

To the members of the Joint Committee On Carbon Reduction,

I apologize for not being to testify in person, please see the attached chart. I wanted to testify but will not be able to make it to Salem today,

As the owner of a 83 year old family owned Portland fuel distributor I want to make sure you see the obvious price effect of CO2 regulations under the LCFS previously passed. Please also know that I agree with your ends, but I do not think an additional Cap and Trade system with all the exemption you are proposing will help reach that goal.

HB2020 looks more like a program of crony capitalism than a framework for progress. I know that's a strong statement but I do not think I am alone in that view.

The attached chart shows the implementation of the Clean Fuel Standard and Oregon's retail fuel price rise with the regulatory risk of the program. It's source is Gasbuddy.com a neutral follower of retail fuel prices in the US.

Notice as the LCFS program was announced the retail pricing spread between US averages and Oregon changed. Oregon retail fuel market began to spread their risk of expense under this program on consumers. As the future cost of CO2 is unknown this is essentially an extremely inefficient tax. A CO2 tax would be a better way and probably far cheaper for consumers as well as fuel sellers.

Today Oregon's retail gas sellers are often a full dollar over other areas of the country. This is not a coincidence.

Anything building in a random regulatory cost builds risk and cost into the retail seller. Please understand that the CO2 reduction strategies you are pursuing are inefficient and are hoisting regulation risks and their costs on consumers. We have no clue what our CO2 cost will be let alone when we will exceed our CO2 allotment.

I am not directly regulated in the Clean Fuel Program but know that my vendors are thinking about it. We discuss their need to come up with a lower carbon offset for every additional gallon of fuel they may want to sell me. Our state already has major supply bottlenecks, this will make them even worse.

As fuel sellers answer the market's call for fuel we are serving growth in the economy. We provide the energy that moves and backs up the economy. The LCFS and now an additional Cap and Trade proposed, places a penalty to serve growth in Oregon's economy or even to serve it in a disaster. You do this while exempting other industries arbitrarily. That is horrible regressive policy.

As CO2 pricing is shifted onto petroleum distributors the burden of predicting it is also. That randomness or risk then is being priced into our retail and commercial fuel sales. We have a Low Carbon Fuel Standard which is one carbon credit market. Now you are proposing cap and trade which will mean oil jobbers will have two costs to be calculated on the same gallon of fuel sold. Again two systems on each gallon is a clumsy system and regressive.

You are adding unpredictability into the market for fuel.

Unpredictability is risk!

Risk raises prices and does not benefit a reduction in CO2 for the added cost.

The LCFS and even this Cap and Trade program, economically perversely incentivizes upstarts below 300,000 gallons to come and go. I have no doubt we will see dozens of Washington, Idaho and California based companies selling into Oregon when CO2 credits are high and the market signal attracts in a few hundred thousand gallons. Again, Oregon would be far better off with a real CO2 tax with no exemptions, placed on the whole economy where it is priced appropriately and fairly.

As fuel sellers attempt to price CO2 in our daily volumes there is one big problem with both the Clean Fuel Standard (CFS) and the Cap and Trade bill. They both penalize economic growth. As a supplier in the Oregon economy when we are going to break our CO2 budget as a fuel seller, it can be an unforeseen event. Especially if we happen to be responding to storms, disasters, and fires.

If we are in the fourth quarter of the year and disaster strikes. You will have oil companies thinking twice before responding given the unsure price of CO2.

Beyond price there are much bigger issues at stake. You are harming Oregon's preparedness for disaster. This is most acutely a problem if a major earthquake strikes the west part of the state. Those of us in Portland will be left relying on Eastern Oregon to get us the diesel, gasoline, and propane the state will need to survive.

This Cap and Trade bill will be another Oregon penalty for local oil jobbers to work across state borders. It harms our ability to serve in a disaster. When Oregon companies stop working across the borders of Idaho or eastern Washington, that well worn path of commerce cannot be recreated in a day if a subduction zone quake hits us. Our drivers, dispatchers, and vendors will not be there to respond if you keep building these barriers for Oregon (especially small rural Oregon) oil companies to do business across state lines.

Please keep these realities and mind. Please also find a better and more elegant path to decarbonization.

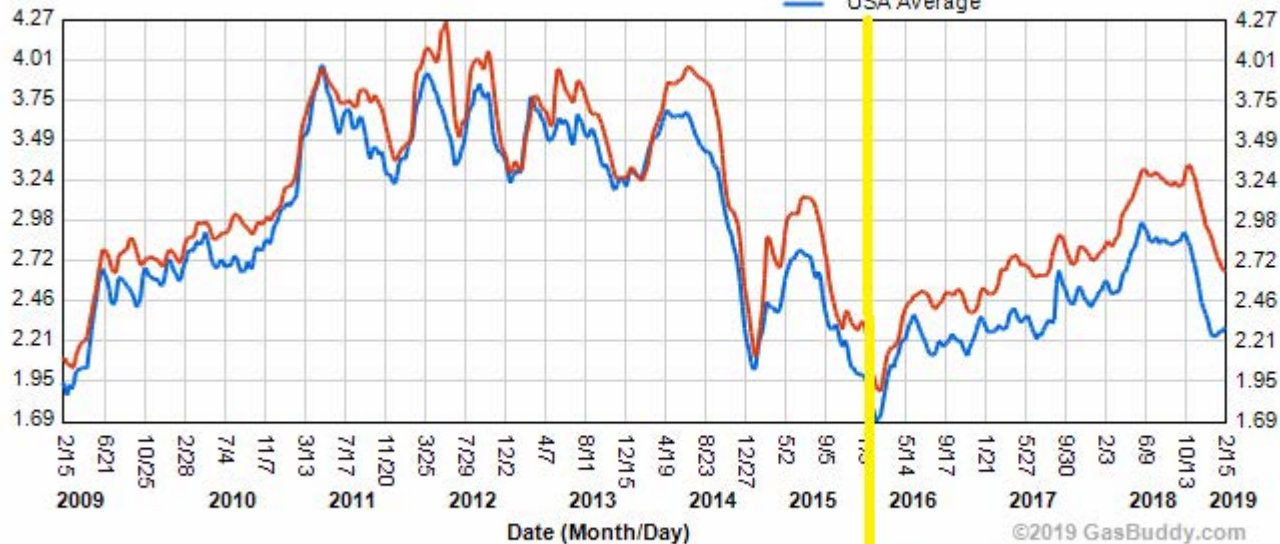
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# 120 Month Average Retail Price Chart

Regular Gas Price (US \$/G)

Regular Gas Price (US \$/G)

— Oregon  
— USA Average



Do you notice the spread between National and Oregon Fuel Prices?

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Oregon Clean Fuels Program Starts