

2024 Rulemaking Workshop

Clean Fuels Program

Jan. 30, 2024

Agenda For Today's Workshop

- Outline Scope and Timeline for this Rulemaking
- Scope of OR-GREET updates and Requiring Validation for new Fuel Pathway Applications
- Carbon Capture and Sequestration: Verification and Reserve Account
- Third Party Verification for Electricity Reporting
- Public Comment
- Next Steps and Adjournment

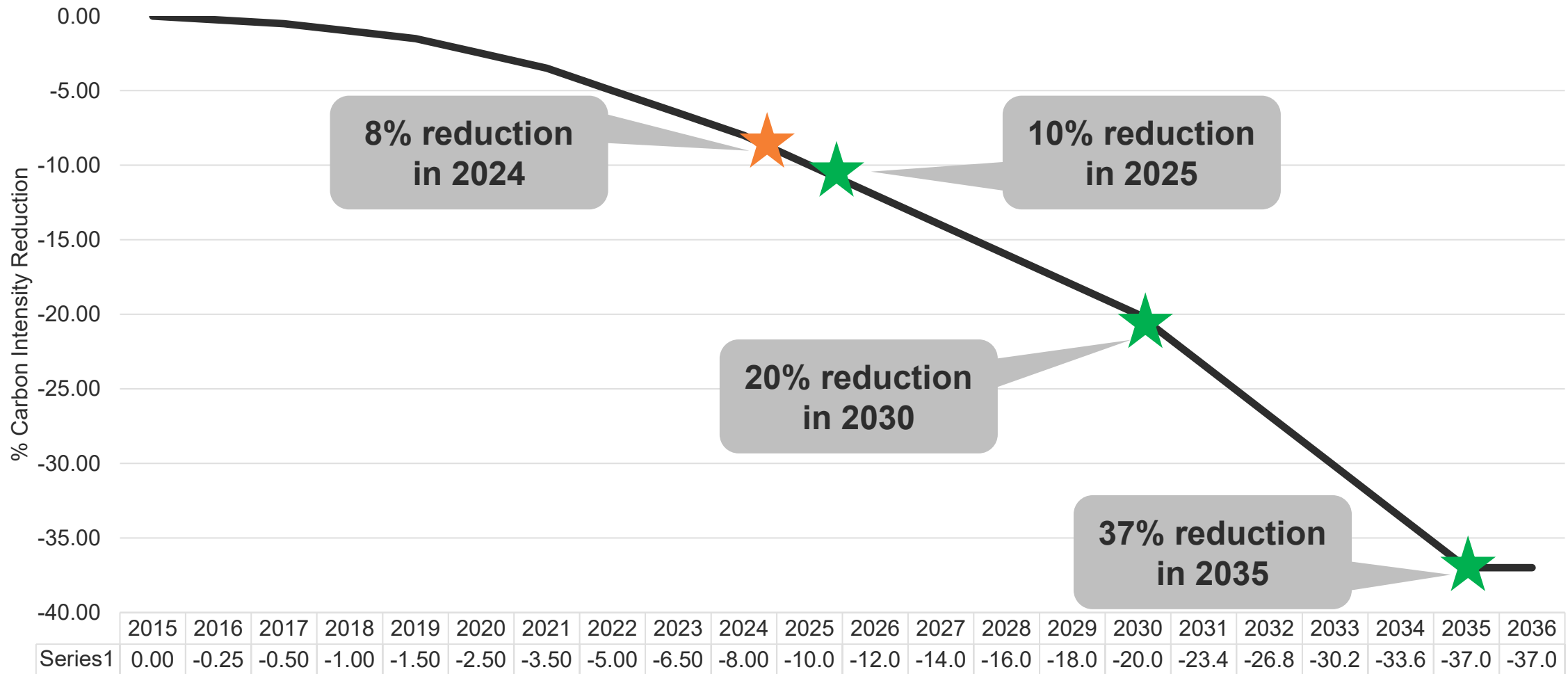
Instructions for Questions and Comments

To make verbally ask a question or make a comment:

- If you have joined by Zoom, click “Raise Hand.”
- If you have joined by phone, press *9 to raise your hand.
- We will call on participants. You will receive an “unmute” request. Please accept it. If you are commenting by phone dial *6 to unmute.
- Please provide your name and affiliation.
- Attendees will be allocated reasonable time for public comment depending on the number of commenters.
- **If we run out of time and you have not had a chance to speak, you can still provide written comments after the meeting.**

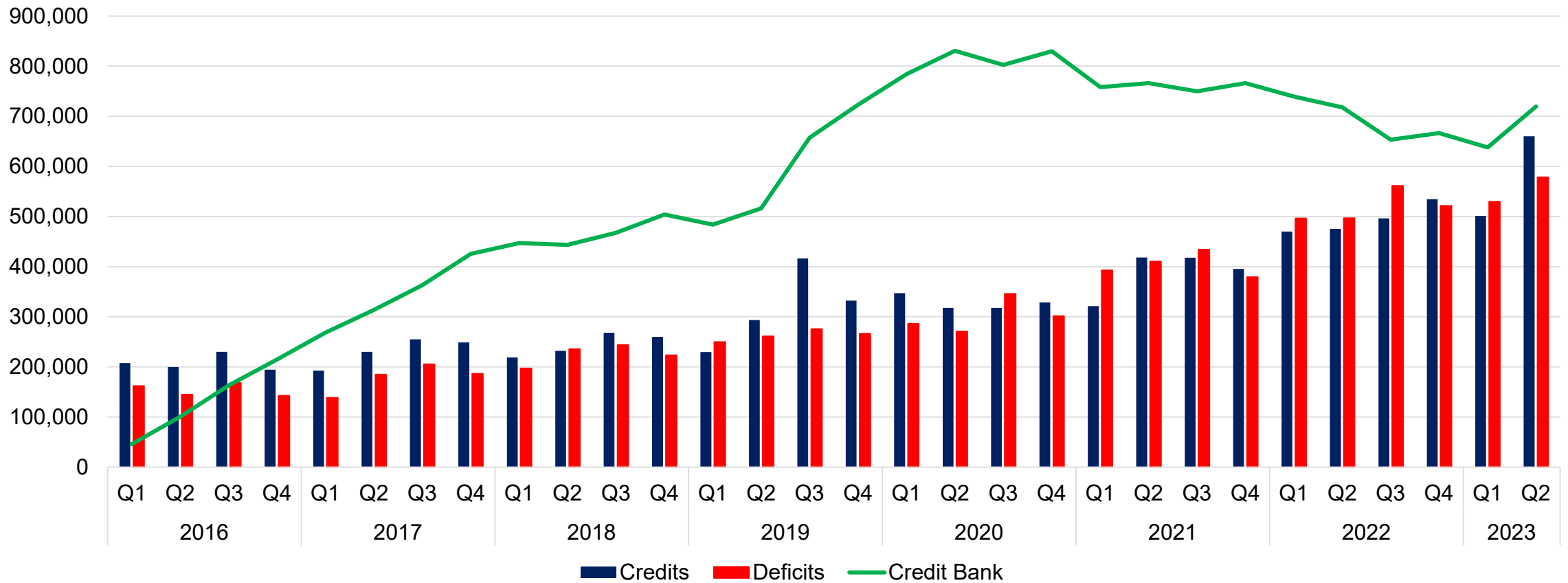


Where we are in the Clean Fuels Program



Where we are in the Clean Fuels Program

Credits and Deficits



Past rulemakings

- 2015, 2016 – Main program rule adoption, error correction rulemaking
- 2017 – Cost containment rulemaking, with updates to electricity, reporting, and other rules
- 2018 – Rulemaking to adopt OR-GREET 3.0 and other housekeeping updates
- 2020 – Rulemaking with the GHG Reporting Program to add the Third Party Verification Program
- 2021 – Electricity Rulemaking
- 2022 – Program expansion rulemaking to adopt 2026-2035 targets

2024 Rulemaking: Scope and Timeline

- This rulemaking is focused on:
 - Updating OR-GREET in concert with the updates to the CA-GREET model
 - Adding fuel pathway applications and electricity transactions in quarterly reports to the scope of Third Party Verification
 - Updates to rules around Carbon Capture and Sequestration projects
 - Other updates to clarify or improve program rules following the implementation of the 2022 rulemaking

2024 Rulemaking: Scope and Timeline

- DEQ plans to appoint a Rulemaking Advisory Committee (RAC) in the next two months and have two or three RAC meetings from March through May or June.
- The Notice of Proposed Rulemaking is planned for public notice this summer.
- EQC consideration of this rulemaking is planned for this fall or winter.
- Any quick questions?

Oregon Clean Fuels Program (CFP) OR-GREET

- The CFP uses a “well to wheel” life cycle assessment (LCA) approach to calculate the carbon intensity (CI) of liquid transportation fuels.
- CI is expressed in terms of grams of CO₂ equivalent per megajoule (gCO₂e/MJ).
- The OR-GREET model is a modified version of the Argonne GREET1 model to reflect Oregon specific fuel pathways.
- Tier 1 calculators mostly use emissions factors and inputs obtained from the OR-GREET model.

OR-GREET 4.0 Model Updates

- Argonne GREET1 2022 model
- EPA Emissions and Generation Resources Integrated Database (eGRID) for 2021
- Oil Production Greenhouse Gas Emissions Estimator (OPGEE3.0b) for 2015 baseline crudes to generate 2022 crude CI values
- Emission FACtor (EMFAC2021)
- 100-year GWPs (AR4) (CO_2 :1, CH_4 : 25, N_2O : 298)
- Other: overall layout, tailpipe emissions, tallow and UCO rendering emissions

OR-GREET 4.0 Model Updates – Request for Feedback

- Argonne GREET1 2022 model – verify if the results are consistent with expectations and if they align with industry benchmarks.
- EPA Emissions and Generation Resources Integrated Database (eGRID) for 2021 – completeness, any discrepancies
- Oil Production Greenhouse Gas Emissions Estimator (OPGEE3.0b) for 2015 baseline crudes to generate 2022 crude CI values
- Emission FACtor (EMFAC2021) – applicability
- Rendering emissions factors – verify that the results are consistent with industry

OR-GREET Model Update Implementation Timeline

Proposed Jan. 1, 2026, with a transition period

- Rulemaking in 2024, EQC approval in late 2024
 - Estimated Oct./Nov. past verification deadline and Jan. 1, 2025, FPCs issued from the 2023 compliance period updates.
- Transition period: By Aug. 31, 2025, new calculators must be submitted along with a previous version for 2024 compliance period verification and modification for Jan. 1, 2026.

OR-GREET Model Update Implementation Timeline – Request for Feedback

Proposed Jan. 1, 2026, with a transition period

- How do the proposed changes will impact interested parties?
- Adequate transition period?
- Concerns or issues?

Questions?

Please put your questions in the meeting chat or raise your hand. We'll focus on clarifying questions here and take more general comments at the end.

Validation requirement for CFP fuel pathways

- Validation requirement for Oregon CFP fuel pathways
- Validation process - overview
 1. Applicant designates verification body (VB) in fuel pathway application
 2. Conflict of Interest (COI) and other verification body processes must occur (with the Clean Fuels Program Third Party Verification program)
 3. Post application materials review, CFP staff **provide *draft staff summary with boilerplate operating conditions (OCs)*** for the fuel pathway applicant and VB.

Validation of Fuel Pathways Process

– Request for Feedback

- Validation process for CFP fuel pathway approvals
- Validation application process, post-material review, etc.
- Verification body process effectiveness, transparency, and accessibility
- Suggestions for procedural improvements or more information needed
- Boilerplate OCs: clarity and transparency
- Implementation timeline
- Other

Questions?

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Fuel Pathways with CCS Project Credits

- Under the Oregon Clean Fuels Program rule 340-253-0400(5)(b)(I) interested parties may submit a tier two fuel pathway application for tier 1 fuels using innovative methods, including but not limited to carbon capture and sequestration (CCS).
- Pathway holders with CCS must submit annual reports on emissions, operations, and monitoring, in accordance with OAR 340-253-0450(9)(e)(E).

Fuel Pathways with CCS Third Party Verification

- Verify project boundaries using documentation and maps
- Confirm location of monitoring and measurement equipment
- Verify data reported in
 - CCS project monthly injection volume reporting, quarterly reports, annual reports, as well as
 - raw data, and
 - other data such as simulation and modeling files and seismic surveys, as requested.
- Verify CCS project risk rating, data and calculations required for determining the CFP CCS Reserve Account contribution.
- Review and verify any other requirements specified in the fuel pathway holders staff summary operating conditions.

CCS Reserve Account

- **Function:** Set aside credits into a DEQ-controlled account that can be used in case there is a failure associated with CCS project used in fuel pathways. These credits would not be available in the credit market.
- **Credits set aside:** A percentage calculated based on the risk assessment score determined upon initial approval and updated each year.
- **Adjustments to the set aside:** Effective by January of the following year.
- **Notification:** Fuel pathway holders must notify DEQ immediately of any changes to the risk assessment factors and the project.
- **Length of set aside:** When and how should credits in the reserve account be invalidated or released from the reserve account.

CCS Reserve Account – Request for Feedback

- **Credits set aside:** Annual evaluation and flexibility of the system to adapt to changing circumstances.
- **Adjustments:** Timeliness of adjustments becoming effective by January of the following year.
- **Remittance:** Operational impact of the credits retainment timeframe.
- Other procedural changes, adjustments to timeframes, or any other recommendations.

Questions?

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Verification: Electricity Transactions

- In this rulemaking, DEQ is planning to propose expanding the scope of our Third Party Verification program to non-residential electricity transactions.
- Electricity transactions now generate more credits than other sectors required to go through verification, such as renewable natural gas and propane, and this amount is expected to grow in future years.
- That would require electricity reporting entities that are over the threshold to:
 - Establish a monitoring plan
 - Hire a third party verifier
 - Have their reported electricity transactions verified by August 31st

Verification: Electricity Transactions

- Third-Party Verification applies to reporting entities that:
 - Exceed a threshold of 6,000 Credits and Deficits generated in a year; and
 - Have transactions that are subject to verification.
- DEQ would add electricity transactions to the list of transactions subject to verification. We are also considering modifying the 6,000 credit and deficit threshold to exclude residential charging credits as those are calculate and issued by DEQ.
 - For example, if a utility has 5,000 residential charging credits in a year and 2,000 credits from non-residential charging, DEQ would only look at the 2,000 non-residential credits when deciding if the utility needed to go through Third Party Verification based on the 6,000 credit and deficit threshold.
- The current threshold is any reporting entity generating over 6,000 credits and deficits in a year, which would pull in at least five electricity-only entities based on 2022 and partial 2023 data.

Verification: Electricity Transactions

- Considerations for this provision include:
 - What is different in the scope of verification for these transactions?
 - What does a site visit look like for electricity reporting?
 - Are there any special considerations for aggregators that need to be verified?
 - Do we need additional details for the monitoring plans for electricity reporting?
 - Should there be a different threshold for requiring verification here than with other quarterly reports?
 - Should DEQ exclude residential EV credits from the threshold to determine if an electricity reporting entity is subject to Third Party Verification?

Questions?

Please put your questions in the meeting chat or raise your hand. We'll focus on clarifying questions here and take more general comments at the end.

Comment and next steps

- Please send your written comments via email to CFP.2024@DEQ.oregon.gov by **5 PM Pacific on Friday, Feb. 16, 2024.**
- RAC 1: Tentatively scheduled for Wednesday, March 20, 2024.

Contacts

For non-rulemaking questions:
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