Rulemaking Advisory Committee Meeting #2

Clean Fuels Program – 2026/2027 Rulemaking

Bill Peters and Courtney Herbolsheimer
June 10, 2026, 9 a.m. – Noon
Held virtually via Zoom

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  - For RAC members, please **keep yourself on mute** when not speaking. To mute and unmute, either select microphone icon, or use your personal phone.
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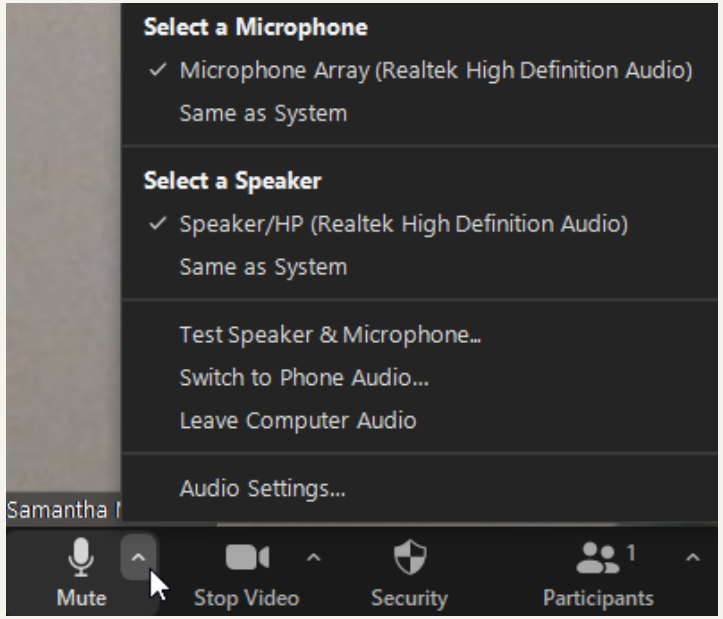

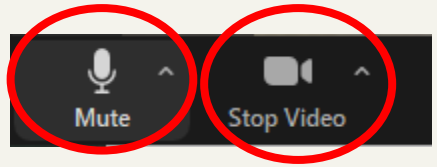

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Meeting Guidelines

Fully participate in meetings

Come prepared for meetings

Participate in an open and mutually respectful way

Balance of speaking time

Serve as a liaison to your larger community of interest

Act in good faith

Agenda – all times are approximate

- 9 a.m. Welcome and meeting setup
- 9:05 a.m. DEQ presentation on transportation electrification topics
  - Spending requirements for residential credit revenue
  - Potential updates to electricity crediting
  - Renewable electricity verification proposal
- 10:30 a.m. Break
- 11:45 a.m. Public comment
- 12 p.m. Next steps and meeting adjournment

Electricity proposals

- Residential credit revenue
  - Requirement to spend on transportation electrification
  - Proposed tiered requirements for larger utilities
  - Design of requirements and threshold
- Updating light duty EERs
- Time-limited full benefit crediting option for residential charging
- Renewable electricity verification option

Direction from EO 25-29

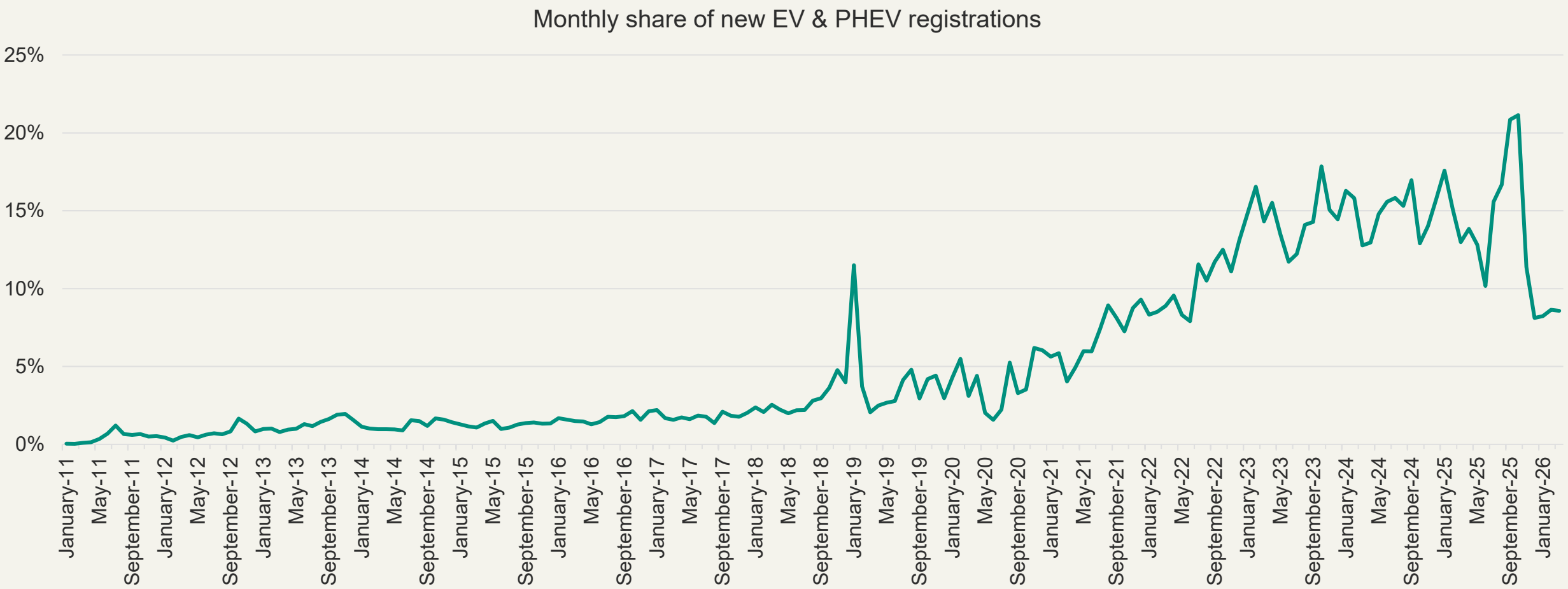
- Update Oregon's Clean Fuels Program rules to strengthen the low-carbon fuels standard by establishing new carbon intensity reduction targets of at least 50% by 2040.

- Propose program amendments aimed at advancing transportation electrification in a strategic and cost-effective manner that support affordable and reliable energy for Oregonians.

The problem of gasoline

- The average age of light-duty vehicles in the Oregon fleet hovers around 13-14 years
- A drop-in biofuel replacement for gasoline that can be produced affordably does not appear to be on the horizon
- That means the gasoline vehicles being sold this year, on average, will still need reliable fuel supplies in 2040 and most of those gallons will likely be fossil gasoline

EV and PHEV sales have dipped



Data from Oregon DOT

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Higher sales share needed for deeper targets

- This will be clearer once we have preliminary results from the modeling work with UC Davis, but we are modeling multiple EV sales scenarios (low, high, delayed return to the Advanced Clean Cars and Advanced Clean Trucks targets)

- Given the problem of gasoline, the longer it takes to reach high EV penetrations in the Oregon fleet, the more difficult it will be to deep reduction targets

Affordability in context

- The relative fuel island of the west coast means that Oregon has more expensive gasoline than most of the rest of the country, and EIA forecasts the Iranian conflict to keep gasoline and diesel prices elevated through next year even if the Strait of Hormuz is reopened in Q3

- Even with recent electric rate increases, electricity is about a third as expensive as gasoline per mile when charging at home and is still cheaper when charging more expensive fast chargers

- While EVs have gotten close to cost parity, the upfront purchase cost of new and used EVs are still a significant barrier to unlocking those cheaper fuel costs

Light-duty transition

- At this point, Electric Vehicles (EVs) and Plug-in Hybrids (PHEV) present the clearest case for an affordable transition to low-carbon transportation in the light-duty sector

- Since the start of the program, most EV charging has occurred at residences and the value of the credits has supported the general EV ecosystem, but only in limited cases have they directly supported the Oregonians responsible for those credits being generated

A brief view back to the past

- Electric utilities with a backstop aggregator were selected as the recipient of home-charging credits in the 2016-17 rulemaking as they were judged to be in a good position to support their ratepayers in making the transition to electric
- In 2021, we added reporting requirements on the revenue they receive from credit sales
- Residential credits are now worth around $25-30 million per year depending on the credit price

Residential credit revenue proposal

- All credit revenue must be spent on transportation electrification

- For utilities that are larger in terms of the CFP, at least half of that revenue must be spent on incentives that go to individuals and small businesses to support the purchase of an EV

- Those incentives will help Oregonians afford EVs and directly share the value of the program with them

What projects should qualify as TE?

- For the definition of transportation electrification (TE) that we would add to the rules and to guide utility spending, we are looking for a definition that is clear and allows a variety of projects supporting electric vehicles

- In some cases, projects may support multiple purposes – for example, grid upgrades that support heavy-duty chargers at a business may also support other additional loads

Eligible projects types

- Targeted grid upgrades to support increased residential or commercial electricity demand due to EVs, or to support the deployment of public or fleet fast charging stations
- Providing free public charging
- Supporting the installation of charging at existing or new multi-family or commercial properties
- Deployment of public charging in low-income areas, or areas where the ability to charge at single and multi-family homes is limited
- Providing incentives for school districts, fleets, and others to purchase medium- and heavy-duty electric vehicles

Discussion/feedback on how to define TE

- How should we define transportation electrification?
- How do we handle projects that have multiple purposes?
- Are there existing definitions in Oregon or other LCFS jurisdictions we should look to?

Customer-focused EV incentives

- For the larger utilities in the program in terms of the residential credits they receive, we would require at least half of the revenue to go towards incentives that directly support the purchase of an EV via vehicle rebates and/or rebates for home charging (potentially including home panel upgrades)

- This proposed requirement raises the question of how we draw the line between the larger and smaller utilities

Where do we draw the line?

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Or should it be revenue based?

- If the utilities sold last year's residential credits at $100 :
  - 18 utilities received over $100,000
  - 13 utilities received over $250,000
  - 4 utilities received over $500,000
  - 3 utilities received over $1,500,000

Discussion on customer focused incentives

- Are we targeting the right areas for the proposed rebate categories?
- Is at least half of the residential revenue the right target for incentives?
- Do those categories provide sufficient flexibility for different needs in different utility territories?
- Where, and how, would you draw the line between larger and smaller utilities?
- What additional clarity is needed?

How do we help serve all communities?

- For all the residential credit spending, we want to encourage a portion of the revenue be targeted to low- and moderate-income Oregonians and members of underserved communities

- We are using HB 2165's definition as a starting place: "Underserved communities" are residents of rental or multifamily housing, communities of color, communities experiencing lower incomes, tribal communities, rural communities, frontier communities, coastal communities, and other communities adversely harmed by environmental and health hazards

Discussion questions

- Some questions that we are working through on this issue:
  - In crafting requirements to encourage that type of spending, is the "underserved community" definition used by the investor-owned utilities under HB 2165 (2021 Legislature) workable more broadly around the state?
  - What is the right proportion of spending to dedicate to these customers and communities? Should it be graduated by the utility size or class?
  - Are there other mechanisms where we can support addressing disproportionate impacts and environmental justice through utility spending?

Putting credit revenues to work

- As part of our spending requirements package, we are also looking to require a faster turnaround between residential credit sales and spending
- We are proposing that at least half of credit revenues should be spent within a year
- From conversations with utilities, we understand there are budgeting challenges and a preference to reserve some funds for future program years

Spending questions & discussion

- How quickly can we expect the utilities to spend revenue once they sell credits?
- Should we have a different set of requirement for the utilities receiving relatively small numbers of credits?
- Given the spending requirements being proposed here, what accounting guidelines would be useful for us to provide to utilities?

Possible spending reporting changes

- Currently, utilities are required to submit an annual report to DEQ outlining how they spend their revenue from residential credits
- Utility reports are then posted publicly on DEQ's website, but there are not currently any formatting or other requirements for the reports
- If DEQ implements new spending requirements on residential credit revenue, we will need to be able to track that spending and confirm the revenue is being used appropriately while not creating overly burdensome reporting for utilities

Possible spending reporting changes

- DEQ is considering aligning our reporting process with California and Washington, where entities are required to submit annual reports each year with itemized summaries of their spending
- California and Washington both have templates for entities to complete with the required information, including:
  - Total number of electricity credits carried over from previous calendar year.
  - Total number of electricity credits issued during the calendar year.
  - Total number of electricity credits sold or transferred during the calendar year.
  - Total number of electricity credits carried over to the next calendar year.
  - Proceeds carried over from electricity credits sold in the previous calendar year.
  - Proceeds resulting from electricity credits sold during the current calendar year.
  - Total electricity credit proceeds spent during the current calendar year.
  - Electricity credit proceeds carried over to the next calendar year.
  - A brief description and breakdown of electricity credit proceeds used during the calendar year to implement individual projects or programs to benefit EV drivers and customers and to promote transportation electrification. For Washington this includes project activities, beneficiaries, community engagement, etc.

Discussion on possible reporting changes

- Would a standard template be helpful for you to have for annual utility spending reports?
- How can we streamline annual utility spending reports to ensure the new spending requirements are met?
- What would be the right way to account for administrative and overhead costs in utility reporting?

Break

- We’ll return at **10:50 a.m.**

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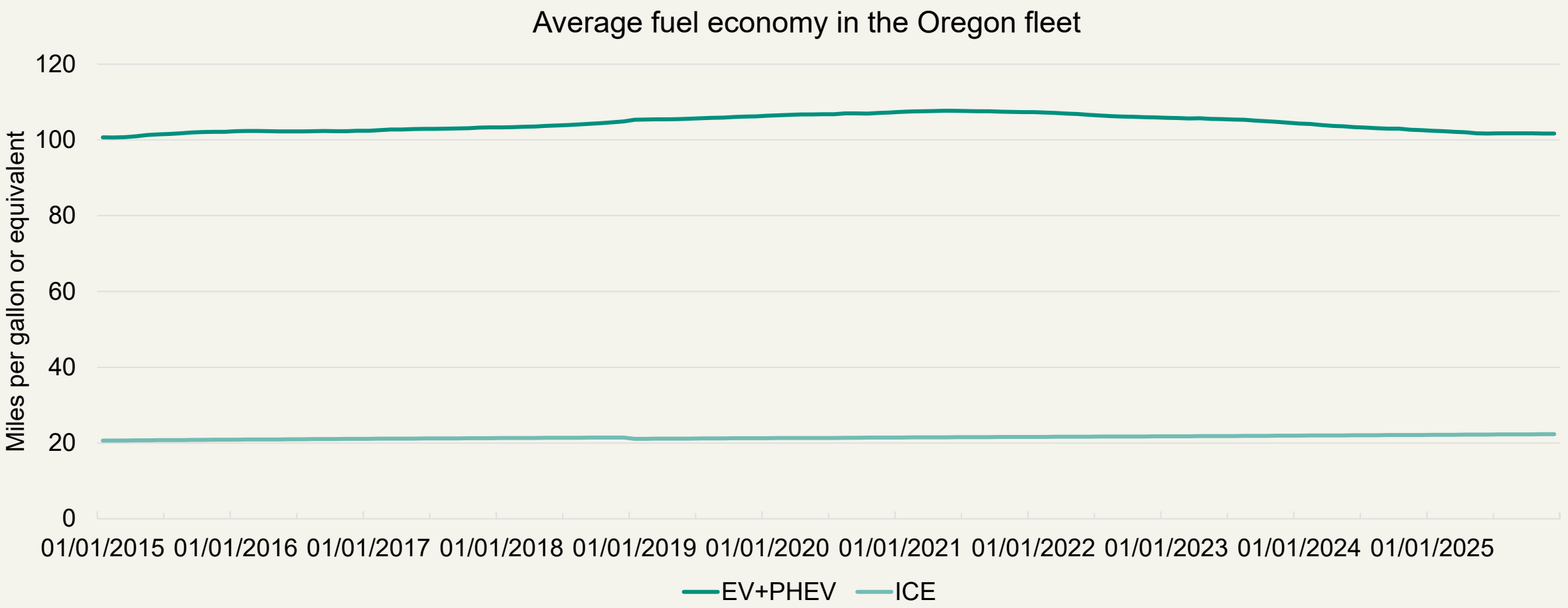
Why the Energy Economy Ratio (EER) is important

$$Credits = \left(Standard\ CI - \frac{Fuel\ CI}{\boldsymbol{Energy\ Economy\ Ratio}}\right) * Fuel\ dispensed * Energy\ Density * \boldsymbol{Energy\ Economy\ Ratio}$$

- The first appearance of the EER adjusts the fuel CI to reflect the carbon intensity per distance travelled
- The second appearance gives more efficient fuels credit for reducing energy use, and less efficient vehicles a penalty for increasing energy use

Reviewing the light duty EER



Data from Oregon DOT

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Moving to an EER from actual fleet data

- Based on the DMV data, there is a greater difference in the efficiency of EVs and ICE vehicles than the current EER assumes
- We get data from ODOT regularly on the fleet, proposing to review and update every two years

EV and PHEV MPGe	101.7
Gas and Diesel MPG	22.3
Draft EER Ratio	4.6

Questions and discussion on EER proposal

Baseline crediting concept

- Given the need to support light duty electrification in the near term in order to enable more significant reductions in the long-term, we are considering a time-limited boost to residential crediting

- All credits must represent real reductions under the statute, which prevents our program from issuing capacity or other bonus credits

How credits are currently calculated

- The number of credits a fuel generates declines with the standard each year, preserving the incentive for that fuel producer to get their carbon intensity as low as possible

- Through now, we have been able to use the number of credits generated as the GHG reduced, but as the targets increase the delta widens – for example, for 2024's reported data calculating using the standard versus the baseline fuel was about a 15% difference, or over 400,000 tons

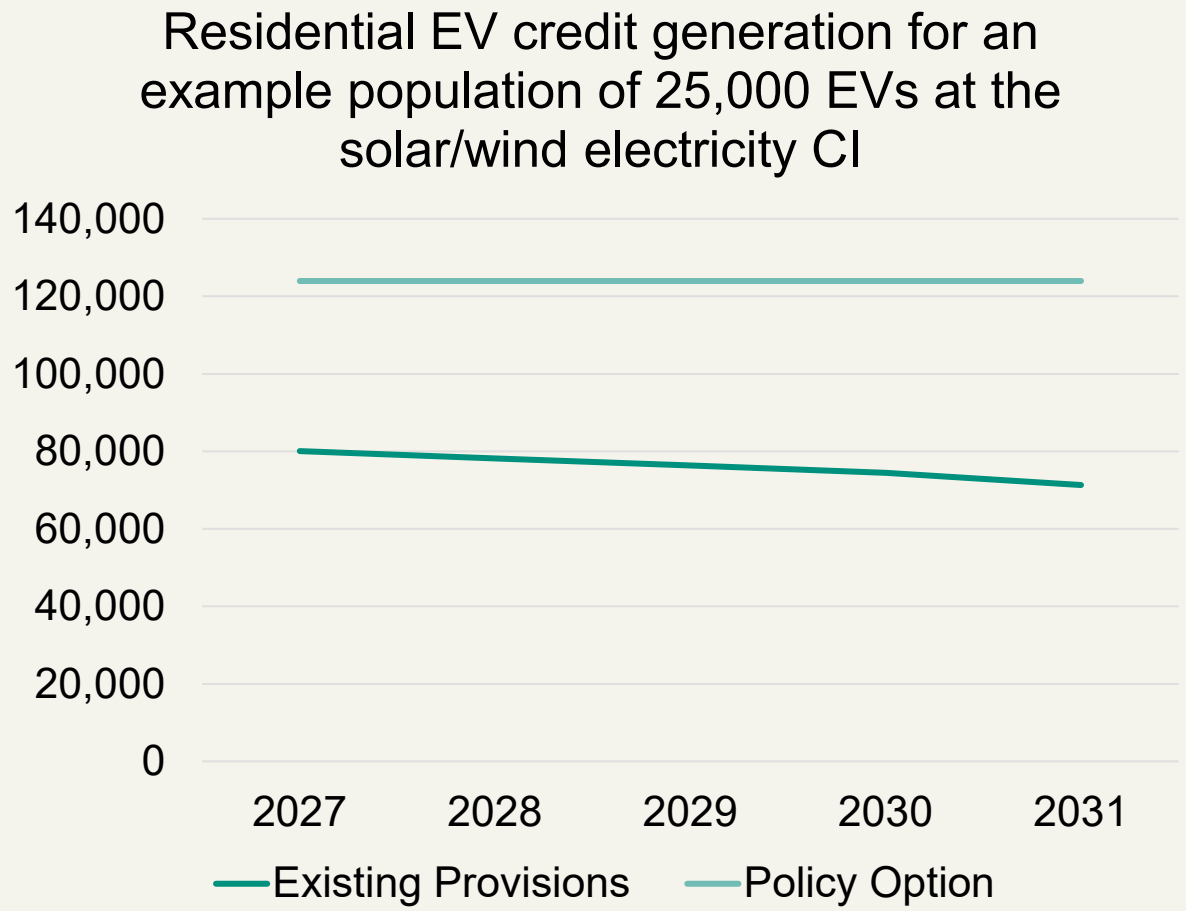
Crediting at the standard versus the baseline

- Crediting at the declining CI standard is an important tool in the program to create a clear signal to continually improve the carbon intensity of the fuels we use

- In electricity, there are other policies (coal phase-out, HB 2021, etc.) that are better able to control the carbon intensity of the fuel

Concept for consideration

- For five years, residential charging credits would be calculated against the gasoline baseline (96.50gCO2e/MJ) instead of the gasoline standard (82.99 to 73.92) for utilities that offer rebates



Questions and discussion on baseline concept

Renewable electricity and carbon accounting

- In 2021, DEQ adopted the use of renewable energy certificates (RECs) to match renewable electricity generation with EV charging
- To ensure the environmental integrity of those RECs, we required them to be certified under the Green-e standard
- Changes in broader electricity carbon accounting have created gaps between renewable electricity in the CFP and what can be qualified for certification under Green-e's standard
- DEQ is now considering how to verify the carbon integrity of RECs

Renewable electricity and carbon accounting

- DEQ is proposing a hybrid approach for verifying RECs:
  - RECs from facilities that are able to obtain Green-e certification can still do so
  - Otherwise, reporting entities can have their RECs reviewed through DEQ's Third Party Verification process with certain requirements

Third party verification for RECs

This process would include the following requirements:

- The generator's start date (when it starts delivering power to the grid) must be on or after January 1, 2016.
- The generator must be located in Oregon or a neighboring state
- The generator must be producing electricity via:
  - Solar
  - Wind
  - Geothermal
  - Small hydro
  - Biomass, biogas, or biofuels (would require a pathway application)
  - Hydrogen fuel cells (would require a pathway application)
  - Tidal or wave ocean energy

Third party verification for RECs

- The carbon attributes of the REC must be maintained, so the verifier can check to see if the underlying electricity was reported by a load serving entity in California or Washington and counted under that state's cap and invest program, or any other state's clean electricity policy
- This approach would require training verifiers to review RECs and determining how the program could support verifiers in reviewing the carbon attribution claims

Discussion Questions

- Can the existing verification bodies and verifiers take on this work?
- What areas or requirements need to be better defined?
- Does this proposal balance staff and verifier workloads by providing an incentive for additional renewable generation?
- Are there other protocols or standards that DEQ could reference around carbon attributes?
- Are there reasonably foreseeable updates to REC or other generation tracking systems that could take on the carbon attribute determination?

General Public Comment

- We will now take public comment on this rulemaking

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Next Steps

- Next RAC meeting will be in mid to late July

- Please submit written comments to CFP2026@deq.Oregon.gov by Friday, June 26. Comments received later will be read but may not be considered before the next RAC meeting.

Title VI and alternate formats

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