

# Oregon Clean Fuels Program

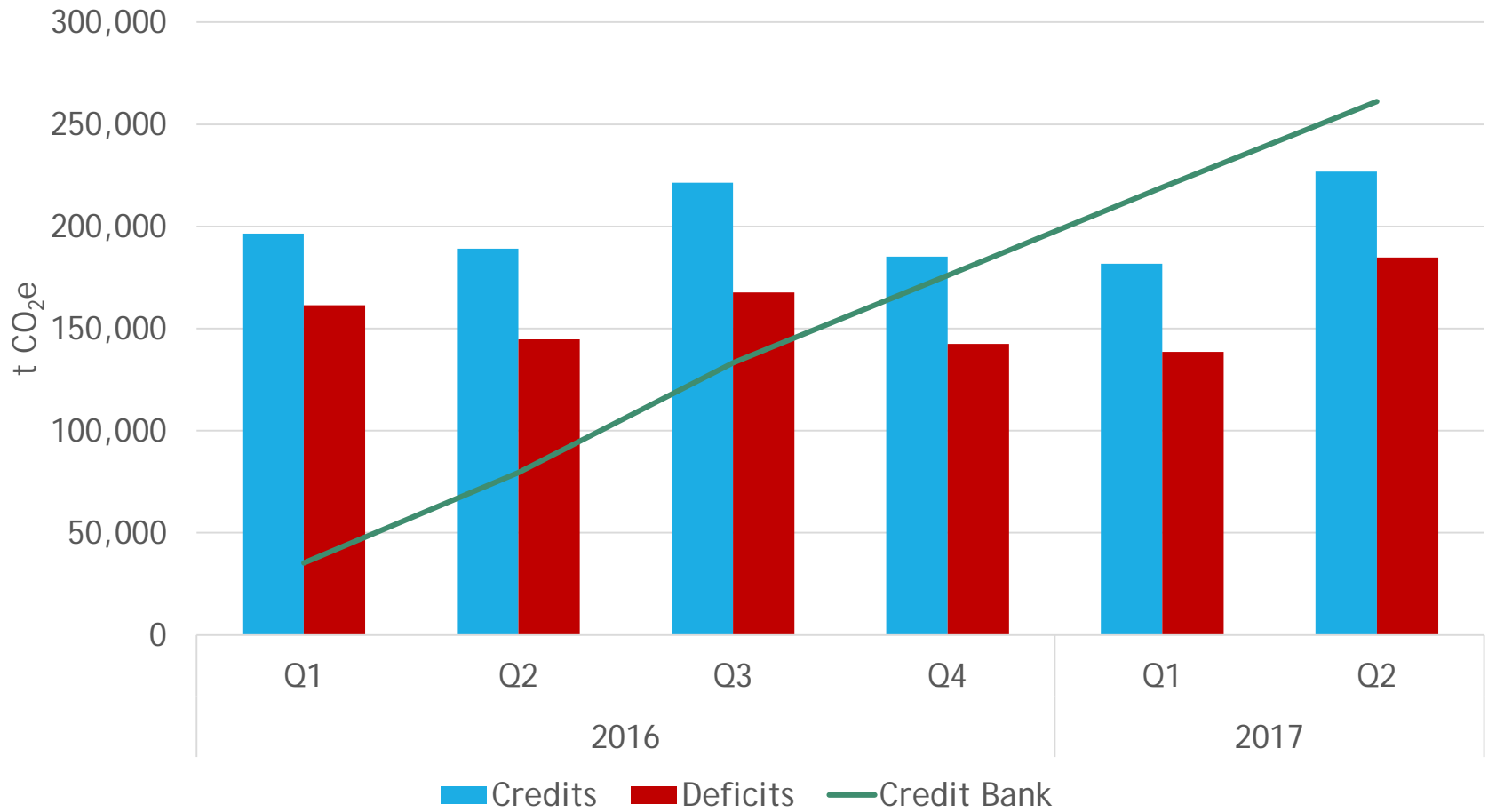
## Permanent Rulemaking Proposal: Clean Fuels Program 2017 Rulemaking

Environmental Quality Commission

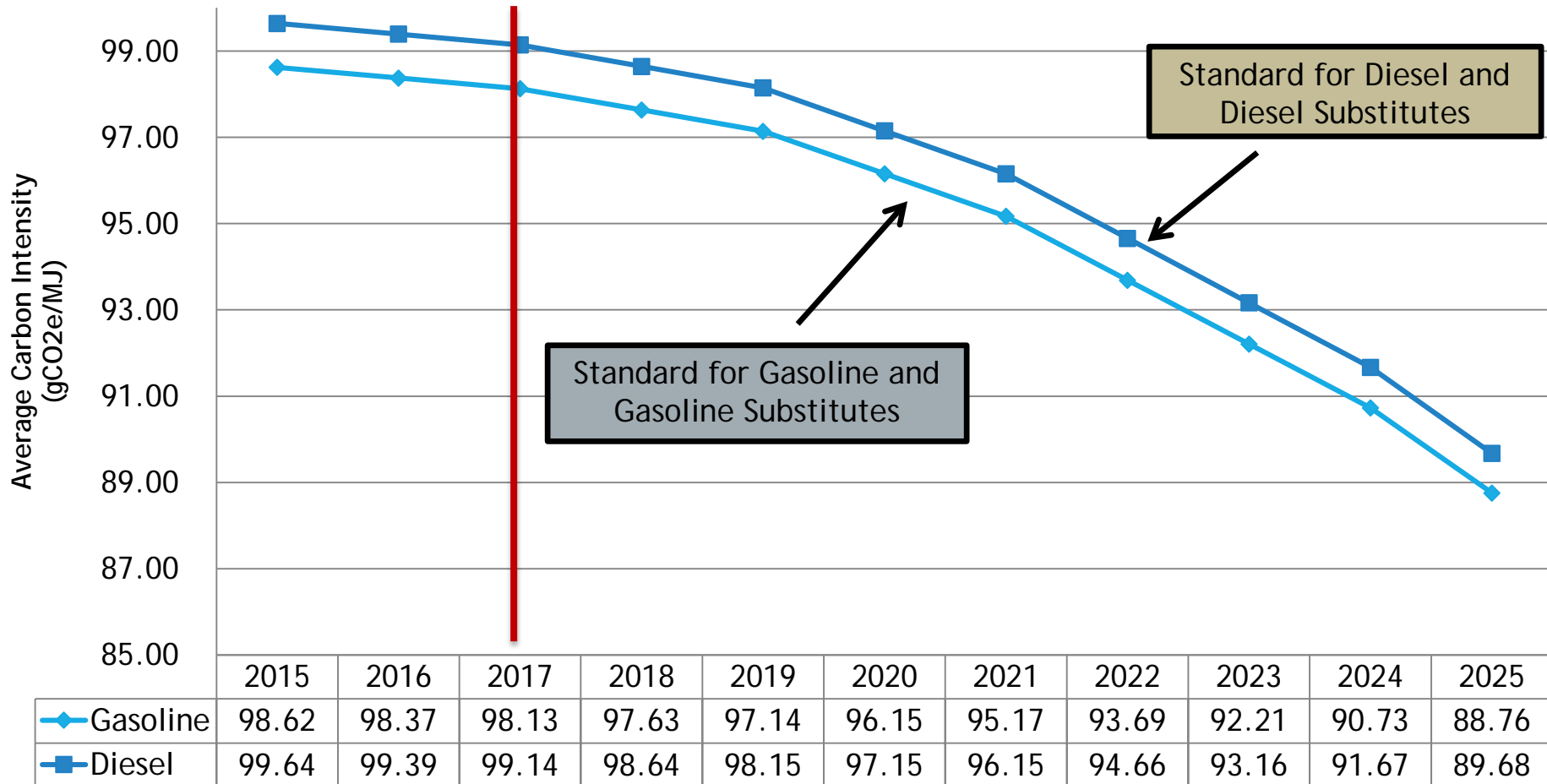
Nov. 3, 2017

# Program Update

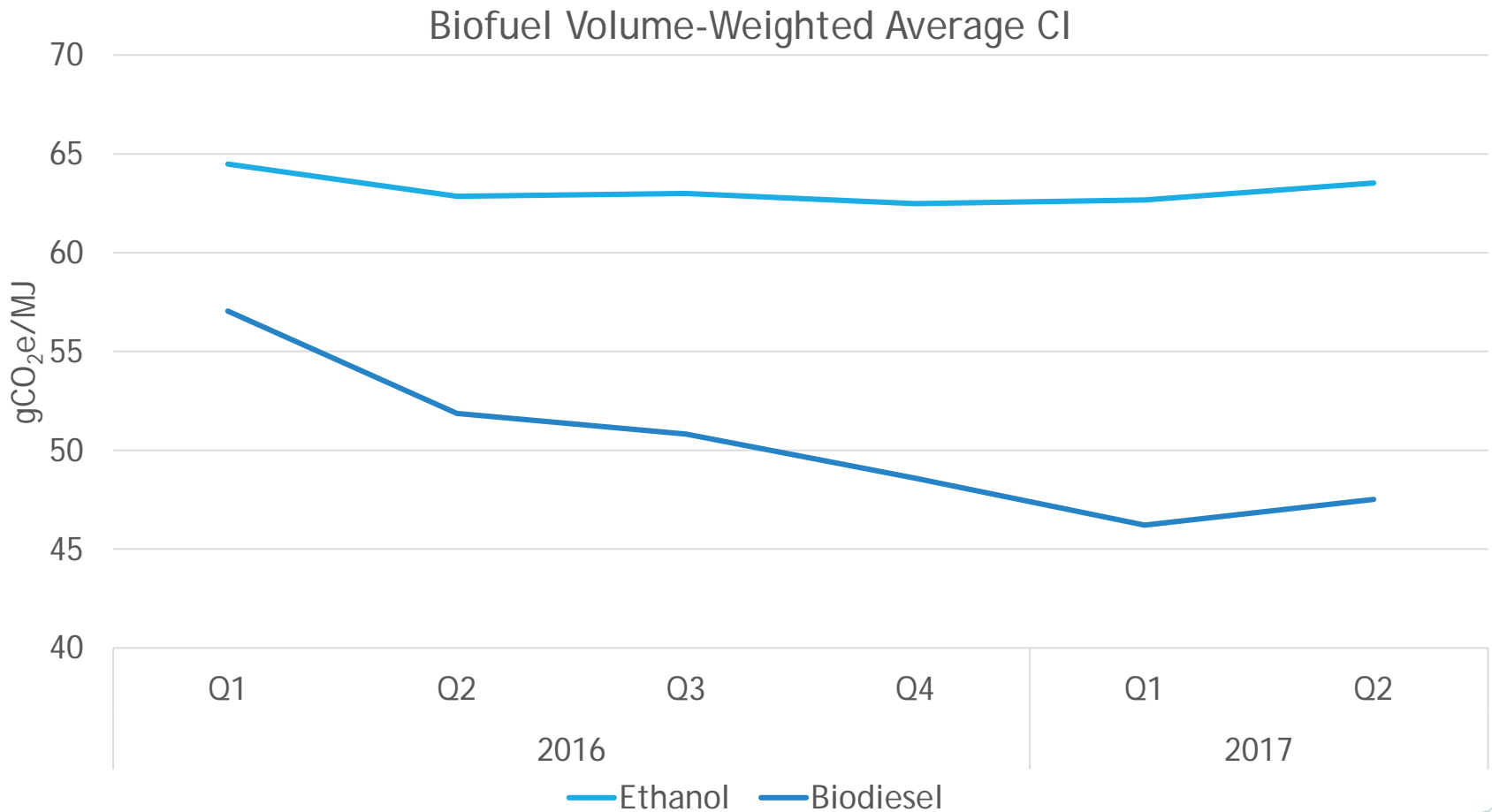
# Early Over Compliance with Targets



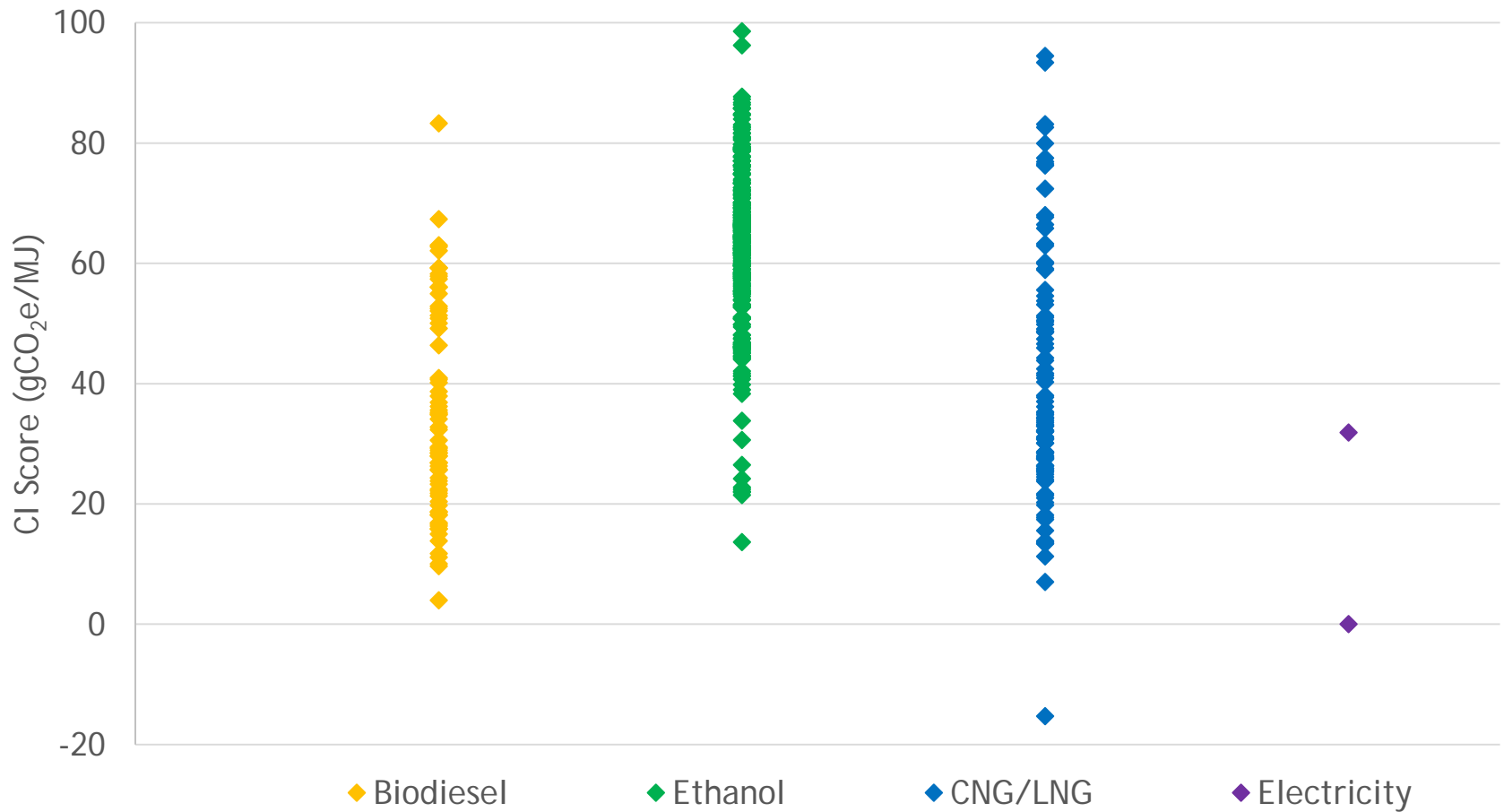
# Clean Fuel Standards



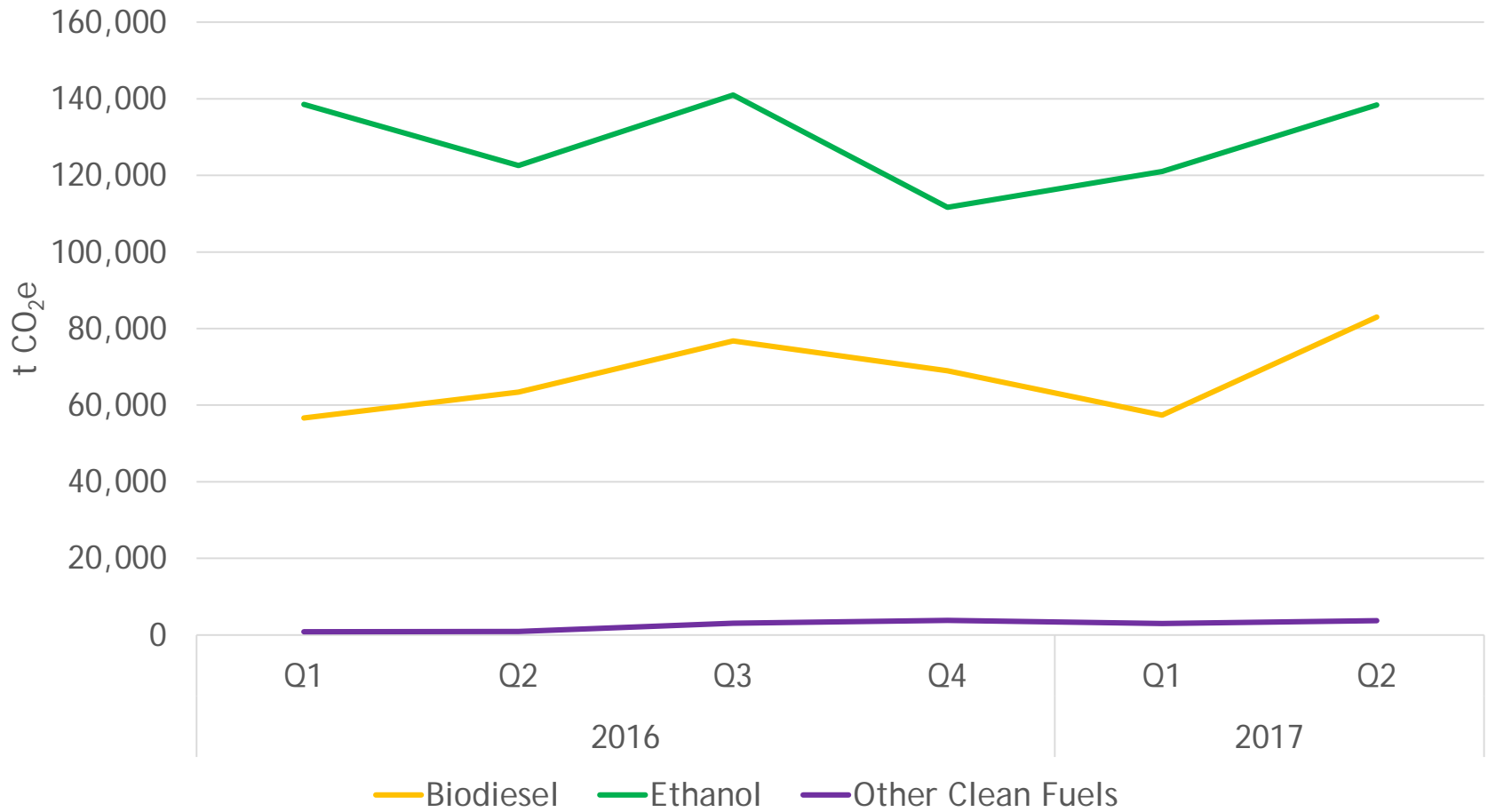
# Biofuels Getting Cleaner



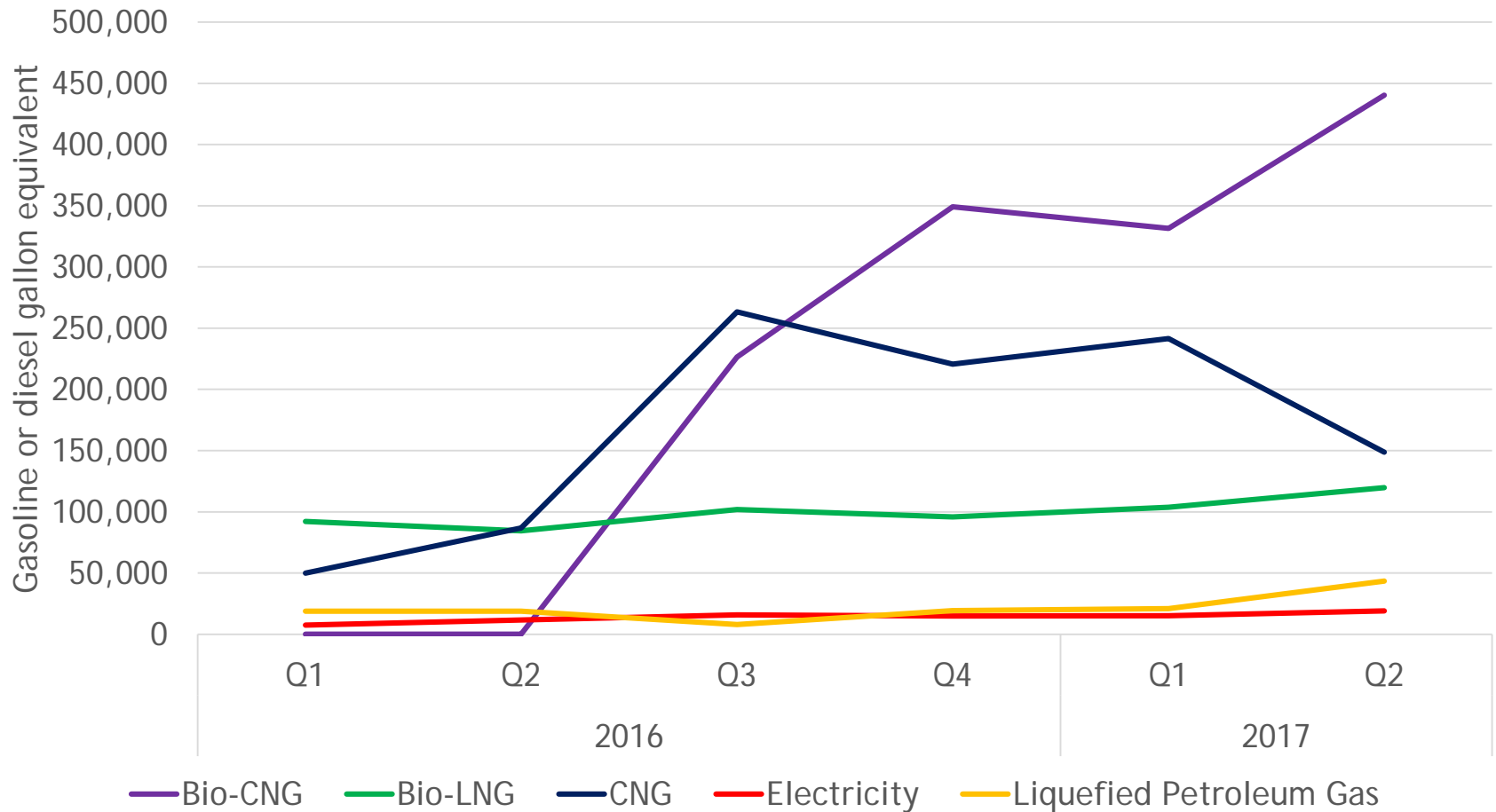
# Lower Carbon Options Available



# Credit Generating Fuels

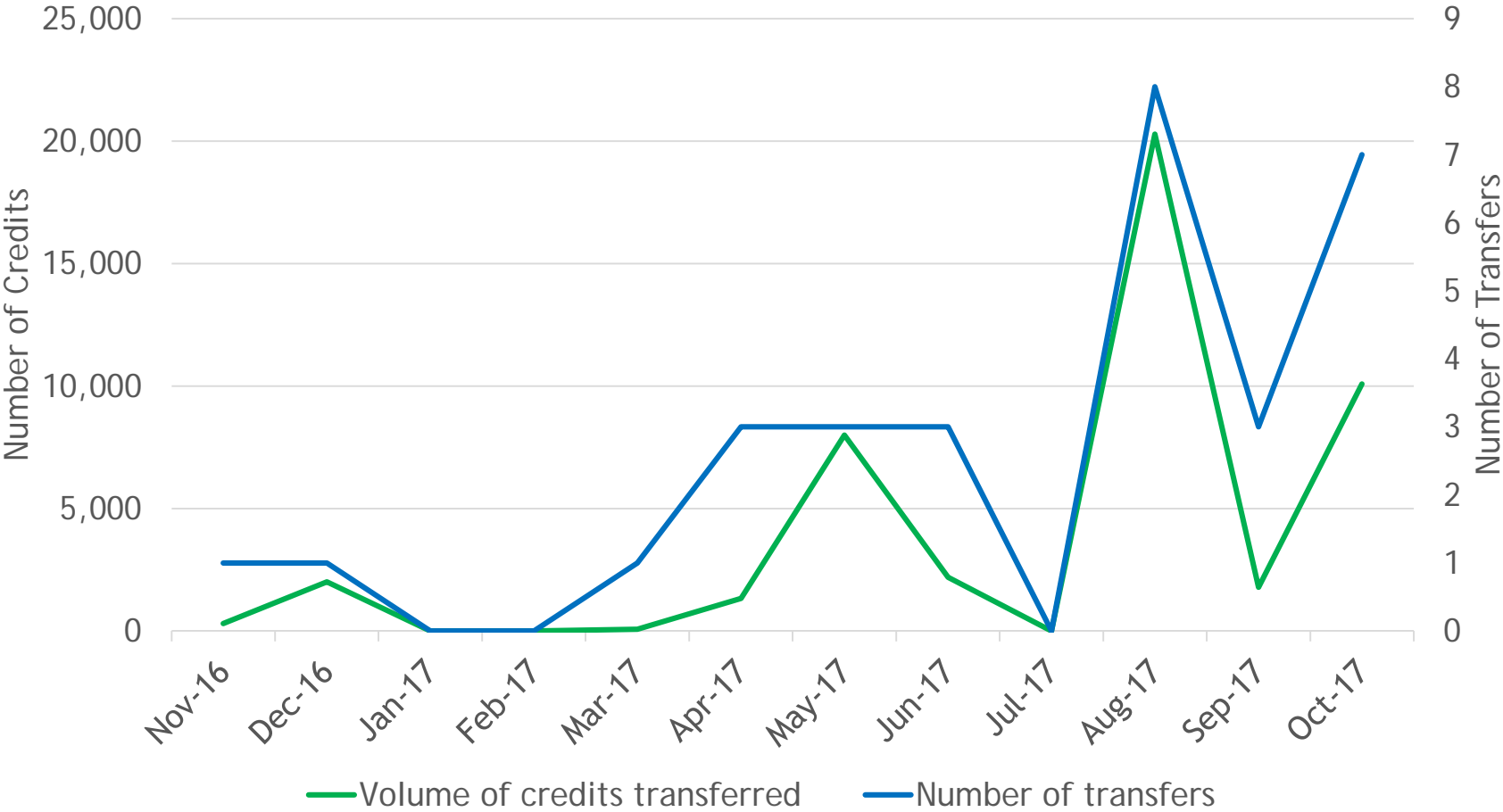


# Increase Use of Alternatives





# CFP Credit Transfers



# CFP 2017 Rulemaking

# CFP 2017 Rulemaking

- Rulemaking scope
  - Cost containment
  - Electricity provisions
- Public workshop on cost containment – April 2016
- Advisory committee
  - 7 meetings between November 2016 and May 2017
  - Fiscal meeting in June 2017
- Public comment period – July 14 to August 25
- Public hearing – August 16, 2017
- Comments received - 17

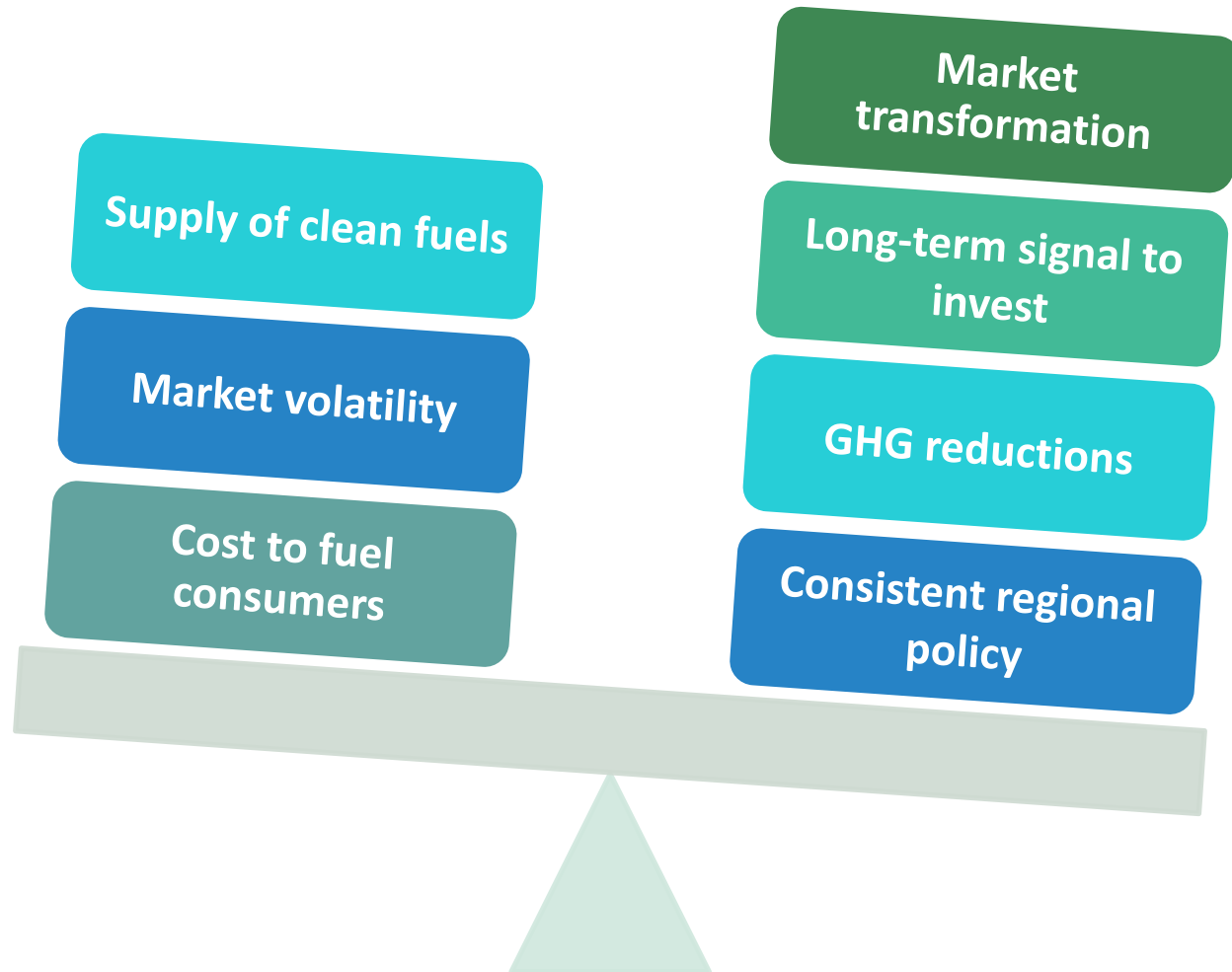
# SB 324 (2015)

The commission shall adopt by rule provisions for managing and containing the costs of compliance with the standards, including but not limited 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.

# Design of the Policy

- ✓ Annual compliance period
- ✓ Credits can be traded
- ✓ Credits can be used for compliance with either the gasoline or the diesel standard
- ✓ Credits don't have expiration dates
- ✓ Credits can be banked for future use
- ✓ A small deficit can be carried over to the next compliance period

# Design Considerations



# Key Themes

## Short-Term Price Spikes

- Excessive market volatility vs. normal market movements
- Identify trigger & action

## Long-Term Cost Containment

- California-style credit clearance market
- Tiered vs. flat cap

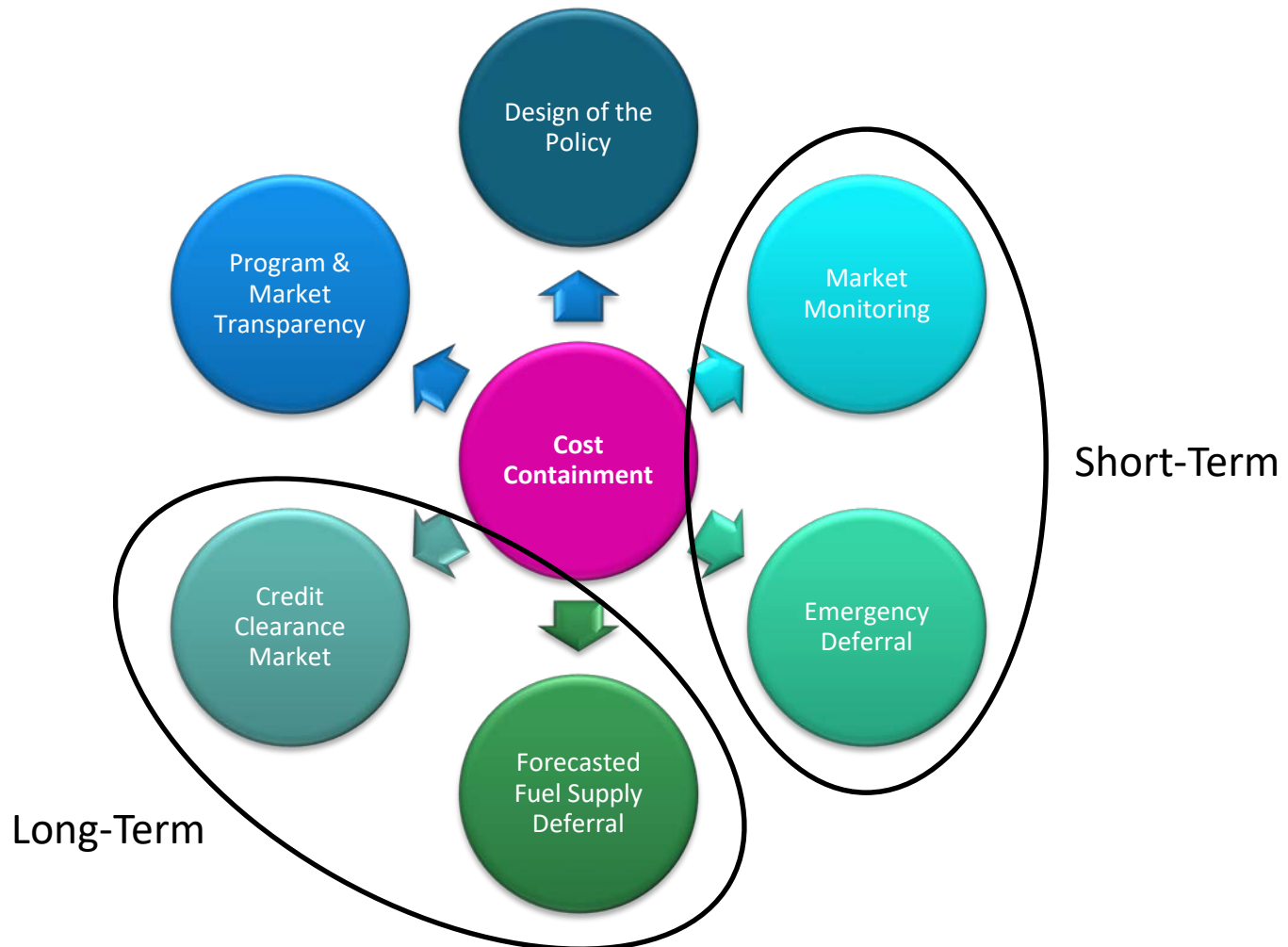
# HB 2017

## Specific language for:

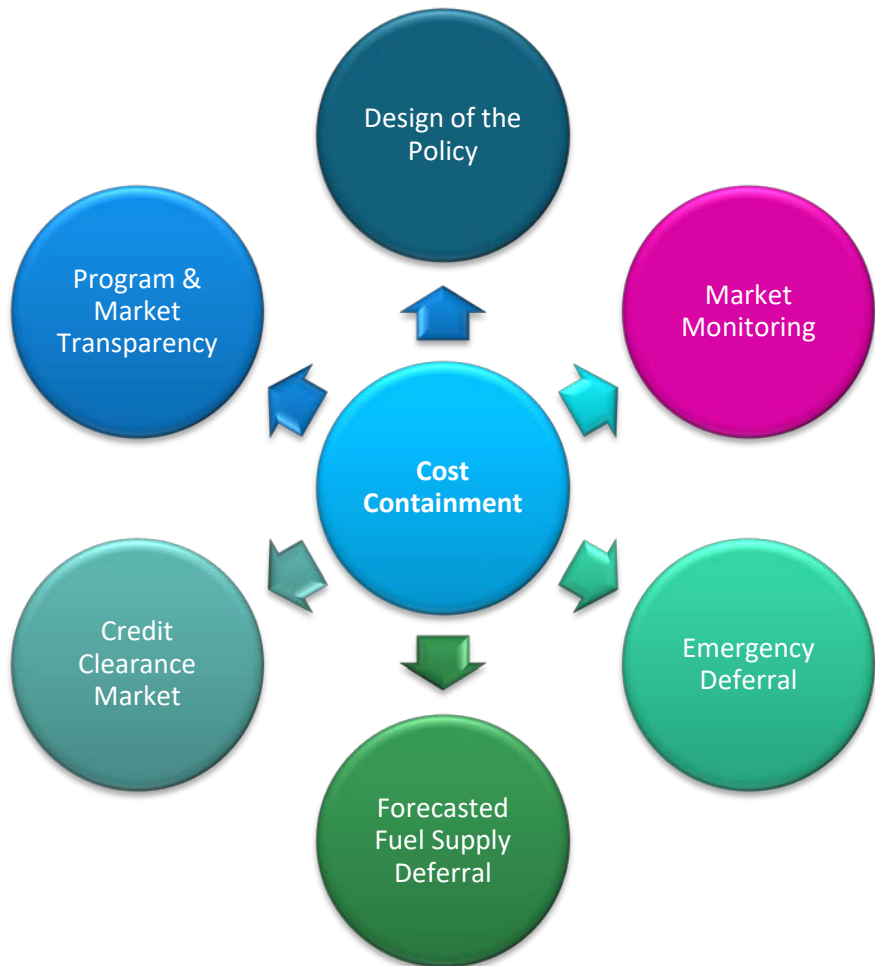
- Annual forecast and forecast deferral
- Monitoring for abnormal market behavior
- Emergency deferral
- Credit clearance market
- Program and market transparency



# Comprehensive Cost Containment



# Market Monitoring



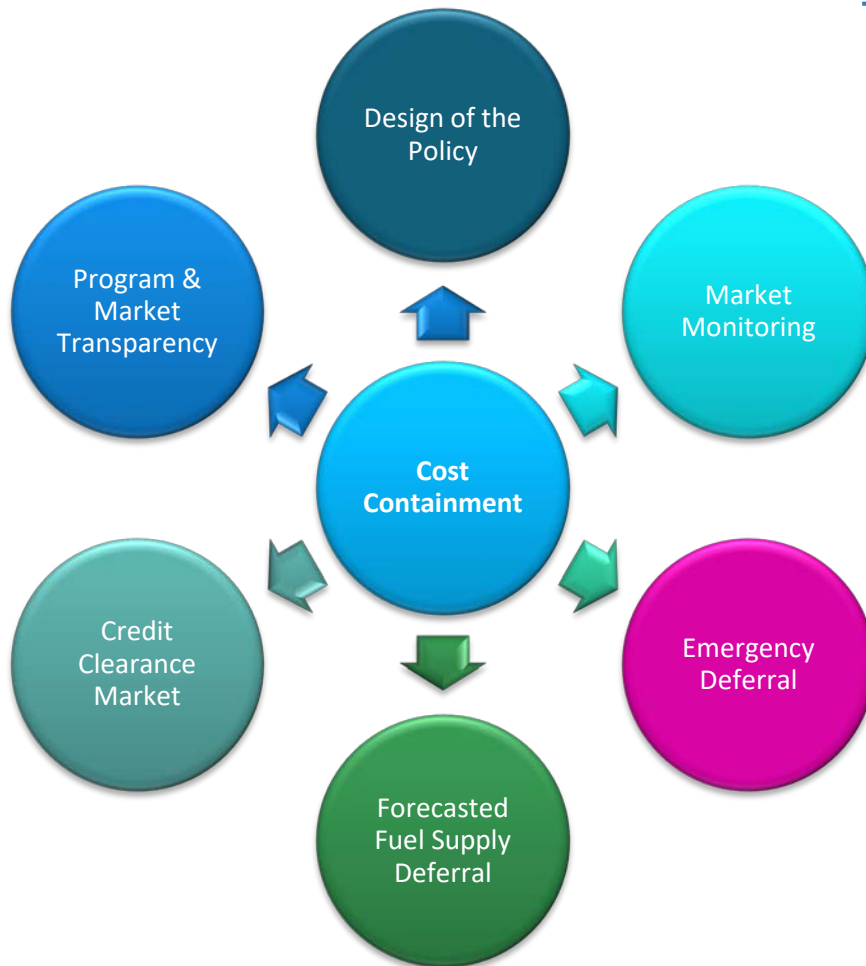
## Proposed:

- More tools to investigate questionable credit generation & transactions
- Better define what happens if credits are found illegitimate or fraudulent
- Authority to suspend, revoke, modify
- Prohibit credit transactions in cases of fraud, falsifying records or market manipulation

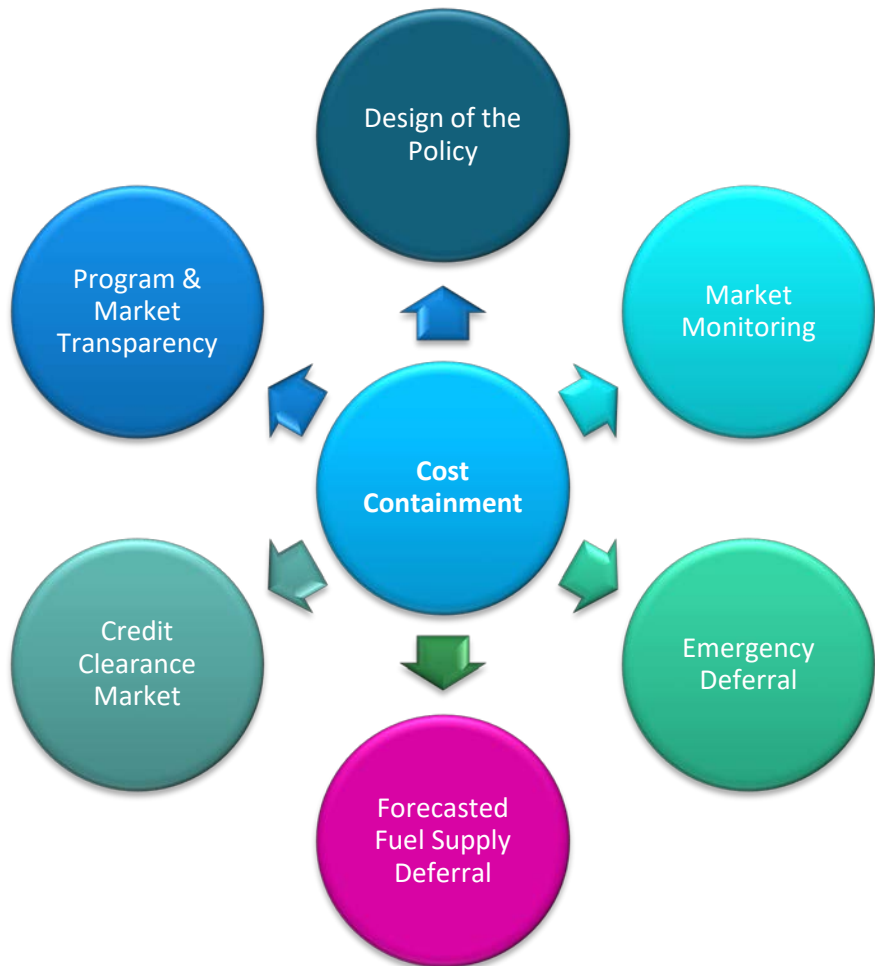
# Emergency Deferral

## Proposed:

- If shortage is >5% of forecast & leads to noncompliance, then EQC issues an order that may:
  - Temporarily adjust the standards
  - Allow for the carryover of deficits to future compliance periods
  - Suspend deficit accrual
- Beginning 2019, if 3-month avg. price of credits increases by 100%, then DEQ to do a root cause analysis into why



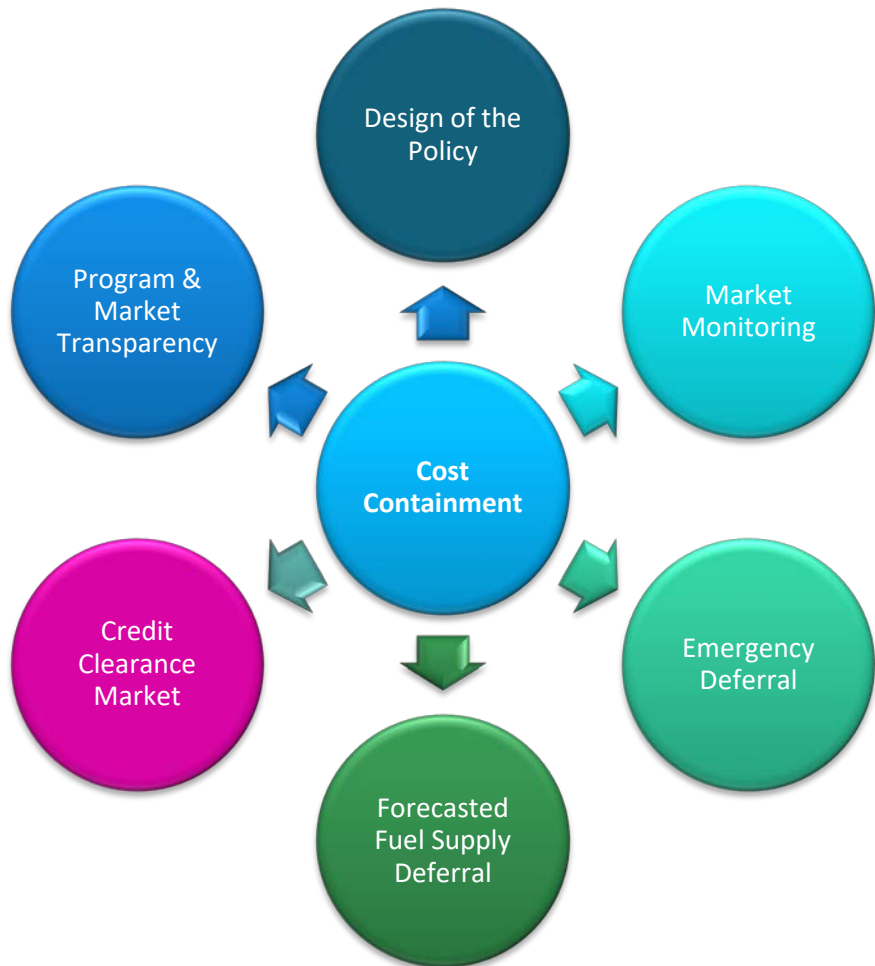
# Forecasted Fuel Supply Deferral



## Proposed:

- DAS Office of Economic Analysis to coordinate with DEQ on fuel supply forecast in 2018 and onward
- Forecast due September 30<sup>th</sup>
- If there is a shortfall, then EQC to issue an order that may:
  - Temporarily adjust the standards
  - Maintain the current standards
  - Suspend deficit accrual

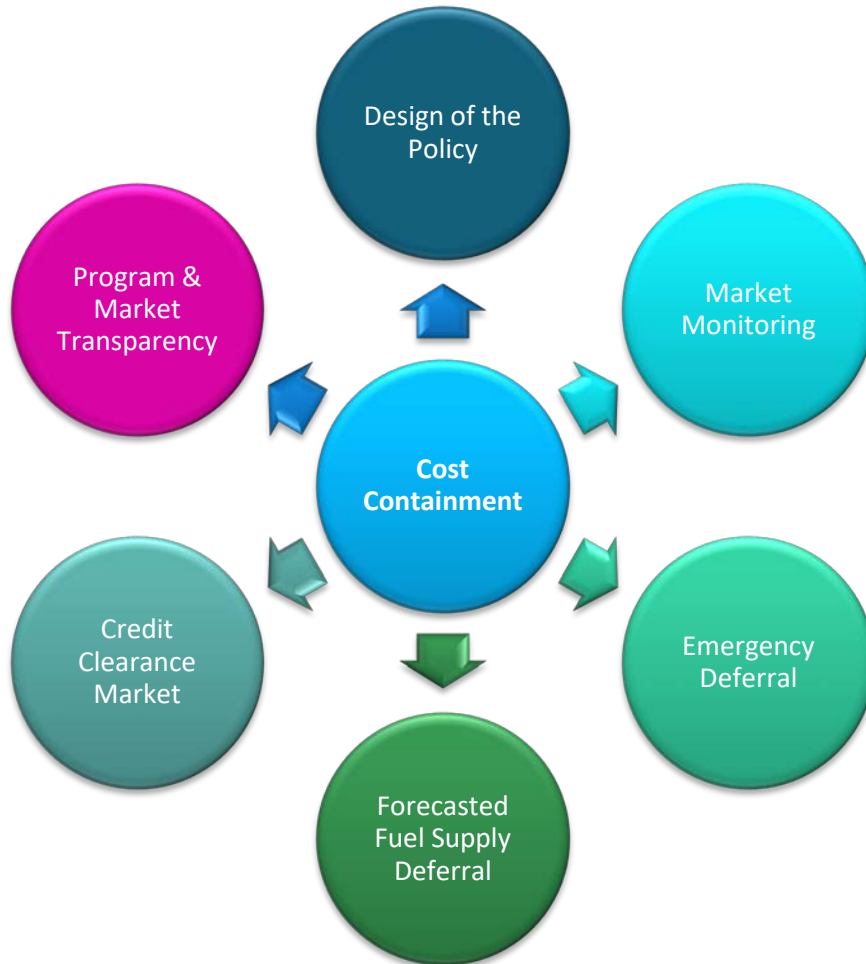
# Credit Clearance Market



## Proposed:

- Credit Clearance Market
- Cap price \$200 adjusted annually for CPI
- Deficits remaining after CCM are carried over to the next compliance period w/ 5% interest
- If the same regulated party participates in 2 consecutive CCMs, then DEQ to do root cause analysis into circumstances

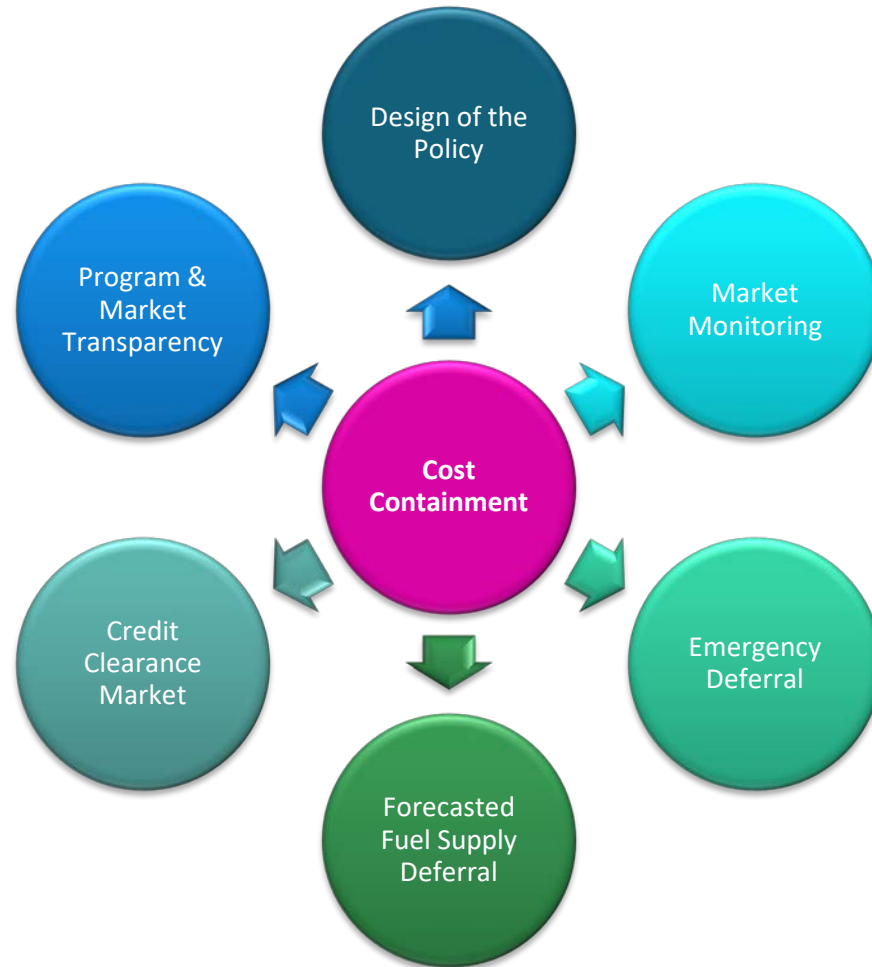
# Program & Market Transparency



## Proposed:

- Full program review by February 1, 2022
- Calculate and post monthly volume-weighted average price of credits
- Calculate and post annually
  - Average cost of CFP per gallon of gasoline and diesel
  - Total GHG reductions from CFP

# Comprehensive Cost Containment



# Electricity

Non-Residential

- Public
- Workplaces
- Fleets

Residential

- At home



# New Non-Residential EV Charging

## Multi-Family Dwellings



## Public Transit



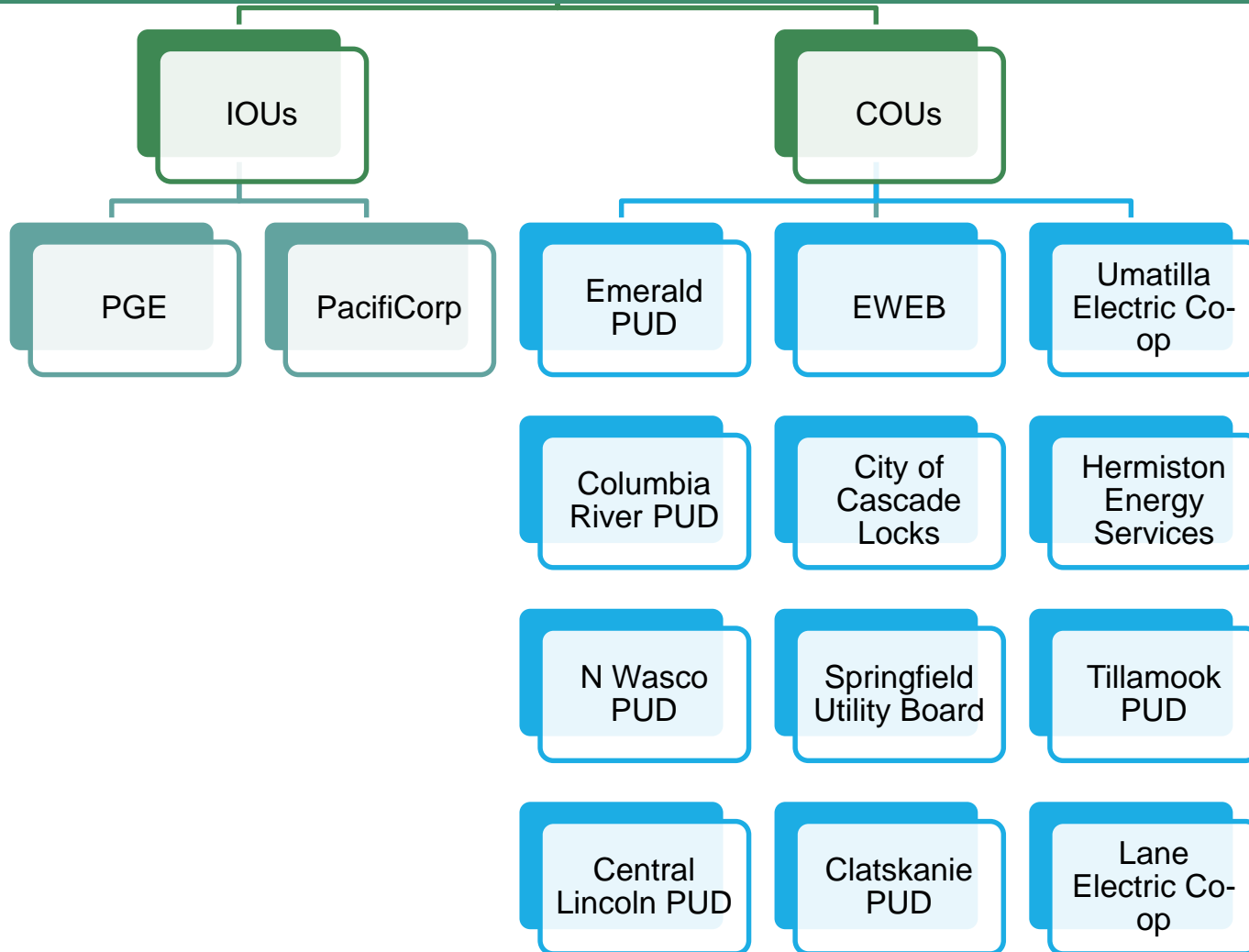
# Residential EV Charging

Electric Utilities

Utility-designated  
Aggregator

Backstop Aggregator

# Utility Engagement



# Backstop Aggregator

- An applicant must be a 501(c)(3) not for profit
- The application must include:
  - Its mission and how it fits with being the backstop aggregator
  - Experience and expertise of individuals within the organization
  - A plan describing
    - How it will spend the revenue from the sale of credits
    - Who it will partner with to implement the plan
- Applications are due by March 15, 2018
- DEQ will review the applications and recommend a backstop aggregator to the EQC by May 31, 2018
- Upon EQC approval, DEQ may enter into an agreement with the backstop aggregator
- The backstop aggregator will submit annual reports by March 31<sup>st</sup> of each year on its activities for the prior year

# Other Proposed Changes

- Renewable Hydrocarbon Diesel
  - RHD to be a regulated fuel instead of opt-in
  - All RHD needs to be reported
- “Below the rack” Transactions
  - Restricting the transfer of deficits for fuel transactions “below the rack” if the buyer is an importer of finished fuels
  - Helps smaller businesses manage their compliance better
- Update definitions
- Update tables
- Update the process to obtain a carbon intensity

# DEQ Recommendation

DEQ recommends that the EQC adopt the proposed rules and rule amendments presented in Attachment A to this report as part of Chapter 340 of the Oregon Administrative Rules.

# DEQ Recommendation

DEQ also recommends that the EQC find that, upon its evaluation, the Clean Fuels Program, Division 253, Chapter 340 of the Oregon Administrative Rules, including the rules and rule amendments proposed in Attachment A, does not have any significant potential adverse impacts on the generation and disposal of waste in the state.