall be paid to the State Treasurer
 to be deposited into the Transportation Emissions Reduction Account
 established in the State Highway Fund.

"SECTION 11. The Transportation Emissions Reduction Account is 18 established in the State Highway Fund. Interest earned by the account 19 shall be credited to the account. Moneys in the account are contin-20uously appropriated to the Department of Transportation to be used 21only to carry out programs, projects or activities to reduce 22transportation-related greenhouse gas emissions in this state as those 23programs, projects or activities relate to the construction, recon-24struction, improvement, repair, maintenance, operation and use of 25public highways, roads, streets and roadside rest areas as allowed by 26Article IX, section 3a, of the Oregon Constitution. 27

28 "<u>SECTION 12.</u> (1) It is the intent of the Legislative Assembly that 29 the provisions of sections 2 and 4 to 7 of this 2017 Act and the 30 amendments to ORS 468A.275 by section 3 of this 2017 Act relating to the receipt of funds by compliance credit generators for the transfer of compliance credits do not constitute a tax or excise subject to the provisions of Article IX, section 3a, of the Oregon Constitution.

"(2) Jurisdiction is conferred on the Supreme Court to determine whether the provisions of sections 2 and 4 to 7 of this 2017 Act and the amendments to ORS 468A.275 by section 3 of this 2017 Act, as they relate to the receipt of funds by compliance credit generators for the transfer of compliance credits, constitute a tax or excise subject to the provisions of Article IX, section 3a, of the Oregon Constitution.

"(3) A person that is or that will be adversely affected by the provisions of sections 2 and 4 to 7 of this 2017 Act and the amendments to ORS 468A.275 by section 3 of this 2017 Act relating to the receipt of funds by compliance credit generators for the transfer of compliance credits may institute a proceeding for review by filing with the Supreme Court a petition that meets the following requirements:

16 "(a) The petition must be filed on or before January 1, 2018.

17 **"(b) The petition must include the following:**

18 "(A) A statement of the basis of the challenge; and

19 "(B) A statement and supporting affidavit showing how the 20 petitioner is or will be adversely affected.

"(4) The petitioner shall serve a copy of the petition by registered
or certified mail upon the Department of Environmental Quality, the
Attorney General and the Governor.

"(5) Proceedings for review under this section shall be given priority
 over all other matters before the Supreme Court.

"(6) In the event that the Supreme Court determines that there are
factual issues in the petition, the Supreme Court may appoint a special
master to hear evidence and to prepare recommended findings of fact.
"<u>SECTION 13.</u> If a judicial determination is made that any moneys
that have been received by a nongovernmental entity through the

transfer of compliance credits under an agreement with the Department of Environmental Quality under section 6 of this 2017 Act would, if retained, be subject to the provisions of Article IX, section 3a, of the Oregon Constitution, the funds shall be returned to the person from which they were received.

6 "SECTION 14. ORS 646.932 is amended to read:

"646.932. (1) As used in this section, 'gas station' includes a filling station,
service station, garage or any other place where gasoline is sold for use in
motor vehicles.

"(2) The owner or operator of a gas station shall post, in a manner visible
 to customers, the following information:

"(a) The amount of the price per gallon that is federal tax;

13 "(b) The amount of the price per gallon that is state tax;

14 "(c) The amount of the price per gallon that is local tax; and

¹⁵ "(d) The total amount of federal, state and local taxes per gallon.

"(3) The Department of Transportation shall furnish the information described in subsection (2) of this section to each gas station in [*the*] **this** state.

"(4)(a) The owner or operator of a gas station shall disclose to a customer the cost, per gallon of gasoline, of the low carbon fuel standards described in ORS 468A.275 after viewing or receiving from the Department of Environmental Quality the calculation described in subsection (5) of this section. The owner or operator may disclose the cost to the customer by:

24 "(A) Posting the cost on a gasoline pump that is visible to the 25 customer;

"(B) Printing the cost on a receipt the owner or operator provides
to the customer; or

"(C) Otherwise displaying the cost near the point of payment or
 another location that is visible to the customer.

30 "(b) The disclosure described in paragraph (a) of this subsection

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The Department of Environmental Quality has determined that Oregon's low carbon fuel standards last year added an average of \$_____5 to the cost per gallon of fuel. This average cost per gallon is an estimate and might not be reflected in current prices. Gasoline and diesel fuel prices can fluctuate widely over short periods of time.

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"(5) The Department of Environmental Quality each year shall cal-9 culate for the preceding calendar year the average cost, per gallon of 10 gasoline, of the low carbon fuel standards the Environmental Quality 11 Commission adopts by rule under ORS 468A.275. The department shall 12post not later than April 15 of each year the formula the department 13 used for the calculation and the results of the calculation on the 14 department's website or otherwise furnish the formula and results of 15the calculation to each gas station in this state so that the gas 16 station's owners or operators may meet the requirement set forth in 17 subsection (4) of this section. 18

"SECTION 15. The amendments to ORS 646.932 by section 14 of this 20 2017 Act apply to any transaction for a purchase of gasoline in this 21 state that occurs on or after the operative date set forth in section 16 22 of this 2017 Act.

"SECTION 16. (1) Sections 1, 2 and 4 to 7 of this 2017 Act and the
amendments to ORS 468A.275 and 646.932 by sections 3 and 14 of this
2017 Act become operative on January 1, 2018.

"(2) The Environmental Quality Commission and the Department of Environmental Quality may take any action before the operative date specified in subsection (1) of this section that is necessary for the commission or the department to exercise, on and after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the commission and the department by
sections 1, 2 and 4 to 7 of this 2017 Act and the amendments to ORS
468A.275 and 646.932 by sections 3 and 14 of this 2017 Act.

4 "SECTION 17. This 2017 Act takes effect on the 91st day after the
5 date on which the 2017 regular session of the Seventy-ninth Legislative
6 Assembly adjourns sine die.".

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