

March 2, 2023

Dear Chair Sollman, Vice-Chair Findley and members of the Senate Committee on Energy and Environment,

Thank you for the opportunity to submit written testimony on Senate Bill 803. Neste is the world's largest producer of renewable diesel (RD) and sustainable aviation fuel (SAF) refined from waste and residues. During the past ten years, Neste's transformation journey has taken it from a local oil refining and service company to a global leader in renewable and circular solutions. We are in the business of combating climate change by producing effective climate solutions – particularly for hard-to-decarbonize sectors including heavy-duty trucks and aviation. In 2023, Neste will begin production of RD at our first U.S. facility – a joint venture with Marathon in Martinez, California. Our goal is to achieve carbon neutral production globally by 2035 and to supply Oregon, California and Washington with products that will enable each state to meet their climate goals.


While Neste appreciates SB 803's recognition of the role that lower-carbon diesel fuels can play in supporting Oregon's goals, we are neutral on the bill as written. We strongly support the state's Clean Fuels Program (CFP), which sets statewide carbon intensity (CI) targets aimed at reducing climate impacts of fuels used in the state's transportation sector. The CFP's steadily declining statewide CI targets have more than doubled the use of lower carbon transportation fuels of all kinds – including renewable diesel – that meet the needs of Oregon citizens and businesses. As the CI targets decline further, low-carbon, drop-in solutions like RD that can be used at up to 100% blends in existing engines and infrastructure will play an important role in meeting annual CI targets. Neste is prepared to support these regulatory goals with increased supply of RD to Oregon.

In considering SB 803, we encourage the committee to consider the following potential challenges and unintended consequences of the bill as written:

- The bill would establish a parallel, overlapping fuel carbon-intensity program administered by the Department of Agriculture that has the potential to create administrative coordination challenges.
- The bill defines three different scenarios in which requirements for low carbon diesel would be suspended for some or all current users of diesel fuel – one for a year; one for 90 days; and one for several months of the year but only in Eastern Oregon. This has the potential to create uncertainty that could send a negative signal to suppliers and complicate planning for businesses.
- If not timed and rolled out carefully, the bill as written could create a potential supply logistics problem for rural areas of the state, where it would be more challenging to deliver required amounts of fuel on a timely basis.
- The bill requires the use of lower carbon diesel on a large scale in a short time frame that could have unintended consequences for the CFP credit market. The Oregon fuels market relies on a stable CFP to create incentives that make biofuels more competitive with fossil fuels.

Neste fully supports Oregon's goals to address climate change and agrees with the spirit of SB 803 to encourage a significant role for RD in meeting those goals. However, given the potential challenges and unintended consequences outlined above, we must remain neutral on the bill at this time. We look forward to further discussions with the bill sponsors and other stakeholders, as conversations on this concept continue.

Sincerely,



Peter W. Dahling
Neste US, Inc.
West Coast Legislative Affairs Manager