



**Jessica Speigel**

Sr. Director, Northwest Region

March 4, 2023

Submitted to OLIS

Re: WSPA Testimony on SB 803 for Senate Committee On Energy and Environment,

Honorable Chair Solman, Vice Chair Findley and Honorable Members of the Senate Committee on Energy And Environment;

Thank you for the opportunity to provide testimony. Western States Petroleum Association (WSPA) is a trade association that represents companies which provide diverse sources of transportation energy throughout the west, including Oregon.

WSPA opposes SB 803, which proposes a standard for the carbon intensity (CI) of diesel fuels used in on-road motor vehicles across the state. This standard would, in practice, mandate the use of biomass-based diesels (BBDs). The transportation industry in Oregon continues to undergo significant change, and the supply of BBDs will increase in the state going forward – as **already incentivized** by the Oregon Clean Fuels Program (CFP), which has a dramatic increased standard from a 10% goal to a 37% goal only this last fall. Of key concern to our members is that the proposal operationally compromises the Clean Fuel Program, which incentivizes not only bio-based diesels, which the bill is intended to support, but also for other alternative transportation fuels such as hydrogen, electricity, and renewable natural gas – products that will be needed to achieve the overall state climate goals.

WSPA and our members agree with the expectation that biomass-based diesels (BBDs), especially renewable diesel (RD) – for which significant capacity is coming online and for which no special mixing considerations are required in the diesel supply chain – will be an important constituent in the suite of fuels that Oregon will utilize going forward. The CFP is already achieving a transition from the use of traditionally produced diesel fuels to those produced from biomass-based feedstocks. The CFP provides a means for BBDs to be competitive in the market by imposing a cost on traditional, higher CI fuels that subsidize the cost of BBDs<sup>1</sup>. The CFP will more aggressively do this, following the sizeable increase in the fall 2022 update of its stringency that now mandates a CI reduction of 37% by 2035<sup>2</sup>. This and other subsidy mechanisms are therefore what allows BBDs to be cost-competitive with traditional diesel fuel on a ***net cost basis***<sup>3</sup>. Without this subsidy mechanism, even if similar such subsidies at the Federal level are not changed, the net price of BBDs would increase in Oregon<sup>4</sup>. And, to reiterate, this will likely also

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<sup>1</sup> *Oregon SB803 Assessment*, Stillwater Associates, February 2023.

<sup>2</sup> <https://www.oregon.gov/deq/ghgp/cfp/Pages/CFP-Overview.aspx>

<sup>3</sup> *Oregon SB803 Assessment*, Stillwater Associates, February 2023.

<sup>4</sup> *ibid*

have adverse impacts on the other fuels in the transportation fuels market that depend on the CFP – including hydrogen, electricity and renewable natural gas – to incent their increased utilization.

The mechanisms proposed in the bill could lead to a very unstable supply chain, particularly impacted by a proposed “suspension of enforcement” based on brief 14-day price triggers. Such a trigger, which would only be for a period of 90 days, is not a feasible concept when considering the working volumes of fuels at terminals, the weeks it can take to arrange for deliveries of fuels that would be sourced from places as far away as Asia or South America and the typical duration of fuel supply contracts.

The further segregation this would require would almost certainly increase the need for tankage.<sup>5</sup> This proposal would also require significantly greater volumes of fuel be delivered to Oregon by rail and barge.<sup>6</sup> Finally, the 1% limit on traditional diesel in fuel blends that is required by SB803 could constrain the use of the pipeline network that currently supplies Oregon efficiently from refineries in Washington, given the degree of segregation that would be mandated.

Oregon already incentivizes the utilization of BBDs in its transportation fuel mix via its CFP, which encourages other fuel alternatives and allows the most cost-effective outcome to be realized by Oregon fuel consumers. A mandate such as that proposed in SB803 – even considering its language intending to provide safeguards – is unnecessary, potentially destabilizes the supply chain and adds complexity to the supply chain that could increase costs.

Finally, in addition to the clean fuels program, a largely duplicative approach was overlaid by the Department of Environmental Quality adoption of the Climate Protection Program (CPP)<sup>7</sup>. This program is also largely focused on greenhouse gas emissions from transportation fuels. This is significant policy that, arguably, the legislature should have an analysis performed to clarify the complementary and contradictory implications of, prior to adoption of yet a third policy related to transportation fuels. The CPP itself also has the potential to undermine hydrogen and electricity adoption by again undermining the clean fuels program. This means that SB803 could essentially operate as a “triplicative” approach for GHG reductions on the same products.

The approach in SB803, despite its intended safeguards, creates significant risks to existing regulatory programs, fuel supply chains, and ultimately the Oregon economy. The legislature should, based on careful consideration of these unintended consequences, not progress this legislation.

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<sup>5</sup> *Oregon SB803 Assessment*, Stillwater Associates, February 2023.

<sup>6</sup> *ibid*

<sup>7</sup> <https://www.oregon.gov/deq/ghgp/cpp/pages/default.aspx>

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Thank you for your consideration of these comments. We would welcome the opportunity to discuss these with any you further.

Thank you,

Jessica Spiegel

A handwritten signature in blue ink, appearing to read 'J Spiegel'.

Jessica Spiegel

Sr. Director, Oregon and Washington Region

