



Oregon Clean Fuels Program

2024 Rulemaking

Rulemaking Advisory Committee Meeting #2

Oregon Department of Environmental Quality

Office of Greenhouse Gas Programs

August 14th, 2024

Agenda

- Welcome and DEQ introductions
- Review and discussion of the main proposed rule changes
- Break for lunch
- Review and discuss Fiscal and Economic Impact, Racial Equity, and Environmental Justice statements

Meeting Format

- DEQ will present on the draft rules and statements
- Questions and discussion will be invited at the end of each topic in the presentation
- RAC members will be prioritized for questions and discussion
- DEQ will take more general public comments at the end of the meeting. Prior to that, please try to keep comments and questions on topic.

Instructions for Questions and Comments

To 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.**



2024 Rulemaking

- Draft rules and the statements are posted to our rulemaking page:
<https://www.oregon.gov/deq/rulemaking/Pages/cfp2024.aspx>
- This is the last RAC meeting for this rulemaking, DEQ plans to issue it for the formal public comment period in late September/October.

Recapping the main topics for this rulemaking

- Updating OR-GREET
- CCS Reserve Account
- Third Party Verification: Validation and electricity reporting
- High-risk feedstock attestations
- Other minor rule updates and clarifications

OR-GREET

- DEQ is currently considering the comments that we received from our draft OR-GREET models, and is reviewing the recently posted updates to the CA-GREET model and calculators.
- DEQ plans to update the OR-GREET calculators prior to issuing the notice of proposed rulemaking, but does not have updated models at this point. We do not believe the updates will have a significant effect on the resulting CIs.

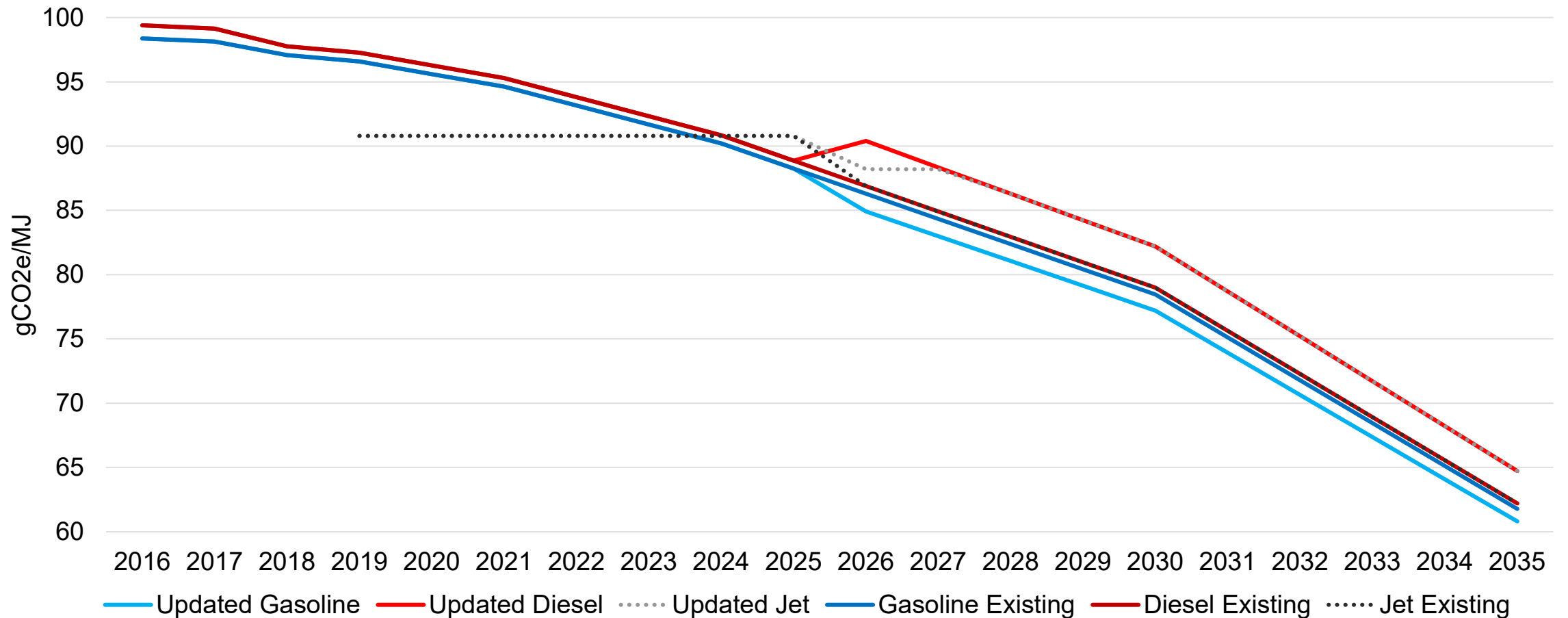
OR-GREET Transition

- Changes to lookup table values and to the targets because of the updated baselines will take effect in 2026
- The 2025 Annual Fuel Pathway Reporting cycle will be used to transition certified fuel pathway codes for 2026 reporting
- The 2025 Annual Fuel Pathway reports covering 2023-2024 data will be required to contain both 3.0 and 4.0 calculators
 - 3.0 calculator will be used for confirming compliance with the certified CI
 - 4.0 calculator will be used for issuing new FPCs for 2026 once verification for that year is complete

OR-GREET Transition

- After the effective date of this rulemaking, DEQ will not accept new applications using OR-GREET 3.0
- We will only accept recertification applications using a CA-GREET 3.0 calculator until March 2025 so we can prioritize working on the transition to 4.0

What the new baselines mean for the standards



Updates to lookup table values

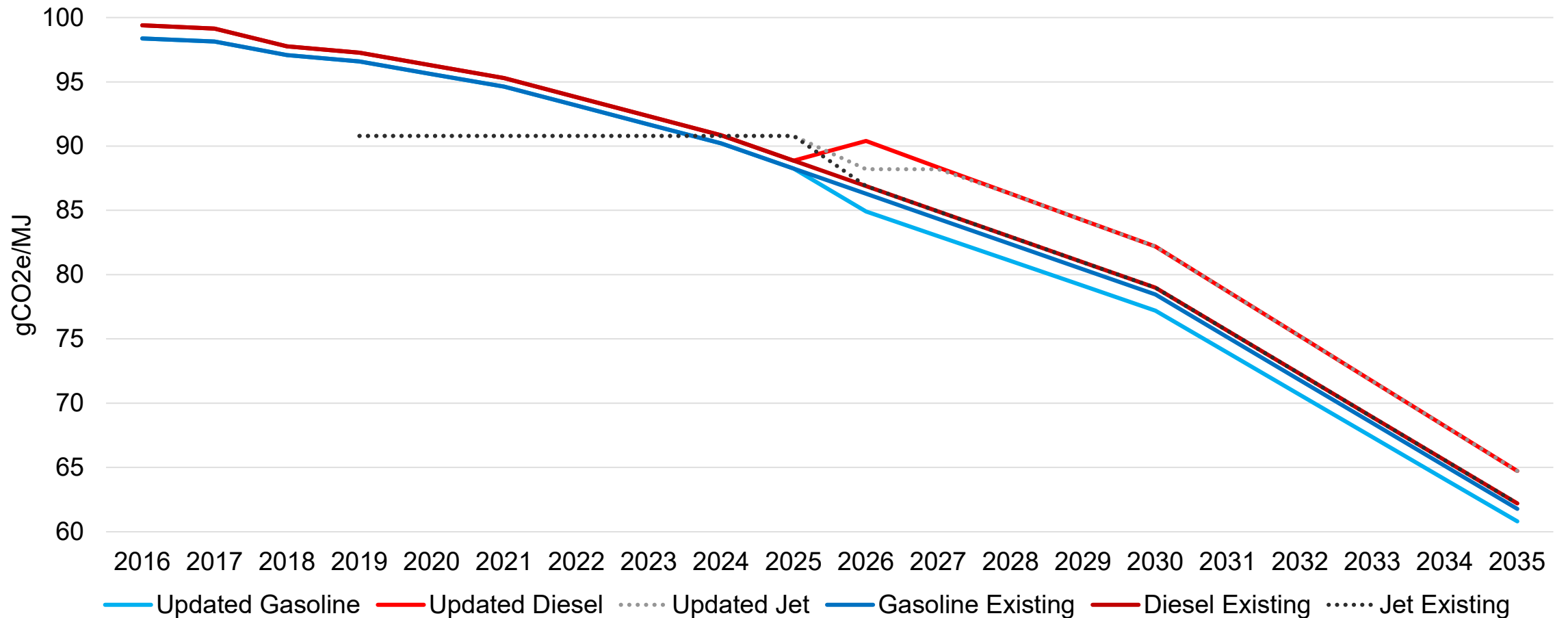
Fuel Name	FPC	Description	OR-GREET4.0 Draft CI (gCO ₂ e/MJ)	Existing CI
Gasoline	ORGAS001	Conventional gasoline - based on a weighted average of gasoline supplied to Oregon	98.12	100.14
E10 Gasoline	ORGAS002	Blended Gasoline (E10) - 90% conventional gasoline and 10% corn ethanol based on Midwest average. For use in reporting imports where the specific ethanol in the blend is not known by the importer and for subsequent transactions of that same fuel.	96.50	98.06
Diesel	ORULSD001	Ultra-low sulfur diesel, based on a weighted average of diesel fuel supplied to Oregon	104.92	101.74
B5 Diesel	ORULSD002	Blended ULSD (B5) - based on 95% ULSD and 5% soybean biodiesel. For use in reporting imports where the specific biodiesel in the blend is not known by the importer and for subsequent transactions of the same fuel.	102.73	98.74
B20 Diesel	ORULSD003	Blended ULSD (B20) - based on 80% clear ULSD and 20% soybean biodiesel. For use in reporting imports where the specific biodiesel in the blend is not known by the importer and for subsequent transactions of the same fuel.	96.06	92.68
Compressed Natural Gas	ORCNG001	North American Natural Gas delivered via pipeline; compressed in Oregon	81.89	79.98
Liquified Petroleum Gases (Propane)	ORLPG001	Fossil liquefied petroleum gas	81.69	80.88

Updates to Baselines

- This table presents the updated baseline CIs for the gasoline, diesel, and alternative jet fuel standards

Baseline description	Updated baseline CI (gCO ₂ e/MJ)	Current baseline CI
Gasoline standard – based on the CI of E10 gasoline using Conventional Blendstock for Oxygenate blending (98.12 gCO ₂ e/MJ) and 2015 Midwest corn ethanol (69.89 gCO ₂ e/MJ)	96.50	98.06
Diesel standard – based on the CI of B5 diesel using Ultra-Low Sulfur Diesel (104.92gCO ₂ e/MJ) and 2015 Midwest soybean biodiesel (58.28gCO ₂ e/MJ)	102.73	98.74
Alternative Jet Fuel Standard – based on the CI of fossil jet fuel (88.21 gCO ₂ e/MJ)	88.21	90.97

What the new baselines mean for the standards



Other OR-GREET changes

- Hydrogen becomes a tier 1 fuel, lookup table values for hydrogen are dropped
- Updating upstream crude oil emissions based on 2015 WA crude slate using updated OPGEE values
- Updates to tailpipe emissions factors for diesel engines based on in-use testing incorporated into EMFACT – emissions testing was not fuel-type specific
- Updates to temporary and substitute pathway tables

Attestations for feedstock suppliers

- For specified source feedstocks, requires that attestations are kept along the supply chain for those feedstocks that they are legitimately what they claim to be.
- For example, for an international used cooking oil feedstock, attestations must be kept from the first point of collection to the fuel production facility.

Public comment for Tier 2 pathways

- DEQ will put out Tier 2 pathway applications for 14 days of public comment, matching the number of days that California puts theirs out for
- This will not apply to recertification pathways that have already gone through public comment in California

Third Party Verification: Electricity

- Final proposal is largely the same as was presented in RAC #1: the verification exemption for electricity reporting will be deleted and anyone whose reporting generates over 6,000 credit and deficits, excluding residential EV credits, will need to be verified.
- Site visits for aggregators to the underlying credit generators will be left to the discretion of the verifier.

Third Party Verification: Validation

- Validation of fuel pathway applications will be required once the rulemaking goes into effect, existing pathway applications will still be processed.
- This requirement only applies to original applications to Oregon, recertification applications can either use their validation statement or the most recent annual fuel pathway report's verification statement.

DEQ requested correction process

- Adds more formal process for DEQ requesting corrections from reporting entities when the agency has good cause to believe they are warranted
- Gives reporting entity time to respond if they think corrections are not warranted
- Failure to respond becomes a grounds for the Authority to Suspend, Revoke, or Modify

Reserve Account for CCS projects

- Creates DEQ-controlled reserve account to protect the environmental integrity of credits issued for CCS projects against an unintentional reversal of the CO₂ storage
- Same risk-based methodology for contribution as CARB's CCS protocol
- Credits would be generated and deposited into the account annually

Lunch Break

- Back at XX:XX

Review of the draft statements

- The next slides summarize the draft statements posted on our rulemaking webpage
- We'll review them in the following order:
 - Fiscal and Economic Impact statement
 - Racial Equity statement
 - Environmental Justice statement

The RAC's charge under the APA

- Under Oregon's APA, the RAC is charged with reviewing the three statements and providing recommendations on:
 - The impact of the draft rules
 - The extent of those impacts
 - Any significant adverse impacts on small businesses
 - And how DEQ can mitigate the impact of the proposed rules
- DEQ then documents and considers that input, and may revise the proposed rules based on the committee's comments

Scope of the analysis for these statements

- The fiscal and economic, racial equity, and environmental justice statements all analyze the effects of the proposed rules in this rulemaking. That means that they do not reconsider the full effect of the Clean Fuels Program, but just the proposed changes that we're making in this rulemaking.

FEIS: OR-GREET Updates

- DEQ's analysis is that the updates to the OR-GREET model will have a mix of impacts on different fuel producers, depending on the updates to the simplified calculator that they use. Some will see positive fiscal impacts from the changes, some will see negative fiscal impacts, depending on if their CI score increases or decreases.

FEIS: OR-GREET updates

- Administrative costs are minimized to an extent by having producers submit the 4.0 models in their AFPRs
- DEQ estimates that the administrative cost of filling out and correcting the 4.0 model in an AFPR is likely several thousand dollars per producer
- For new pathway applicants, DEQ does not believe the updated model increases their costs except for hydrogen producers, which now need to submit a Tier 1 application

FEIS: OR-GREET updates

- Changes to the standards and baselines will have some minor to moderate fiscal impacts, the below is calculated for 2026 when the changes to the standards will take place

	Proposed OR-GREET 4.0 values			Existing Values from OR-GREET 3.0			Change		
	\$30	\$75	\$140	\$30	\$75	\$140	\$30	\$75	\$140
\$/Credit									
E10	4.11¢	10.28¢	19.19¢	4.18¢	10.45¢	19.51¢	-0.07¢	-0.17¢	-0.31¢
B5	4.85¢	12.13¢	22.63¢	4.77¢	11.91¢	22.24¢	0.08¢	0.21¢	0.39¢
Gasoline	4.85¢	12.13¢	22.63¢	5.09¢	12.72¢	23.75¢	-0.24¢	-0.60¢	-1.11¢
Diesel	5.86¢	14.64¢	27.34¢	5.59¢	13.97¢	26.08¢	0.27¢	0.68¢	1.26¢

FEIS: OR-GREET Updates

- The effects of the updates on fuel importers, including those that are small businesses will be mixed and dependent on what fuels the company imports and how they respond to the program over time (eg, if they're planning to import more renewable diesel in the future)
- The effect on the public will also depend on the fuels they purchase

FEIS: Validation and Verification

- DEQ estimates that the annual costs of validation for pathways and verification of quarterly reporting varies from about \$20,000-82,000. Based on a survey, California estimated costs for electricity verification at \$0.006/KWh reported.
- For companies that do not currently undergo verification, these are new costs.

FEIS: Feedstock attestations

- DEQ estimates that the administrative costs of recording, keeping, and managing the new feedstock attestation requirements for specified source feedstocks at several thousand dollars per entity required to keep them

FEIS: CCS Reserve Account

- The number of credits being put aside will depend based on the risk-based methodology and ranges between 8-16.5% of the credits attributable to the CCS project.
- The cost to the CCS project operator/fuel pathway holder is those forgone credits times the credit price when they would have monetized them.
- However, but for the proposed creation of the reserve, if there was future leakage from the CCS storage reservoir they would have been responsible for the costs of replacing the credits, so this insurance mechanism avoids that cost for them.

FEIS: Other updates

- The other updates to the rules are largely clarifying existing requirements, better defining processes around corrections and fuel transfer reconciliation, and creating an attestation system for specified source feedstocks. The clarifications and better defining processes should not create additional costs for regulated parties.

FEIS: Small businesses

- As defined in the APA, a “small business” means a corporation, partnership, sole proprietorship or other legal entity formed for the purpose of making a profit, which is independently owned and operated from all other businesses and which has 50 or fewer employees.
- DEQ conservatively estimates that about 5% of our program participants are small businesses, or about 20-30 companies. This analysis is complicated by the number of out of state companies in the program.
- DEQ believes the cost estimates in the prior slides apply to small businesses like they apply to larger companies.

Discussion

- Comments on proposed fiscal impacts for regulated entities?
- Do the proposed rule amendments have a significant adverse impact on small businesses?
 - Anything additional that DEQ could consider to mitigate any such impacts?
- Anything else DEQ should consider to mitigate any other potential fiscal impacts?

Racial Equity Statement

- Communities that are adjacent to or near transportation facilities and corridors are disproportionately impacted by those emissions and are generally lower-income and have a higher percentage of Black, indigenous, and other peoples of color. These communities have been historically overburdened by transportation emissions.
- DEQ's review of the overall effect of the program in our 2022 rulemaking showed that the program will have modest but positive effects on racial equity by reducing road transportation emissions. DEQ does not believe anything in this rulemaking creates any material changes to the results of that analysis given the limited scope of this rulemaking.

Environmental Justice Statement

- In our 2022 rulemaking, DEQ analyzed the effects of the program over time on racial equity and used environmental justice communities in part as a proxy for racial equity effects of the program.
- DEQ's review of the overall effect of the CFP as part of expanding the targets showed that the program will have modest but positive effects on environmental justice communities by reducing road transportation emissions. DEQ does not believe anything in this rulemaking creates any material changes to the results of that analysis given the limited scope of this rulemaking.

Discussion

- Comments on proposed racial equity and environmental justice statements?
- Do you think DEQ missed anything in the assessment of the proposed rule amendments' impacts on either?
 - Are there any ways DEQ could improve these assessments?
 - Anything additional that DEQ could consider to mitigate any such impacts if any are identified?

Any other questions or discussion?

- Please raise your hand and we'll call on you, or ask your question in the chat.

General Public Comment

- Please raise your hand and we'll call on you.

DEQ will be taking written comments on this rulemaking and the statements presented today via email to CFP.2024@DEQ.oregon.gov. Please submit those comments by 5 PM Pacific on Wednesday, August 28th, 2024.