



Oregon's Clean Fuels Program

Presentation to House Climate, Energy, and Environment Committee

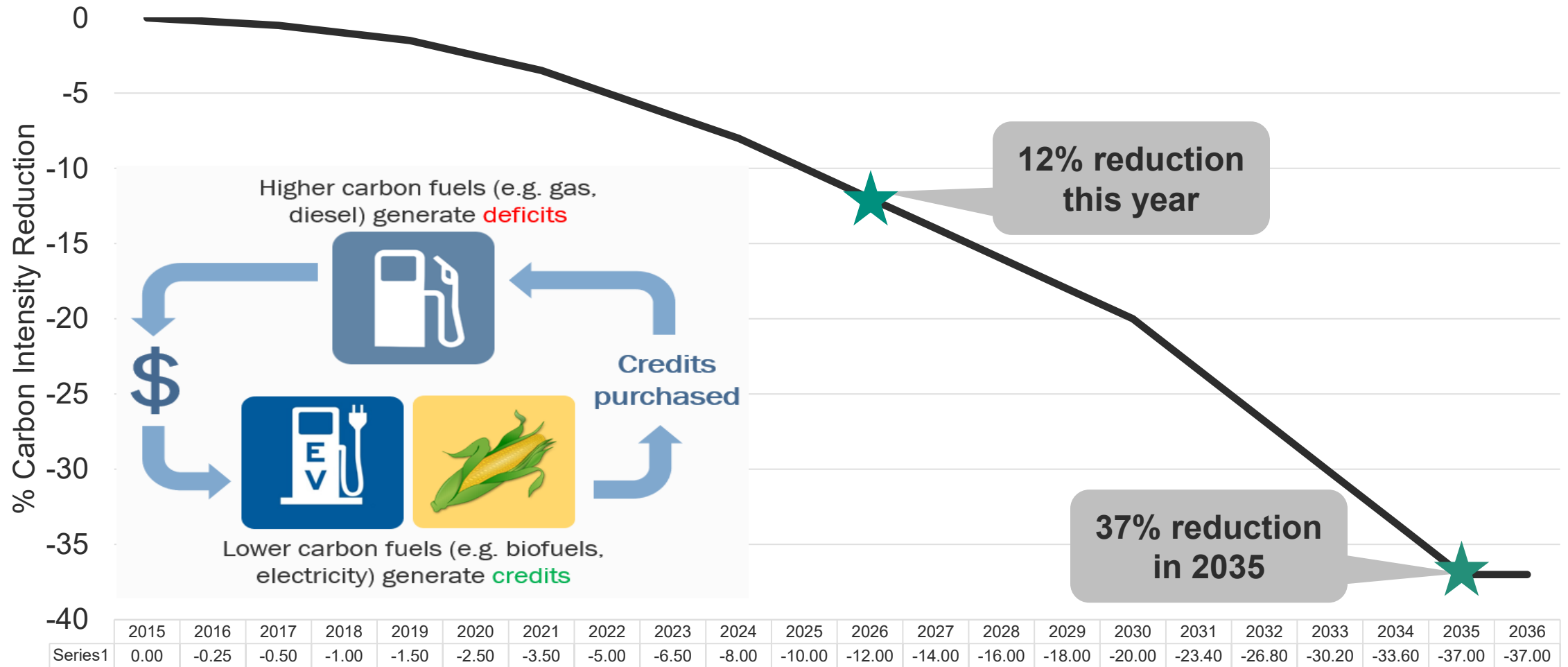
Department of Environmental Quality
Office of Greenhouse Gas Programs

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Clean Fuels Program

- One of Oregon's most successful climate policies
- Reduces carbon intensity of Oregon's transportation fuels in a technology neutral way by grading fuels' lifecycle emissions
- Since 2016, the program has:
 - Supported the displacement of over a billion gallons of fossil fuels
 - Reduced GHG emissions by 16 million tons
 - Lowered the carbon intensity of the biofuels we use by 12-25%
 - Provided >\$240 million of investments in EVs, including over 9,000 charging stations statewide

How the Clean Fuels Program Works



Recent Trends

- In 2024, the Clean Fuels Program displaced 226 million gallons of fossil fuel with cleaner fuels, such as:
 - Renewable diesel
 - Ethanol
 - Electricity
- Recently, renewable diesel and biodiesel have comprised up to a third of all Oregon's diesel use, compared with just 5% at the outset of the program
- 3 million tons of CO₂e were reduced in 2024, or about 5% of the state's annual emissions

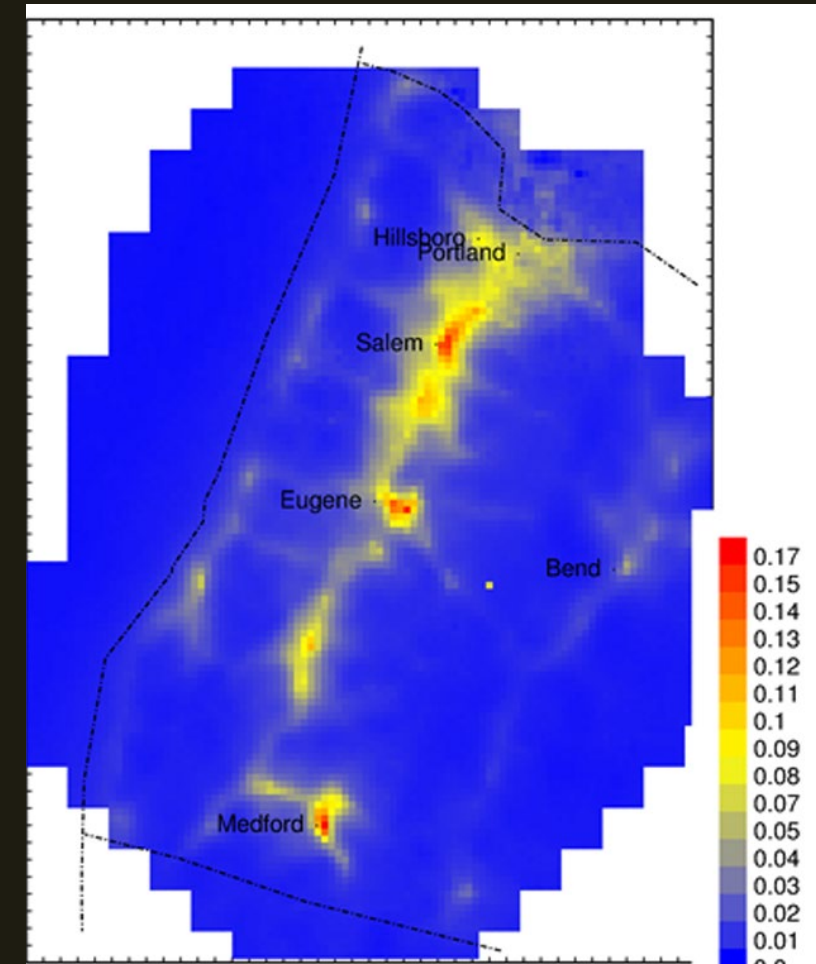
Clean Fuels Benefits in Oregon

- Leading program to de-carbonize Oregon's largest sector of climate pollution
- Integrates with other regional, state, and local climate efforts
 - Vehicle standards
 - Multi-modal improvements
- Improves energy diversification & reliability
- Increases domestic energy production
- Improves public health

Public Health Benefits

- Reducing GHGs also reduces co-pollutants that impact local quality and public health
 - Asthma
 - Cardiovascular diseases
- Expanding the Clean Fuels program through 2035 provides significant public health benefits to Oregonians:
 - Less tailpipe pollution = improved public health
 - Avoid over a dozen deaths a year by 2035
 - \$87 million/year saved by Oregonians in avoided health care costs by 2035

Reductions in tailpipe particulate matter from expanded CFP:



Limitations

- Clean air benefits are concentrated in/around urban areas and transportation corridors/hubs
- Alternative fuels not yet available everywhere
- Fossil fuels are more expensive due to CFP
- DEQ cost estimates of CFP for 2024:
 - E10 gasoline: \$0.075/gallon
 - B5 diesel: \$0.085/gallon

Conservative Cost Calculation

- DEQ is required to complete and post annual cost estimates under HB 2017
- Method is conservatively high estimate of program costs
 - Assumes a worst-case carbon intensity for the biofuels blended to create finished gasoline & diesel
 - For fuels blended in-state – which are the majority of what we use – the program’s effect on cost is more complex
 - Does not account for the cost-savings from replacement fuels, like renewable diesel, electricity, or renewable natural gas

Methodology Comparison

	DEQ Methodology using imported E10 gasoline	OPIS Methodology uses pure gasoline minus 10%	Actual average rack cost of compliance for E10 blended in Oregon
2024 E10 CI Value used	98.06	100.14	96.39
2024 Cost \$/Gal	\$0.075	\$0.088	\$0.059

This comparison uses 2024 average credit price of \$80.51 to illustrate the difference in the methodologies

- DEQ methodology uses imported E10 Gasoline, which includes a worst-case carbon intensity for ethanol
 - **7.5 cents/gallon**
- OPIS methodology ignores ethanol credit value entirely, leading even higher cost attribution
 - **8.8 cents/gallon**
 - Industry has largely adopted OPIS for adding a line item to their Oregon prices
- Actual 2024 avg carbon intensity of ethanol, the cost per gallon for gasoline would be lower
 - **5.9 cents/gallon**

CFP Cost Containment Mechanisms

- Annual Fuel Supply Forecast conducted with DAS Office of Economic Analysis provides annual check on the program's feasibility for next compliance year
- The Credit Clearance Market sets a maximum price for credits
- Emergency deferral mechanism
 - As recently demonstrated, DEQ can also request that the EQC use their variance authority when needed to address urgent circumstances

Renewable Diesel example

- CFP credits currently provide \$0.48-\$1.33/gallon support for Renewable Diesel based on its carbon intensity
- That lowers the cost of the fuel to consumers, making it more competitive with fossil diesel
- R99 – 99.9% renewable diesel – now available across the state
 - Retail
 - Fleets



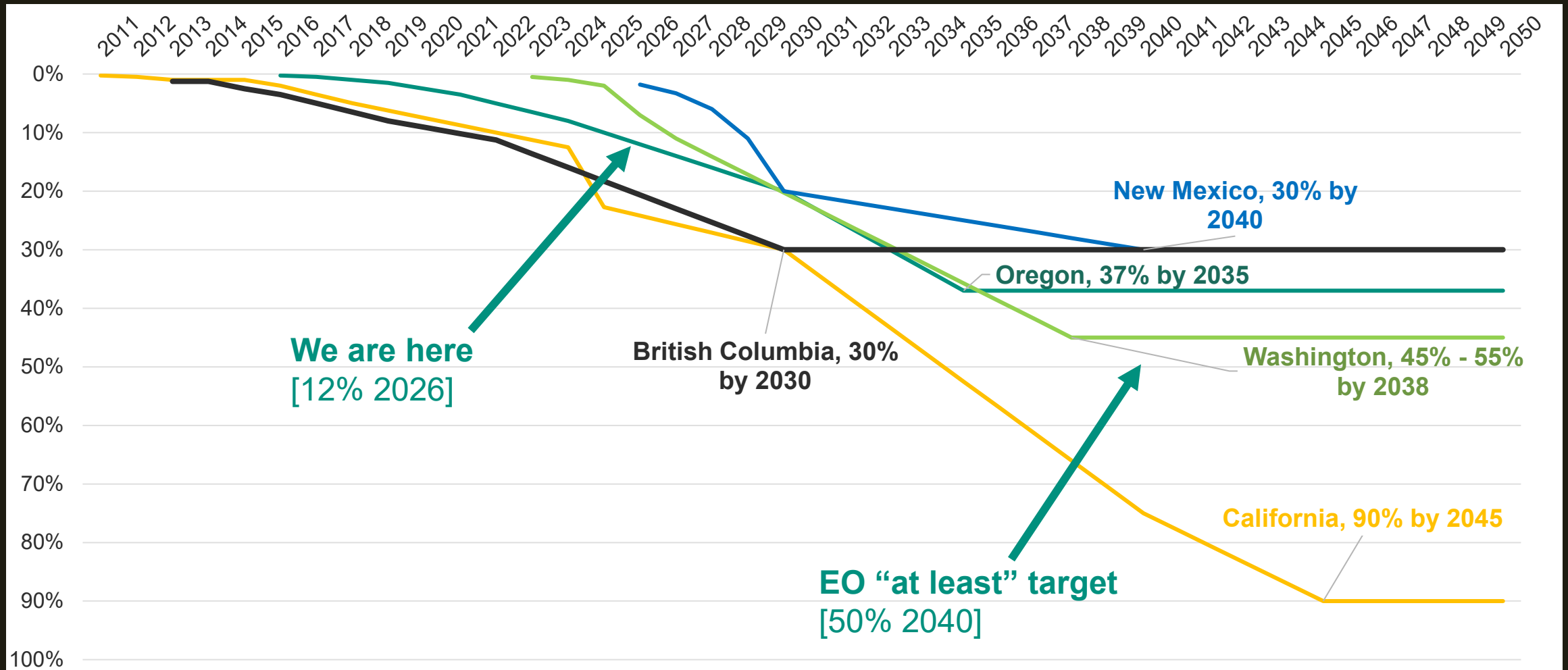
Long-term Targets are Important

- Fuel producers and regulated parties have consistently told DEQ that long-term targets makes it easier to:
 - Plan investments
 - Develop compliance strategies for their companies
 - Adjust contracts and supply chains
- Targets along the west coast have allowed fuel producers to make significant investments into clean fuels
 - Convert existing petroleum refineries to renewable feedstocks
 - Build EV infrastructure

Executive Order 25-29

- November 18th, 2025
- Directs state agencies to move faster and further on reducing carbon pollution while maintaining energy reliability and affordability
- Directs DEQ and EQC to expand and extend the Clean Fuels Program
 - Current program: 37% carbon intensity reduction by 2035
 - EO direction: at least 50% by 2040

Other Jurisdictions' Program Standards



Questions?

Clean Fuels Program website: www.oregon.gov/deq/ghgp/cfp

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