 Oregon Department of Environmental Quality

September 1, 2018

## Notice of Proposed Rulemaking

**CFP 2018 Rulemaking**

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| Introduction |

DEQ invites public input on proposed permanent rule amendments to Divisions 253 and 12 of Chapter 340 of the Oregon Administrative Rules. These amendments update the lifecycle carbon emissions accounting for the Clean Fuels Program and make other housekeeping changes to improve the program.

## Background

The 2009 Oregon Legislature authorized the Oregon Environmental Quality Commission (EQC) to adopt rules to reduce lifecycle emissions of greenhouse gases from Oregon’s transportation fuels by 10 percent over a 10-year period. The 2015 Oregon Legislature authorized the removal of the Dec. 31, 2015 sunset date of the authorizing statute and further authorized the EQC to adopt rules for managing and containing the costs of compliance with the Clean Fuels Program (CFP). The 2017 Oregon Legislature authorized additional provisions to manage and contain the costs of compliance with the CFP.

### DEQ proposal

DEQ proposes the following changes to Division 253 of Chapter 340 of the Oregon Administrative Rules that will:

* update the lifecycle carbon intensity models used to determine the carbon intensities of fuels and the resulting changes to carbon intensity scores from those models;
* add new categories and applications of fuel used to generate credits and add new fuels that could generate credits; and
* make some housekeeping changes.

DEQ also proposes to amend rules under Division 12 of Chapter 340 of the Oregon Administrative Rules to classify certain violations and establish or clarify enforcement criteria for violations of the Oregon Clean Fuels Program.

### More information

Information about this rulemaking is on this rulemaking’s web page: <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx>

### Public Hearings

DEQ will hold a public hearing on this rulemaking as detailed below.

Date: September 20, 2018

Time: 1:30 pm

Location: DEQ Headquarters Office, 700 NE Multnomah Street, Conference Room 601, Portland, OR 97232

## How to comment on this rulemaking proposal

DEQ is asking for public comment on the proposed rules. Anyone can submit comments and questions about this rulemaking. A person can submit comments through an online web page, by regular mail or at the public hearing.

### Comment deadline

DEQ will only consider comments on the proposed rules that DEQ receives by 4 p.m., on September 21, 2018.

#### Submit comment online

<http://www.oregon.gov/deq/Regulations/rulemaking/Pages/cCFP2018.aspx>

#### Note for public university students:

ORS 192.501(29) allows Oregon public university and OHSU students to protect their university email addresses from disclosure under Oregon’s public records law. If you are an Oregon public university or OHSU student you may omit your email address when you complete the online form to submit a comment.

#### By mail

Oregon DEQ

Attn: Cory-Ann Wind

700 NE Multnomah St., Room 600

Portland, OR 97232-4100

#### At hearing

September 20, 2018

1:30 pm

Oregon DEQ Headquarters Office

700 NE Multnomah Street

Conference Room 601

Portland, OR 97232-4100

### You can also participate in the hearing through a teleconference or webinar.

Teleconference call-in number: 888-278-0296

Participant ID: 8040259

Webinar link (webinar has no audio, you must listen on the teleconference):

How to join the teleconference or webinar: [Teleconference and Webinar instructions](http://www.deq.state.or.us/regulations/docs/participantlinklog.pdf)

### Sign up for rulemaking notices

Get email or text updates about this rulemaking by signing up through this link:

[CFP 2018 Rulemaking Email List](https://public.govdelivery.com/accounts/ORDEQ/subscriber/new?topic_id=ORDEQ_509); or on the rulemaking web site: [CFP 2018 Rulemaking Web Page](https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx).

Get email or text updates about other, future DEQ rulemaking by signing up through this link: [DEQ Email Notice List](https://public.govdelivery.com/accounts/ORDEQ/subscriber/new?pop=t&topic_id=ORDEQ_548).

### What will happen next?

DEQ will include a written response to comments in a staff report DEQ will submit to the Environmental Quality Commission. DEQ may modify the rule proposal based on the comments.

### Present proposal to the EQC

Proposed rules only become effective if the Environmental Quality Commission adopts them. DEQ plans to present the proposed rules to the commission for a decision at its meeting on November 15-16, 2018 in Portland.

### Accessibility information

You may review copies of all documents referenced in this announcement at:

Oregon Department of Environmental Quality

700 NE Multnomah St., Room 600

Portland, OR, 97232-4100

To schedule a review of all websites and documents referenced in this announcement, call Cory-Ann Wind, Portland, at 503-229-5388 (800-452-4011, ext. 5622 toll-free in Oregon).

Please notify DEQ of any special physical or language accommodations or if you need information in large print, Braille or another format. To make these arrangements, contact DEQ, Portland, at 503-229-5696 or call toll-free in Oregon at 1-800-452-4011, ext. 5696; fax to 503-229-6762; or email to deqinfo@deq.state.or.us. Hearing impaired persons may call 711.

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| Overview |

## Short summary

DEQ proposes to amend Oregon Clean Fuels Program rules under Division 253 of Chapter 340 of the Oregon Administrative Rules. The proposed rule changes would:

* update the models used to determine the carbon intensities of fuels and the resulting changes to the lookup table values, clean fuel standards, energy economy ratios, and temporary fuel pathway codes;
* add new categories of fuel applications that can used to generate credits, including forklifts and transportation refrigeration units, and add new fuels that could generate credits such as alternative jet fuel and renewable propane; and
* make some additional housekeeping changes and updates.

DEQ also proposes to amend rules under Division 12 of Chapter 340 of the Oregon Administrative Rules to classify certain violations and establish or clarify enforcement criteria for violations of the Oregon Clean Fuels Program.

## Brief history

The 2009 Oregon Legislature passed House Bill 2186 authorizing the Oregon Environmental Quality Commission to adopt rules to reduce lifecycle emissions of greenhouse gases from Oregon’s transportation fuels by 10 percent over a 10-year period.

The EQC adopted phase 1 rules on Dec. 7, 2012 that required Oregon transportation fuel producers and importers to register, keep records and report the volumes and carbon intensities of the transportation fuels they provide in Oregon.

The EQC adopted phase 2 rules on Jan. 7, 2015 that required Oregon transportation fuel importers to reduce the average carbon intensity of fuels they provide in Oregon by 10 percent over a 10-year period.

The 2015 Oregon Legislature passed Senate Bill 324 that removed the Dec. 31, 2015 sunset date in House Bill 2186 (2009) and further amended the authorizing statute, ORS 468A.275, for the Oregon Clean Fuels Program.

The EQC adopted updated rules on Dec. 9, 2015 to implement SB 324 (2015).

The EQC adopted temporary rules on April 21, 2016 to correct a miscalculation in the clean fuel standards and certain carbon intensity values. Permanent rules for the correction were adopted on August 18, 2016.

The 2017 Oregon Legislature passed House Bill 2017 that added provisions for a Credit Clearance Market (CCM) as an additional cost containment mechanism.

The EQC adopted updated rules on Nov. 2, 2017 adding the CCM mechanism, updating several provisions relating to electricity’s use as a transportation fuel and adding market monitoring provisions.

## Regulated parties

The Clean Fuels Program currently has 154 businesses that are registered to participate, including:

* *Importers of Blendstocks -* These are businesses that import fuel components which can be blended with another fuel component or used alone. There are currently 58 businesses registered as importers of blendstocks.
* *Importers of Finished Fuels -* These are businesses which only import fuels that can be used directly in a motor vehicle, such as clear gasoline, gasoline blended with 10 percent ethanol, clear diesel and diesel blended with 5 percent biodiesel. There are currently 50 businesses registered as importers of finished fuels, 35 businesses are large (more than 500,000 gallons per year) and 15 are small (less than 500,000 gallons per year). Small importers of finished fuels are largely exempted from the program, except for the requirement to register and annually file a report through the agency’s greenhouse gas reporting program. To note, the program’s definition of a “small importer,” required by statue, does not align with the statutory definition of a “small business” that is used to analyze the fiscal and economic impact to small businesses.
* *Oregon Producers of Transportation Fuels -* There are currently three registered Oregon producers of biofuels. One produces ethanol from corn, one produced ethanol from waste food products and one produces biodiesel from used cooking oil.
* *Credit Generators* – These are businesses that provide or produce clean fuels (natural gas, renewable natural gas, propane, electricity and hydrogen). These businesses are not required to participate with the program, but must register in order to generate credits if they choose to. Importers of blendstocks and Oregon producers may also generate credits due to the nature of fuels they provide, but an entity registered as a credit generator is doing so solely because it provides clean fuels. There are currently 43 businesses registered as credit generators.

## Request for other options

During the public comment period, DEQ requests public comment on whether to consider other options for achieving the rules’ substantive goals while reducing the rules’ negative economic impact on business.

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| Statement of need |

Climate change poses a serious threat to Oregon’s economy, environment and public health. Transportation sources account for approximately one third of all greenhouse gas emissions in Oregon. The goal of the CFP is to reduce greenhouse gas emissions from Oregon’s transportation fuels by promoting lower-carbon production methods for existing fuels and the innovation, commercialization, and deployment of new low-carbon alternative fuels. While the CFP has been operating since 2016, there are several needs that this proposed rulemaking is seeking to address as described below.

| Proposed Rule or Topic | Discussion |
| --- | --- |
| Update statutory authority |
| What need would the proposed rules address? | The statutes that authorize the low carbon fuel standards were modified by HB 2017 and the statutes cited in the current regulation need to be updated. |
| How would the proposed rules address the need?  | The proposed rules would update the statutory authority to reflect the chaptering of HB 2017 and subsequent renumbering of certain sections in ORS 468A. |
| How will DEQ know the rules addressed the need? | The proposed rules will become consistent with the authorizing statutes. |
| Update the models to calculate carbon intensity  |
| What need would the proposed rule address? | Periodically, the models used to calculate the carbon intensity of transportation fuels need to be updated to reflect the latest science.  |
| How would the proposed rule address the need?  | The proposed rules would update OR-GREET from version 2.0 to version 3.0 and OPGEE from version 1.1 to version 2.0. In addition, the proposed rules would also update the resulting changes to the lookup table values, clean fuel standards, energy economy ratios, and temporary fuel pathway codes. |
| How will DEQ know the rule addressed the need? | DEQ will post the new models on the CFP webpage and incorporate the changes into the CFP Online System. DEQ will monitor quarterly and annual reports, the processing of applications to obtain carbon-intensity scores, the other aspects of program implementation. |

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| Incorporate new fuel applications and new fuels into the CFP |
| What need would the proposed rule address? | The low-carbon transportation industry continues to expand and innovate in response to the Pacific Coast’s low carbon fuel standards. It is important that the CFP extend its incentives to providers of new low-carbon fuels and new low-carbon fuel applications by allowing them to generate credits in the program. |
| How would the proposed rule address the need?  | The proposed rules add new categories of fuel applications that can used to generate credits, including forklifts and transportation refrigeration units, and add alternative jet fuel and renewable propane as new fuels that can generate credits. . |
| How will DEQ know the rule addressed the need? | DEQ will monitor quarterly and annual reports, the processing of applications to obtain carbon-intensity scores, the other aspects of program implementation. |
| Housekeeping changes |
| What need would the proposed rule address? | DEQ learned a great deal since it began implementing the CFP in 2016. This rulemaking proposes to improve and streamline the day-to-day operation of the program. |
| How would the proposed rule address the need?  | DEQ is proposing several rule changes that will: 1) add and modify several program definitions, 2) modify existing energy economy ratios; and 3) add substitute fuel pathway codes. |
| How will DEQ know the rule addressed the need? | DEQ will monitor quarterly and annual reports, the processing of applications to obtain carbon-intensity scores, the other aspects of program implementation.  |
| Update enforcement provisions |
| What need would the proposed rule address? | DEQ adopted revisions to Division 253 in 2017 but did not adopt the corresponding changes to Division 12. |
| How would the proposed rule address the need?  | DEQ is proposing to update the enforcement provisions in Division 12 to be consistent with Division 253. |
| How will DEQ know the rule addressed the need? | DEQ will review any enforcement actions it takes to determine if the updates are sufficient to fully address enforcement issues that result from violations of the CFP.  |

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| Rules affected, authorities, supporting documents |

#### Lead division

Air Quality Division

Air Quality Planning Section

#### Program or activity

Oregon Clean Fuels Program

#### Chapter 340 action

Amend - OAR

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 340-253-0000 | 340-253-0040 | 340-253-0060 | 340-253-0100 | 340-253-0200 |
| 340-253-0250 | 340-253-0310 | 340-253-0320 | 340-253-0330 | 340-253-0400 |
| 340-253-0450 | 340-253-0470 | 340-253-0500 | 340-253-0600 | 340-253-0620 |
| 340-253-0630 | 340-253-0640 | 340-253-0650 | 340-253-0670 | 340-253-1000 |
| 340-253-1005 | 340-253-1010 | 340-253-1020 | 340-253-1030 | 340-253-1040 |
| 340-253-2000 | 340-253-2100 | 340-253-2200 | 340-253-8010 | 340-253-8020 |
| 340-253-8030 | 340-253-8040 | 340-253-8050 | 340-253-8060 | 340-253-8080 |
| 340-253-8090 | 340-253-8100 | 340-012-0054 | 340-012-0135 | 340-012-0140 |
| 340-012-0150 |  |  |  |  |

### Statutory authority - ORS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 468.020 | 468.265 - 277 | 468A.025 | 468A.045 | 468.090 - 140 |

### Statute implemented - ORS

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| --- | --- | --- | --- | --- |
| 468.020 | 468.265 - 277 | 468A.025 |  |  |

### Legislation

## House Bill 2186 (2009), Senate Bill 324 (2015), House Bill 2017-A (2017)

### Documents relied on for rulemaking

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| --- | --- |
| Document title | Document location |
| CFP 2018 Rulemaking materials, February – July 2018 | <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx>  |
| Argonne GREET model | <https://greet.es.anl.gov/> |
| Stanford University OPGEE model | <https://pangea.stanford.edu/researchgroups/eao/research/opgee-oil-production-greenhouse-gas-emissions-estimator> |
| 2018 Amendments to the California Low Carbon Fuel Standards and Alternative Diesel Fuels Regulations | <https://www.arb.ca.gov/regact/2018/lcfs18/lcfs18.htm>https://www.arb.ca.gov/fuels/lcfs/ca-greet/ca-greet.htm |

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| Fee Analysis |

This rulemaking does not involve fees.

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| Statement of fiscal and economic impact |

The Oregon Clean Fuels Program is a technology-neutral, market-based regulatory program to reduce carbon pollution from transportation fuels and promote the commercialization and deployment of innovative low-carbon fuels. The program does not mandate the use of any particular type of fuel or technology. Instead, it creates a performance standard to reduce the average carbon intensity of fuels sold by 10 percent over 10 years. The program allows for many strategies to be employed for meeting the clean fuel standards, giving each regulated party the flexibility to consider its particular circumstance, perspective and business needs when devising its own strategy to meet the standard.

The scope of this fiscal and economic impact statement is limited to the impact of the proposed rule changes contained in this rulemaking, it does not re-assess the existing CFP in its entirety. The proposed rule changes fall into four broad categories: 1) changes in the potential market value of lower carbon fuels based on the updated carbon intensity values; 2) potential benefits to new fuel types and fuel uses; and 3) potential costs related to enforcement. The proposed rule revisions are based on discussions and input from DEQ’s CFP 2018 Rulemaking Advisory Committee.

* Updates to the models used to calculate carbon intensity values and the resulting changes to carbon intensity values and the clean fuel standards
	+ Update to OR-GREET 3.0
	+ Update to OPGEE 2.0
	+ New carbon intensity values
	+ New clean fuel standards
* New fuel types and fuel applications that can generate credits in the program
	+ Forklifts
	+ Transportation refrigeration units
	+ Alternative jet fuel
	+ Renewable propane
* Updates to enforcement provisions

## Statement of Cost of Compliance

General Direct Costs

* *Administrative Costs*

There is a one-time cost of staff time to register with the program if the business is not already registered. There are on-going costs to keep records, submit reports, obtain carbon intensities, and generate and transfer credits.

The proposed rule changes would make it easier to submit a Tier 1 application and would not otherwise change the administrative costs associated with participating in the program.

* *Costs Related to Enforcement*

There are costs related to being involved in an enforcement action that includes responding to requests for additional information, correcting the violation and the payment of civil penalties if assessed.

The proposed rule changes would not have an economic impact on businesses, individuals or government entities unless they violate the program rules.

* *Costs to Reduce Carbon*

To achieve the existing and updated clean fuel standards, each regulated party could provide greater volumes of lower carbon fuels, blend different types of lower carbon fuels or purchase credits from providers of clean fuels. These options would have varying costs. Since clean fuel credits are bought and sold in a free market and their prices are negotiated between private businesses, DEQ cannot accurately predict the actual cost impacts related to the credit market.

As described above, the proposed clean fuel standards for gasoline are slightly lower than the current values and the proposed clean fuel standards for diesel are slightly higher than the current values, reflecting recalculations of the baseline carbon intensities for gasoline and diesel. The proposed changes to OR-GREET do not result in any significant change to the carbon intensities of gasoline or diesel substitutes. The proposed changes to the values for the gasoline and diesel clean fuel standards would not have a significant economic impact.

The proposed rules would add additional credit generation from alternative jet, renewable propane, forklifts, and transportation refrigeration units and may have an impact on credit prices as these applications increase in use over time. Individual businesses that provide these fuels or use them in the specified fuel applications would benefit economically by their inclusion in the program.

Potential Impact to Fuel Consumers

Fuel consumers could experience both positive and negative impacts as regulated parties pass their savings and costs to their customers. For example, if the retail price of lower carbon fuels are less than the fuels they replace, then costs should decrease. Conversely, if the retail price of lower carbon fuels are greater than the fuels they replace or if regulated parties had to purchase credits to comply with the standards, costs could increase. The proposed rule changes do not significantly change this impact.

### DEQ and other state agencies, federal agencies, local governments

Direct Impact on DEQ: The proposed rule changes will increase the amount of work for CFP staff in terms of having additional parties register in the program. This additional work will be absorbed into the current 2.5 FTE allocated to implement the program.

Direct Impacts on other agencies: The proposed rule changes do not impose direct fiscal or economic effects on state or federal agencies or local governments unless they import transportation fuel or provide clean fuels. If so, see the discussions about the General Direct Costs above.

Indirect Impacts: State and federal agencies and local governments are fuel consumers. See the discussions about the Potential Impact on Fuel Consumers above.

### Public

Direct Impacts: The proposed rule changes do not impose direct fiscal or economic effects on the public.

Indirect Impacts: Members of the public purchase fuel for their personal vehicles. See the discussions about the Potential Impact on Fuel Consumers above.

### Large businesses - businesses with more than 50 employees

Many large businesses participate in the program including but not limited to fuel terminal operators, biofuel producers, fuel marketers, natural gas and electric utilities, EV charger owners, and transit districts. The proposed rule changes would add owners or operators of forklift fleets or warehousing operations to the types of businesses that could participate in the program.

Direct Impacts: See the discussions about General Direct Costs above.

Indirect Impacts: Large businesses are fuel consumers. See the discussions about the Potential Impact on Fuel Consumers above.

### Small businesses – businesses with 50 or fewer employees

Direct Impacts: See the discussions about General Direct Costs above.

Indirect Impacts: Small businesses are fuel consumers. See the discussions about the Potential Impact on Fuel Consumers above.

#### a. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.

Approximately 50 small businesses are registered with the program, primarily fuel distributors, credit generators, and biofuel producers.

#### b. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

There proposed rule changes would not affect these costs except in the case of a new small business registering to generate credits from the proposed additions to the program. In this case they will incur minimal administrative costs described in the discussions about the General Direct Costs above.

#### c. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

There proposed rule changes would not affect these costs.

#### d. Describe how DEQ involved small businesses in developing this proposed rule.

DEQ convened a 25-member advisory committee that included small businesses to discuss the proposed rule changes.

## Documents relied on for fiscal and economic impact

| Document title | Document location |
| --- | --- |
| California Low Carbon Fuel Standard regulation, workgroup and rulemaking documents | <http://www.arb.ca.gov/fuels/lcfs/lcfs.htm> |
| Argonne GREET model | <https://greet.es.anl.gov/> |
| Stanford University OPGEE model | <https://pangea.stanford.edu/researchgroups/eao/research/opgee-oil-production-greenhouse-gas-emissions-estimator> |
| Oregon Clean Fuels Program Updates Rulemaking Advisory Committee (2018) | <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx>  |
| Reports from registered regulated parties for the Oregon Clean Fuels Program  | Program files located at:DEQ Headquarters700 NE Multnomah StreetPortland, OR 97232-4100 |

## Advisory committee

DEQ appointed the CFP 2018 Rulemaking Advisory Committee to provide input on the proposed rules and for input on the fiscal and economic impact statement. As ORS 183.333 requires, DEQ asked for the committee’s recommendations on:

* Whether the proposed rules would have a fiscal impact,
* The extent of the impact, and
* Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

The committee reviewed the draft fiscal and economic impact statement and its findings are stated in the meeting summary and in submitted written comments posted here: <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx>. The committee determined the proposed rules would not have a significant impact on businesses in general, nor an adverse impact on small businesses in Oregon.

The following advisory committee work was instrumental to the design of the Oregon Clean Fuels Program.

**2018**

From February through July 2018, DEQ worked with a 25-member advisory committee that included small businesses. The committee discussed updates to the lifecycle accounting models, additions to the program, other miscellaneous improvements, and enforcement provisions proposed in this rulemaking. Membership and meeting summaries are at: [2018 Advisory Committee](https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx).

**2016-7**

From November 2016 through June 2017, DEQ worked with a 29-member advisory committee that included small businesses. The committee discussed cost containment updates to the program and other miscellaneous improvements proposed in this rulemaking. Membership and meeting summaries are at: [2017 Advisory Committee](http://www.oregon.gov/deq/Regulations/rulemaking/Pages/cfp2017.aspx).

**2015**

From July through August 2015, DEQ worked with a 20-member advisory committee that included small businesses. The committee discussed updates to the program proposed in this rulemaking. Membership and meeting summaries are at: [2015 Advisory Committee](http://www.oregon.gov/deq/RulesandRegulations/Pages/Advisory/acleanfuelsupdate.aspx).

**2014**

From June through August 2014, DEQ worked with a 21-member advisory committee that included small businesses. The committee discussed phase 2 design of the Clean Fuels Program. Membership and meeting summaries are at: [2014 Advisory Committee](http://www.oregon.gov/deq/RulesandRegulations/Pages/Advisory/A2CFPPh2.aspx).

**2013**

During the first half of 2013, DEQ conducted extensive outreach to fuel importers and producers across the state to determine who was regulated and non-regulated. This included small businesses. Outreach included a web-based survey, individual phone conversations and in-person meetings in Portland, Eugene, Salem, Medford, Bend and Pendleton.

**2012**

In May 2012, DEQ convened an advisory committee to focus on the fiscal and economic impact of implementing phase 1. Membership and the meeting summary are at: [2012 Advisory Committee](http://www.deq.state.or.us/aq/cleanFuel/meetings.htm).

**2009-2010**

From November 2009 through November 2010, DEQ worked with a 29-member advisory committee that included small businesses. The committee discussed the design of the Oregon Clean Fuels Program. Membership and meeting summaries are at: [2009 Advisory Committee](http://www.deq.state.or.us/aq/committees/advcomLowCarbonFuel.htm).

## Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel. DEQ determined the proposed rules would have no effect on the development costs because the proposed rules only affect transportation fuels used in Oregon.

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| Federal relationship |

### Relationship to federal requirements

ORS 183.332, 468A.327 and OAR 340-011-0029 require DEQ to attempt to adopt rules that correspond with existing equivalent federal laws and rules unless there are reasons not to do so.

The proposed rules are “in addition to federal requirements” since there are no federal regulations that require the reduction in the average lifecycle content of greenhouse gases in transportation fuels. The proposed rules protect the environment and residents of Oregon by reducing greenhouse gas emissions.

**What alternatives did DEQ consider if any?**

In designing the Clean Fuels Program, DEQ considered many alternatives contained in the proposed rule. Input from advisory committees in 2010, 2012, 2014, 2015, 2016, 2017, and 2018 and extensive outreach with affected stakeholders throughout the process informed the design of the Oregon Clean Fuels Program. Documentation is in the rulemaking record.

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| Land use |

### Land-use considerations

In adopting new or amended rules, ORS 197.180 and OAR 340-018-0070 require DEQ to determine whether the proposed rules significantly affect land use. If so, DEQ must explain how the proposed rules comply with statewide land-use planning goals and local acknowledged comprehensive plans.

Under OAR 660-030-0005 and OAR 340 Division 18, DEQ considers that rules affect land use if:

* The statewide land use planning goals specifically refer to the rule or program, or
* The rule or program is reasonably expected to have significant effects on:
	+ Resources, objectives or areas identified in the statewide planning goals, or
	+ Present or future land uses identified in acknowledged comprehensive plans

To determine whether the proposed rules involve programs or actions that affect land use, DEQ reviewed its Statewide Agency Coordination plan, which describes the DEQ programs that have been determined to significantly affect land use. DEQ considers that its programs specifically relate to the following statewide goals:

**Goal Title**

 5 Open Spaces, Scenic and Historic Areas, and Natural Resources

 6 Air, Water and Land Resources Quality

 9 Ocean Resources

11 Public Facilities and Services

 16 Estuarial Resources

Statewide goals also specifically reference the following DEQ programs:

* Nonpoint source discharge water quality program – Goal 16
* Water quality and sewage disposal systems – Goal 16
* Water quality permits and oil spill regulations – Goal 19

### Determination

DEQ determined that these proposed rules do not negatively impactland use under OAR 340-018-0030 or DEQ’s State Agency Coordination Program. In fact, these proposed rules have the potential to positively impact the statewide goals in that it has the potential to reduce greenhouse gas emissions and mitigate the impact of climate change.

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|  Stakeholder and public involvement  |

### Advisory committee

DEQ convened the CFP 2018 Rulemaking advisory committee. The committee included importers of various transportation fuels; large and small businesses that may be regulated parties; the general public; and conservation organizations with members that may be impacted by the program and met 3 times. The committee’s web page is located at: <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rCFP2018.aspx>.

The committee members were:

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| CFP2018 Rulemaking Advisory Committee |
| **Name** | **Representing** |
| Brian McDonald | Andeavor |
| Don Gilstrap | Chevron  |
| Brandon Price | Clean Energy Fuels |
| John Thornton | CleanFuture, Inc. |
| Nina Kapoor | Coalition for Renewable Natural Gas |
| Annie Stuart | Coleman Oil Company |
| Josh Proudfoot | Good Company |
| Mark Gram | Jubitz Corporation |
| Graham Noyes | Low Carbon Fuels Coalition |
| Shelby Neal | National Biodiesel Board |
| Jana Gastellum | Oregon Environmental Council |
| Danelle Romain | Oregon Fuels Association & Oregon Public Utility Districts Association |
| Beth Vargas Duncan | Oregon Refuse & Recycling Association |
| Waylon Buchan | Oregon Trucking Association |
| Jeremy Roundcount | Pacific Ethanol |
| Mary Wiencke | PacifiCorp |
| Marc Ventura | Phillips 66 |
| Lindsay Fitzgerald | Renewable Energy Group |
| Jessica Hoffmann | RPMG |
| Ian Hill | SeQuential Biofuels |
| Connor Nix | Shell Oil Products US |
| Peter Weisberg | The Climate Trust |
| Jeremy Martin | Union of Concerned Scientists |
| Elizabeth Hepp | Valero |
| Jessica Spiegel | Western States Petroleum Association |

### Meeting notifications

To notify people about the advisory committee’s activities, DEQ sent a GovDelivery bulletin, a free e-mail subscription service, to the Oregon Clean Fuels subscribers to describe how to participate in the advisory committee process.

### Committee discussions

## In addition to the recommendations described under the Statement of Fiscal and Economic Impact section above, the committee was asked to discuss and provide input on the following topics:

* Updates to the models used to determine the carbon intensities of fuels
* The potential for additional credit generation to the program
* Alignment of the enforcement provisions in Division 12 with the Division 253 rules adopted by the EQC on November 3, 2017
* Other topics, as identified by DEQ staff

### EQC prior involvement

DEQ shares general rulemaking information with EQC through the monthly Director’s Report. DEQ did not present additional information specific to this proposed rule revision.

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|  Public notice and hearings  |

### Public notice

DEQ provided notice of the proposed rulemaking and rulemaking hearing on September 1, 2018 by:

* On September 1, 2018, filing notice with the Oregon Secretary of State for publication in the September 1, 2018 Oregon Bulletin;
* Posting the Notice, Invitation to Comment and Draft Rules on the web page for this rulemaking, located at: RULEMAKING WEB PAGE LINK;
* Emailing NUMBER OF PARTIES interested parties on the following DEQ lists through GovDelivery:
* Rulemaking
* Oregon Clean Fuels
* Emailing the following key legislators required under [ORS 183.335](http://www.leg.state.or.us/ors/183.html):
	+ Senator Michael Dembrow, Chair, Senate Environment and Natural Resources Committee
	+ Representative Ken Helm, Chair, House Energy and Environment Committee
	+ Senator Lee Beyer
	+ Senator Cliff Bentz
* Posting on the DEQ event calendar: [DEQ Calendar](http://www.oregon.gov/deq/Get-Involved/Pages/Calendar.aspx)

### Public hearings

DEQ plans to hold one public hearing. The details are described in the Introduction section of this document. Anyone can attend a hearing in person, or by webinar or teleconference.

DEQ will consider all written comments received at the hearings listed below before completing the draft rules. DEQ will summarize all comments and respond to comments in the Environmental Quality Commission staff report.

Any person can submit comments on the proposed rules as described in the Introduction section of this document.

## Close of public comment period

The comment period will close 4 p.m. on September 21, 2018.

## Accessibility Information

You may review copies of all documents referenced in this announcement at:

Oregon Department of Environmental Quality

700 NE Multnomah St., Ste. 600

Portland, OR, 97232-4100

To schedule a review of all websites and documents referenced in this announcement, call Cory-Ann Wind at 503-229-5388(800-452-4011, ext. 5622 toll-free in Oregon).

Please notify DEQ of any special physical or language accommodations or if you need information in large print, Braille or another format. To make these arrangements, contact DEQ, Portland, at 503-229-5696 or call toll-free in Oregon at 1-800-452-4011, ext. 5696; fax to 503-229-6762; or email to deqinfo@deq.state.or.us. Hearing impaired persons may call 711

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| Draft Rules - With Edits Highlighted |

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| Draft Rules – With Edits Incorporated |

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| Supporting documents |