State of Oregon
DEQ Department of Environmental Quality

Clean Fuels Program 2026-2027 Rulemaking

Draft Fiscal Impact Statement

Introduction

This is the draft fiscal impact, environmental justice, and racial equity statements for this rulemaking as required under ORS 183.335 (2)(b)(E) and (F), 183.540 and ORS 182.545. DEQ invites input on these drafts as they pertain to the proposed rule amendments to chapter 340 of the Oregon Administrative Rules.

DEQ is requesting feedback and any additional data or information from members of the Rulemaking Advisory Committee and the public on:

- Whether the proposed rules would have a fiscal impact and the extent of that impact.
- Whether the rules will have a significant economic effect on businesses, and options the Environmental Quality Commission should consider for achieving the rules' substantive goals while reducing any negative impacts.
- Whether the proposed rules would have a significant adverse effect on small businesses, and if so, how might the Environmental Quality Commission reduce that impact, consistent with the public health and safety purpose of the proposed rules.
- Potential impacts on racial equity of the proposed rules.
- Potential environmental justice consideration of the proposed rules.

In order to describe the rulemaking and its amendments, DEQ is providing the draft statement of need for this rulemaking.

Draft statement of need

Expansion of Clean Fuels Program Targets

One of the primary goals of this rulemaking is to establish new carbon intensity reduction targets for the Clean Fuels Program through the year 2040. Extending the targets out to 2040 aligns with Governor Kotek's Executive Order 25-29 and Oregon's ambitious long-term carbon reduction goals. The new long-term targets will create greater certainty for investment in and deployment of low-, zero-, and potential future negative-carbon transportation fuels that are necessary to decarbonize Oregon's transportation sector.

DEQ is proposing to extend and increase the Clean Fuels Program standards to 50% below 2015 levels by 2040. The agency is considering two options for increasing the standards, which are both described below. DEQ will use comments received on this proposal to finalize its recommendation to the Environmental Quality Commission. Based on DEQ's review of the

comments and any new information it receives, it may propose a different set of targets as its final recommendation to the Environmental Quality Commission.

Option A:

Current CI targets	2027	2028	2029	2030	2031	2032	2033	2034	2035
% Reduction	14.0%	16.0%	18.0%	20.0%	23.4%	26.8%	30.2%	33.6%	37.0%
% Change year over year	2.0%	2.0%	2.0%	2.0%	3.4%	3.4%	3.4%	3.4%	3.4%

Proposed New CI targets	2036	2037	2038	2039	2040
% Reduction	39.6%	42.2%	44.8%	47.4%	50.0%
% Change year over year	2.6%	2.6%	2.6%	2.6%	2.6%

Option B:

Proposed New CI targets	2027 (No change)	2028	2029	2030	2031	2032	2033	2034	2035
% Reduction	14.0%	20%	25.0%	30.0%	32%	34%	36%	38%	40%
% Change year over year	2%	6%	5%	5%	2%	2%	2%	2%	2%

Proposed New CI targets	2036	2037	2038	2039	2040
% Reduction	42%	44%	46%	48%	50.0%
% Change year over year	2%	2%	2%	2%	2%

These targets are:

- consistent with Oregon's ambitious long-term carbon reduction goals and strategy;
- aligned with other low-carbon fuel standards on the West Coast; and
- achievable with multiple paths to compliance from different combinations of low-carbon fuels and set at a level that balances the need to incentivize continued improvements in all fuels while supporting the deployment of zero emission vehicles.

For both options, DEQ is using its professional judgment along with the results of the illustrative compliance scenario modeling it conducted with the Institute for Transportation Studies at the University of California, Davis based on models that had originally been developed for the California fleet and Low Carbon Fuel Standard and adapted to Oregon and the Clean Fuels Program. That modeling explored number of different possible compliance scenarios for the program to determine how the targets could be met.

The Transportation Transition Model (TTM) was used to project the future Oregon vehicle fleet based on different scenarios for electric vehicle adoption and the demand for fuel for those vehicles. There were four electric vehicle adoption scenarios:

- Business as usual (BAU), which kept electric vehicle sales at their current levels. – passenger car sales comprise 68% ICE, 23% HEV, 8% BEV, and 1% PHEV, while light trucks comprise 64% ICE, 22% HEV, 8% BEV, and 5% PHEV.
- DEQ Low, which reflects the lower bound of Oregon DEQ's projected clean vehicle adoption pathway based on a slower estimate of possible market adoption of EVs and PHEVs. Passenger car and light truck ZEV shares reach 34.0% and 28.0% by 2050 respectively. Across all heavy-duty segments, ZEV sales share converges to 25.0% by 2050, driven primarily by BEV, with conventional fuels retaining the majority of new sales across haul, vocational, delivery, and pickup segments.
- DEQ High, which represents the upper bound of Oregon DEQ's projected adoption pathway, based on a more optimistic estimate of potential market adoption of EVs and PHEVs. Passenger car ZEV share reaches 57.0% by 2050 with BEV at 52.0%, and light truck ZEV share reaches 47.0%. Heavy-duty ZEV sales share reaches 42.0% across all segments by 2050, with fuel cell vehicles contributing more meaningfully in long-haul, HD vocational, and HD pickup applications where energy intensity favors hydrogen.
- The ACC2 and ACT 5 Year Delay (ACC2 Delay) scenario, which reflects a delayed implementation trajectory relative to the original targets in the Advanced Clean Cars (ACC2) and Advanced Clean Trucks (ACT) regulations that are currently being litigated. This scenario was included in this modeling effort as the illustrative compliance scenario modeling for the 2022 targets rulemaking assumed on-time implementation of those two regulations and that automakers would meet their targets, so it is analytically useful for understanding the effects of reduced electrification in the vehicle fleet for the Clean Fuels Program. For the light-duty sector, ICE sales phase out entirely by 2040, five years behind the original California mandate with both passenger cars and light trucks reaching 100% ZEV sales share at that point. In the heavy-duty sector, all segments including long-haul, short-haul, MD and HD vocational, MD delivery, transit bus, and HD pickup reach 100% ZEV sales share by 2045.

Data from the TTM model was then used to populate the Fuel Portfolio Scenario Model (FPSM), which created the compliance scenarios for the Clean Fuels Program. That model was used to explore different trajectories for sales of low-carbon liquid fuels, improvements in carbon intensity among all the fuels, and to create forecasts of annual credit and deficit generation and the program’s credit bank.

The agency has chosen to use the DEQ High scenario for the estimates in this fiscal as it believes that scenario best represents the likely future given that it is in line with similar fleet forecasting included in modeling by other state and federal agencies in the EPA’s MOVES and CARB’s EMFACT models.

Based on that modeling and given the uncertainties around the use of renewable diesel in Oregon, the agency is proposing two options for the targets:

- Option A provides for a steadier pace of improvement and retains the current Clean Fuels Standard targets through 2035, with much of the progress towards the 50% target coming in the mid- to late-2030s.

- Option B would better accommodate the more rapid change we may see towards renewable diesel and biodiesel displacing fossil diesel in the next few years, and then provides for more moderate progress in the 2030s as the turnover of the vehicle fleet limits progress in fuels for the light duty fleet. Option B also better accommodates the moderately higher credit generation that will result from the transportation electrification proposals in this rulemaking.

DEQ remains charged with monitoring the status of the program on an ongoing basis, both as an ongoing duty provided in statute – ORS 468A.271(2) – and through the fuel supply forecast conducted by Oregon's Office of Economic Analysis in coordination with the Clean Fuels Program. The fuel supply forecast is an ongoing cost containment mechanism for the program because if it finds that there is not a sufficient supply of low-carbon fuels available to Oregon to meet the program's targets in the next year, then DEQ is charged with adjusting those targets so they are achievable through a forecast deferral. This limits the risk to regulated parties, fuel consumers, and the state if the targets set in this rulemaking are not achievable in a given year or years.

In addition to our ongoing efforts to monitor the program, the agency plans to update the illustrative compliance scenario modeling conducted for this rulemaking in 2031 in order to review the state's progress towards the targets set in this rulemaking and consider if adjustments are warranted. As illustrative compliance scenario modeling showed, we are limited in how far the program's targets can go in the late 2030s and 2040 by the remaining amounts of fossil gasoline that need to be supplied. Achieving higher EV sales such as those under the ACC2 and ACT 5 Year Delay scenario would allow the program to increase its 2040 targets to 60-65%.

Transportation Electrification

Executive Order 25-29 also directed Oregon DEQ and the EQC to increase strategic vehicle electrification in Oregon in a cost-effective and equitable way. Electrification of the vehicle fleet in Oregon will be necessary in order to achieve deeper decarbonization goals, and the other main policy goal of this rulemaking is to support electrification.

This rulemaking supports transportation electrification in a number of ways, including:

- Implementing targeted residential credit revenue spending requirements for utilities who opt in to receive residential credits on behalf of residents who charge their electric vehicles in their service territories. This will ensure that all credit revenue from residential charging is being directed toward transportation electrification.
- Increasing customer-focused incentives for Oregon residents to purchase new electric vehicles by directing utilities who receive over $500,000 of residential credit revenue for two out of three consecutive years to invest half of that revenue into customer focused incentives to help purchase electric vehicles, such as rebates for electric vehicles and charging equipment.

- Requiring that utilities regularly monetize their credits if they have more than 500 in their accounts for two years without selling any.
- Developing a new Clean Fuels Standard for electricity to boost credit generation for electric vehicle charging. That standard will be set at the carbon intensity of imported E10 gasoline for five years, from 2027-2031, and then will be set at the average of the gasoline and diesel standards for each year. Setting the standard in this way is intended to provide a boost to both the development of non-residential charging infrastructure (public charging, workplace charging, charging at multi-family dwellings) and electric utility programs designed to spur the adoption of more electric vehicles.
- Expanding the advance crediting program to allow private entities to generate advance credits for their medium- and heavy-duty chargers that are installed in Oregon.
- Updating the light-duty electric vehicle energy economy ratio to more accurately account for efficiencies in electric vehicle motors in the Oregon light-duty fleet versus the efficiencies of conventional vehicles.

Renewable Electricity Carbon Accounting

As part of this rulemaking, DEQ is responding to changes in broader electricity markets and policy around carbon accounting that have created gaps between the renewable electricity that the Clean Fuels Program is looking to incentivize and what can qualify for certification under Green-e's standard for the voluntary market.

The Clean Fuels Program is proposing a new verification pathway for renewable energy certificates to be claimed in the program in addition to the existing Green-e Certification. The proposal creates a system for verifying the carbon integrity of RECs without creating a significant additional burden on agency staff or verifiers by requiring an attestation from the renewable electricity generator/seller and requiring third party verification of RECs to ensure they are in compliance with the program.

Additional Technical Amendments

DEQ is proposing several other changes as part of this rulemaking that will make the program's rules clearer, more efficient, and more straightforward to implement for interested and regulated parties. These changes include the following:

- Expanding the margin of safety process to further protect fuel producers from going out of compliance if their pathways have increases in their carbon intensity over the average used to set them. The new changes would more clearly allow additions to the margin of safety outside the certification process for fuel pathway applications and Annual Fuel Pathway Reports.
- Updating the verification rules to modify the definition of qualified positive verification statements for the Clean Fuels Program to explicitly include understatements over 5% of the reported volumes for credit generating fuels and exempt use transactions. This would help avoid situations where reporting entities are issued an adverse verification

statement without the ability to fix the errors due to the CFP rules that exempt volumes and credit-generating fuels cannot be added after the reporting deadline.
- Updating the Clean Fuels Program deadlines rule to add that deadlines for quarterly reports, annual reports, annual fuel pathway reports, verification statements, or other reports due under the program may be extended due to outages of DEQ's IT systems.
- Clarifying CFP registration requirements for fuel supply equipment that Electric Vehicle Supply Equipment (EVSE) must be registered using a manufacturer issued hardware serial number except in very specific cases with approval from DEQ. This will significantly guard against the risk of double reporting in the program to ensure EVSEs are not registered more than once.

Statement of fiscal and economic impact

The Oregon Clean Fuels Program is a market-based regulatory approach to reducing carbon pollution from transportation fuels and promoting the commercialization of innovative low-carbon alternative fuels and vehicle technologies. 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 delivered to and used in Oregon.

The program allows for many strategies to be employed for meeting the clean fuel standards by 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 operation of the program and its credit market work to reduce compliance costs over time as the cheapest compliance options will generate more revenue from the program's credit market, encouraging their deployment and reducing the overall impact of the program over time.

Fiscal and economic impact

The Oregon Administrative Procedures Act at ORS 183.335(2)(b)(E) requires that the fiscal and economic impact statement estimates the economic effect that may result from "the adoption, amendment or repeal of the rule[.]" The agency is directed to "utilize available information to project any significant economic effect of that action[.]"

Thus, this fiscal and economic impact statement is limited to the impact of the proposed rule changes contained in this rulemaking; it does not fully reassess the existing CFP. The proposed rules involve the expansion of the carbon intensity reduction targets through 2040 and updates to numerous provisions of the CFP. Unless noted otherwise, all costs presented are in current dollars and do not account for future inflation. The fiscal and economic impacts of the proposed rule changes are described below:

- Target expansion
    - This proposed change would have the most significant fiscal and economic impact of this rulemaking as the program works to transition the state's fuels towards cleaner options. The increased standards will support the transition of the vehicle fleet away from internal combustion engines to zero emission

vehicles and push the remaining fossil gasoline and diesel engines towards renewable substitutes. The program's long-term targets provide transportation fuel market participants with a better understanding of the future regulatory environment, the economic incentives created by the program, and the opportunity to better plan for the transition that is ahead.

    - Credits in the program can lower the cost of renewable fuels and alternative fuels to consumers and fleets. For example, recent Oil Price Information Service (OPIS) data presented at an October City of Portland meeting[1] has shown in California and Oregon that while Renewable Diesel prices generally track those of fossil Ultra Low Sulfur Diesel, over the summer of 2026 renewable diesel began to be offered at a significant discount to fossil diesel in the wholesale market at the Portland terminals – up to 60 cents cheaper at times. That discount has also been seen earlier in the program's history when Oregon has had higher credit prices. That shows the program's economic effects are more complex than just the estimated cost passthroughs described below, especially if the renewable fuels begin to make up most of a given fuel type.

- Transportation electrification
    - Electricity standard: This proposal would create a new Clean Fuels Standard for residential and non-residential electricity. It will be set at the carbon intensity of imported E10 gasoline for five years (2027-2031), and will then be set as a straight average of the gasoline and diesel standards.
    - Residential credit revenue spending requirements: This proposal would have a positive fiscal and economic benefit to Oregonians across the state living in utility service territories where the utility received residential credit revenue from charging. There is expected to be a more significant fiscal and economic benefit for any Oregonians who are looking to purchase an electric vehicle as we expect there to be significantly more rebates for electric vehicles and charging equipment if these provisions are finalized. These provisions will ensure that revenue from residential charging is flowing back into communities, with additional encouragement for this revenue to flow to disadvantaged communities and communities with environmental justice concerns.
    - Updated light-duty energy economy ratio: this proposal will have a positive fiscal and economic benefit to the owners of non-residential electric vehicles and EV charging equipment who are registered in the program as this will more accurately capture the efficiency of electric vehicles and in turn increase credit generation for those vehicles. For residential charging of electric vehicles, the electric utility or backstop aggregator would benefit and then be required to spend that revenue in ways that advance transportation electrification that would benefit individuals and organizations depending on the projects they undertake.
    - Advance crediting expansion: this proposal will have a slight positive fiscal and economic impact for entities that own medium- and heavy-duty chargers that

[1] https://www.portland.gov/bps/climate-action/renewable-fuel-standard/rfs-tac/documents/presentation-jordan-godwin-opis/download

choose to take part in the advance crediting program. The impact is slight because the advance credits are effectively a loan rather than granting extra credits, but it will still assist entities with up-front costs of purchasing electric vehicles and chargers which will pay longer term dividends and helps them avoid the cost of borrowing dollars they might otherwise need to.

- Renewable electricity
    - DEQ does not currently have information to estimate the cost of the third party verification option for renewable electricity certificates (RECs). The proposal creates a second pathway to using RECs in the program, and DEQ believes the costs would likely be similar for third party verification versus those of the existing provisions that require the use of the Green-e Certification. The attestation requirements for the renewable electricity generators will result in modest additional paperwork and administrative burdens, but those costs will likely be offset by the increased value of their RECs if they are used within the Clean Fuels Program to generate incremental credits.
- Additional proposals
    - Expansion of margin of safety process: this is expected to have minimal fiscal or economic impact overall, however, this proposal may reduce situations where fuel producers become out of compliance and could therefore reduce the overall economic impact on those entities.
    - Updates to verification rules: this change is primarily administrative to allow for more accurate reporting and is not expected to have any fiscal or economic impact.
    - Reporting updates: the changes to our reporting rules are primarily administrative and are not expected to have any fiscal or economic impact.

Statement of cost of compliance

The increasing Clean Fuels Standards for gasoline and diesel fuels will increase the number of deficits that are generated by a given volume of fossil fuel. It also decreases credit generation from the same volume of low-carbon fuel (except for electricity, which will generate credits based on its new standard). For a producer or provider of high-carbon fossil fuels, there will be an increase in deficit obligations under this program if they continue to operate their business as usual and do not make changes in response to the proposed changes in this program. The illustrative compliance scenarios used for this rulemaking forecast that the state's diesel pool will nearly entirely convert to renewable diesel and biodiesel in the 2030s, significantly reducing the number of deficits incurred by fuel suppliers.

There is no quick or easy way to estimate the possible future cost of compliance with the proposed targets due to the many variables involved, but one way to estimate the impact is to estimate the maximum number of deficits in 2040 assuming that fuel providers only make the changes modeled in the illustrative compliance scenario. We believe that the assumptions in the illustrative compliance scenarios are reasonably conservative and therefore believe that the costs presented are likely an overestimate of the direct costs of compliance.

The formula DEQ uses to calculate the per-gallon maximum price for the fossil fuels is the same as it is calculated for the annual cost of compliance and will also likely overstate the cost of compliance. That formula assumes relatively high carbon intensity biofuels and does not reflect increased blending of ethanol in gasoline or the possible and increasingly likely turnover to biomass-based diesels in Oregon.

The program is designed to have a circular market – one entity's deficit costs are another entity's credit revenue. The cost of the program below is also an estimate of the size of the program's market. When credits are purchased and used for compliance, those revenues go to low-carbon fuel producers and credit generators.

That credit revenue is used to cover the costs of producing and providing low carbon fuels and may lower their cost to Oregonians. They may also go to covering capital costs, operating expenses, or be realized as profits by the generators of those credits. At this point in the program, the vast majority of regulated parties generate both deficits from importing fossil fuels and credits from importing low-carbon fuels, so not all credits are traded externally and the program is influencing decisions on which fuels get imported.

The following tables present both the possible cost of complying with the future targets using three different credit prices and the value of those credits to different fuels. This illustrates how higher credit prices will lead to different fuel supply decisions, and how the incentives of the program's market will continue to drive towards lower cost options for compliance.

As the targets increase, it is also more likely for the fuel suppliers that deal in both fossil and renewable fuels to begin to make decisions on which fuels they import as much to avoid generating deficits as aiming to generate more credits. That will continue the shift to a different fuel mix in the state and may lead to lower credit prices being needed than earlier in the program to achieve similar results. For example, if a low carbon fuel needs 40 cents/gallon to be brought to Oregon and it substitutes for a fossil fuel with a deficit cost of 20 cents/gallon, then only 20 cents/gallon in credit value would be needed.

The three values selected – $50, $100, and $150 – represent a range around the most recent annual average credit prices (which have ranged from $70.95-$129.76 in the last three years) and in DEQ's view are the most likely range of credit prices in the future.

It is important to note that the program has other cost containment provisions, chiefly the Fuel Supply Forecast and emergency deferral process. Those make it unlikely that the program would run a negative credit bank for any length of time without the Fuel Supply Forecast indicating the need for DEQ to issue an order to modify the program's standards for the following year to an achievable level.

The numbers presented below are for both Option A and Option B. Because Option A uses the existing program's standards, we only calculate the per gallon cost of compliance in 2040 for Option A (which the same as Option B as they both end at 50%) as the costs through 2035 were included in the fiscal for the 2022 Rulemaking and this analysis is only for the changes caused by this rulemaking. Program costs for the years between the three chosen for these calculations would proceed based on the program's targets for those years. Drawing from the Long-Term

Illustrative Compliance Scenarios, approximately 6,160,000 deficits will be generated in 2040 at a 50% target.

For the biofuels in these calculations we are using the average carbon intensity over the last 6 quarters – all of 2025 and the first half of 2026. For electricity, we assume zero carbon renewable electricity is used. In reality, we expect the carbon intensity of these fuels to decline as the targets increase and fuel producers continue to respond to the incentives of the Oregon program and its sister programs in California, British Columbia, Canada, Washington, New Mexico, and Hawai'i.

The following table calculates the following credit values per gallon or KWh, except for B5 Diesel, E10 Gasoline, and E15 Gasoline which are the deficit cost per gallon. For Option B, values are provided for 2030 and 2035 because that option proposes those standards be changed. Because both Option A and B end at 50% by 2040, the benefit or cost per gallon is the same in that year:

	Estimated credit value or deficit cost per gallon or KWh			
	Option and Year	$50 per credit	$100 per credit	$150 per credit
Renewable Diesel 32.04gCO2e/MJ	B 2030	$0.14	$0.29	$0.43
Dollars/Gallon	B 2035	$0.08	$0.16	$0.23
	A+B 2040	$0.13	$0.25	$0.38
Biodiesel 49.23gCO2e/MJ	B 2030	$0.14	$0.29	$0.43
Dollars/Gallon	B 2035	$0.08	$0.16	$0.23
	A+B 2040	$0.01	$0.03	$0.04
B5 Diesel	B 2030	-$0.21	-$0.41	-$0.62
Dollars/Gallon	B 2035	-$0.28	-$0.55	-$0.83
	A+B 2040	-$0.34	-$0.69	-$1.03
Renewable electricity in a truck 0gCO2e/MJ	B 2030	$0.09	$0.17	$0.26
Cents/KWh	B 2035	$0.05	$0.11	$0.16
	A+B 2040	$0.04	$0.09	$0.13
Renewable electricity in a car/SUV 0gCO2e/MJ	B 2030	$0.08	$0.16	$0.24
Cents/KWh	B 2035	$0.05	$0.10	$0.15
	A+B 2040	$0.04	$0.08	$0.12
Ethanol 46.68gCO2e/MJ	B 2030	$0.09	$0.17	$0.26
Dollars/Gallon	B 2035	$0.05	$0.09	$0.14
	A+B 2040	$0.01	$0.01	$0.02
Ethanol with CCS 25gCO2e/MJ	B 2030	$0.17	$0.35	$0.52
Dollars/Gallon	B 2035	$0.13	$0.27	$0.40
	A+B 2040	$0.09	$0.19	$0.28
E10 Gasoline	B 2030	-$0.17	-$0.34	-$0.51

Dollars/Gallon	B 2035	-$0.23	-$0.46	-$0.69
	A+B 2040	-$0.29	-$0.57	-$0.86
E15 Gasoline with CCS ethanol	B 2030	-$0.13	-$0.27	-$0.40
Dollars/Gallon	B 2035	-$0.19	-$0.38	-$0.58
	A+B 2040	-$0.25	-$0.50	-$0.75
Alternative Jet Fuel 40.57gCO2e/MJ	B 2030	$0.20	$0.40	$0.59
Dollars/Gallon	B 2035	$0.13	$0.27	$0.40
	A+B 2040	$0.07	$0.14	$0.20

The estimated cost of compliance under this calculation scenario is simply the number of deficits multiplied by each of the credit prices. For 2040, both Option A and Option B:

	Potential Estimated Size of Credit Market / Maximum Cost of Compliance		
Number of Deficits in 2040 in Options A and B	$50 per credit	$100 per credit	$150 per credit
6,160,000	$308,000,000	$616,000,000	$924,000,000

This estimate is true for both target options presented above for the year 2040. Option B also changes the program's standards earlier and would result in different impacts than the current targets. The same method for estimating the costs of Option B is presented below:

	Potential Estimated Size of Credit Market / Maximum Cost of Compliance		
Number of deficits in 2030 in Option B	$50 per credit	$100 per credit	$150 per credit
5,600,000	$280,000,000	$560,000,000	$840,000,000
Number of deficits in 2035 in Option B	$50 per credit	$100 per credit	$150 per credit
5,470,000	$273,500,000	$547,000,000	$820,500,000

The following tables estimate the actual differences between the existing targets and Option B.

	Difference in the estimated Size of Credit Market / Maximum Cost of Compliance between the existing Clean Fuels Standards and the Option B proposal		
Difference in the number of deficits in 2030 in Option B	$50 per credit	$100 per credit	$150 per credit
1,760,000	$88,000,000	$176,000,000	$264,000,000

Difference in the number of deficits in 2035 in Option B	$50 per credit	$100 per credit	$150 per credit
390,000	$19,500,000	$39,000,000	$58,500,000

There isn't sufficient data or the ability to accurately predict future behavior to determine which of the above is the most likely maximum cost of compliance. The potential cost and outcomes of the program vary widely based on a large number of factors, from the inherently volatile crude oil prices and fossil fuel markets, to various agricultural markets used to produce the feedstocks for biofuels, the effects of other federal and state policies, international developments, the rate of adoption of alternative vehicle technologies, and other foreseeable and unforeseeable technology improvements.

Increasing the diversity of fuels and fuel sources used in Oregon is likely to help increase our state's energy security, as we are currently reliant on fossil fuel and fossil fuel infrastructure which is also subject to a wide number of risks, as we have seen in the last year – locally with the Olympic Pipeline having operational issues and globally with increasingly tight gasoline and especially diesel markets due to conflicts in Europe and the Middle East.

There may also need to be changes in physical infrastructure to accommodate the changes forecasted in the illustrative compliance scenarios, such as increased capacity for rail deliveries of biofuels, deployment of electric vehicle chargers, increased storage capacity at terminals and intermediate storage locations, and upgrading gas station tanks and pipes to handle E15. DEQ does not currently have cost estimates available to it on these changes, but to the extent that the changes are due to the Clean Fuels Program the agency expects that the returns from credits or avoided deficits over time for the subject fuel would at least partially cover the cost of those capital expenditures.

If the electrification provisions in this rulemaking are successful and EV sales increase beyond that in the high sales scenario used for these calculations, then there will be fewer deficits from fossil gasoline and diesel and the cost of the program will be less. The cost will also be lower if there are significant fuel technology breakthroughs that may lower the cost of compliance through lowering the production costs of existing fuels, lowering their carbon intensity below that of the assumptions in the modeling, or if renewable gasoline is commercially developed that could displace significant amounts of fossil gasoline. Alternative jet fuel could make up a greater share of Oregon's aviation fuel and generate additional credits that help bring prices down.

In order to comply, the regulated parties need to acquire and retire credits against those deficits. They can generate credits themselves by providing low-carbon fuels or they can purchase them from other registered parties. In this case, the value paid for credits ultimately goes to the parties that generate credits in the program which means that these dollars are not lost to the economy but are invested within the transportation fuel market.

The regulated parties in this program often are among its largest credit generators because of the biofuels they purchase, import, or produce. Increasingly so, they are investing more in other

low-carbon fuels such as electric vehicle chargers and renewable natural gas projects as the market transitions away from fossil fuels. Several petroleum refineries have converted to producing some renewable fuels through co-processing renewable feedstocks or shifting entirely to producing renewable fuels like renewable diesel and alternative jet fuel.

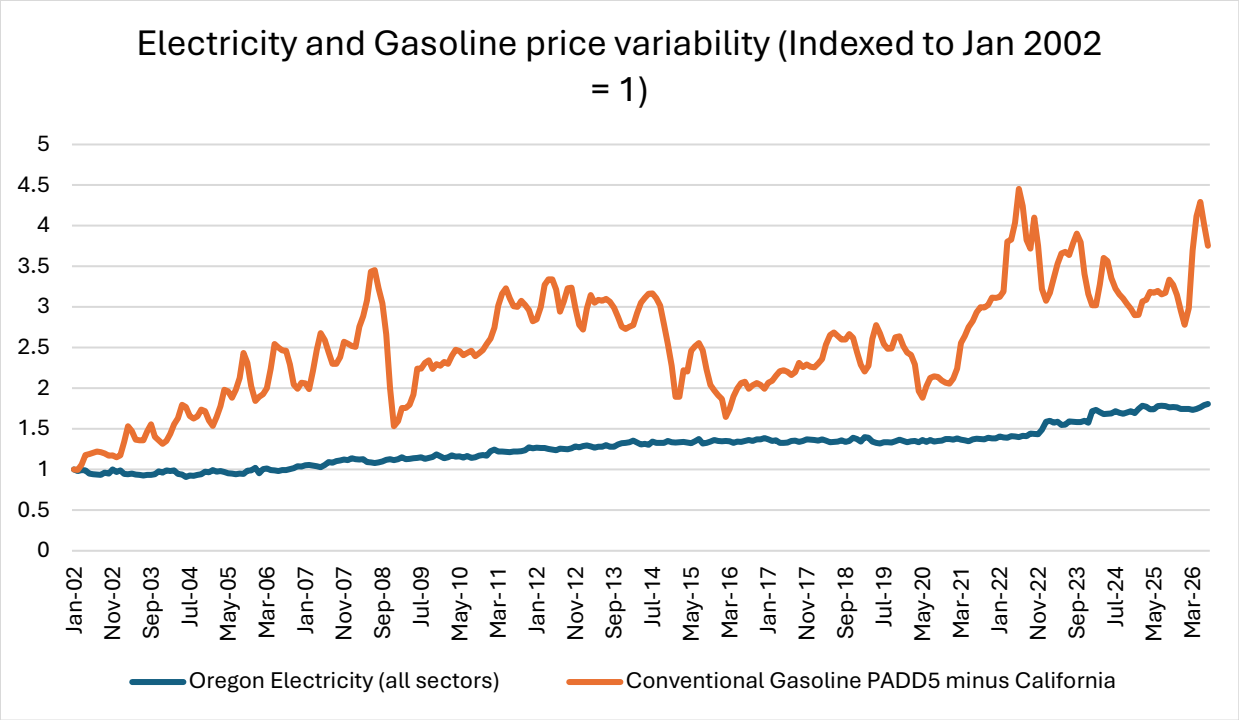
The incentives of the Clean Fuels Program through its credit market work to lower the cost of alternative fuels, with evidence over the last decade showing that fuel producers and suppliers have discounted the wholesale and retail cost of alternative fuels, including in 2026 for renewable diesel in the Portland market according to the Oil Price Information Service.

There are also significant benefits from helping the state shift to alternatives to fossil fuels. Fossil fuel markets are global and subject to significant geopolitical risks in addition to the damages to the climate and health that those fuels inherently incur. Some of the alternative fuels also incur fewer maintenance costs for their vehicle owners and operators than their fossil counterparts, such as with renewable diesel having fewer particulate matter emissions and needing to regenerate the diesel particulate filter less often. Over the last year we have seen West Coast gasoline and diesel prices increase by over $1 and $1.50-2, respectively, according to Energy Information Administration data[2].

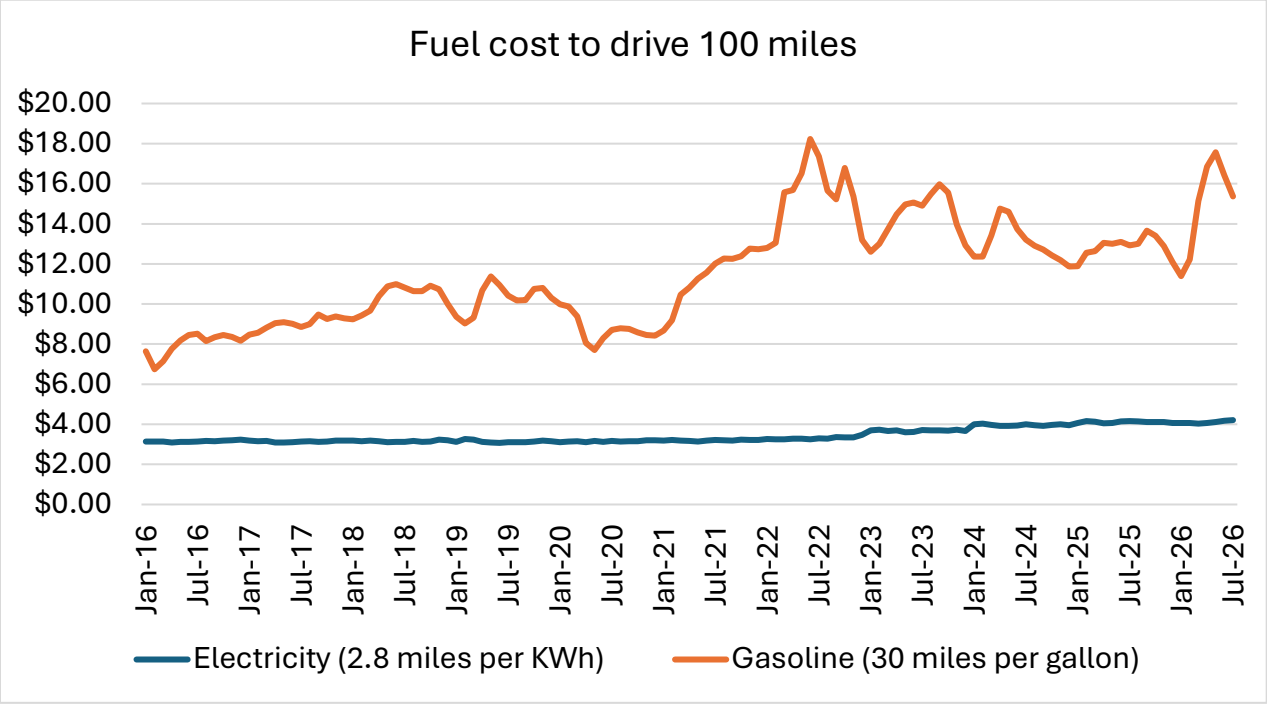
Oregon does not produce or refine any crude oil, so most of Oregonians' spending on gasoline and diesel leaves the state and its economy. Consumers in Oregon currently purchase around 1.5 billion gallons of gasoline and 750 million gallons of diesel each year, meaning the rise in fossil fuel prices this year has cost consumers and businesses $220-250 million more for each month they remain elevated. Oregon also sources its fossil fuels from a relatively limited set of refineries, mainly along the Puget Sound, because it is isolated from other sources of gasoline and diesel. That has resulted in Oregon – and the Pacific Northwest – having higher gasoline and diesel prices than the rest of the country where there is greater competition among refineries.

While Oregon currently has relatively little renewable fuels production, any shift to electric vehicles will keep more fuel costs in the state and regional economy because we do produce electricity. Electricity prices have also been significantly more stable than those of gasoline and diesel, as the following graph using Energy Information Administration data puts in context.

[2] EIA weekly retail gasoline price series, using the PADD5 minus California region.



The following graph uses the same EIA data series to illustrate the fuel cost savings of an electric vehicle charged using retail electricity rates versus that of a gasoline vehicle to drive 100 miles. The calculation assumes an electric vehicle efficiency of 2.8 miles per KWh, and a gasoline vehicle efficiency of 30 miles per gallon.



Oregon Department of Transportation data shows the average number of miles travelled per vehicle per year is around 8,800. Using the average cost of electricity and gasoline over the last twelve months of data (July 2026-August 2025), driving that distance would cost $361.38 using electricity or $1,246.45 using gasoline.

The electricity cost for public charging is often higher than that of charging at home, especially for the fast chargers that are often used for longer trips. Those fast chargers can have a range of costs depending on the network, location, and time of day, and a DEQ review of in-state DC fast chargers found costs ranging from 24-61 cents/KWh. If an Oregonian charged 80% at home and 20% at fast chargers with a cost of 50 cents/KWh, their annual cost would be $603.39.

To the extent that this rulemaking's provisions are able to support Oregonians shifting to electric vehicles by enabling utility rebates and more abundant charging, it will enable cheaper and more stable fuel costs for them. While EVs have historically had higher purchase prices, rising new and used conventional vehicle prices along with more automakers beginning to sell more affordable EVs.

The overall fuel cost savings across Oregon's economy are likely to be significant over time. Using the illustrative compliance scenario results, we can estimate the savings by comparing the amount of gasoline consumed in the business-as-usual (BAU) scenario with that of the DEQ High and ACC2 Delay scenarios.

Gasoline consumed in millions of gallons	BAU	DEQ High	ACC2 Delay
2035	1,184.5	1,153.3	1,039.6
2040	1,095.1	1,031.2	786.3

Using the average cost of conventional gasoline over the last 12 months of EIA data ($4.25/gal), that results in the following estimated spending on gasoline in Oregon in those years, the majority of which will likely leave the state's economy.

Spending on gasoline in millions	BAU	DEQ High	ACC2 Delay
2035	$5,034.3	$4,901.7	$4,418.3
2040	$4,654.3	$4,382.5	$3,341.6

Comparing the business as usual scenario to the other, higher EV-adoption rate scenarios provides the following estimated gasoline spending savings to fuel consumers in the state under those other scenarios:

Avoided spending on gasoline in millions	BAU – DEQ High	BAU -- ACC2 Delay
2035	$132.6	$615.9
2040	$271.7	$1,312.5

Using the 80% home charging and 20% fast charging example above, the following estimates the overall fuel cost savings across all of the Oregonians that switch to electric vehicles in the two scenarios.

Fuel cost savings after accounting for increased spending on electricity in millions	BAU – DEQ High	BAU -- ACC2 Delay
2035	$64.2	$298.2
2040	$131.5	$635.3

The agency believes the DEQ High fleet scenario is more likely, prior to the rulemaking. To the extent that the proposed rule amendments' electricity provisions create incentives to increase EV sales, the fuel cost savings to Oregonians will likely be between the DEQ High and ACC2 Delay results presented above.

The electricity provisions will increase the value of electricity in the Clean Fuels Program, and that increased value will likely work in several ways to offset the cost of electric vehicles and electricity. The utility provisions will further focus spending from residential credit revenue on projects that advance cost effective transportation electrification in the state by supporting public charging, grid readiness, and providing incentives to individuals, organizations, and businesses to switch to electric vehicles.

The customer vehicle or charger rebates called for by the spending requirements for the largest utilities in the state will help reduce costs to individual Oregonians. While the design and amount of the rebates would be determined by the individual utilities, existing programs funded by residential credits have offered EV rebates of around $1,000 per vehicle and EV charger rebates from $250-500 per charger. To the extent that utilities would receive more credits as a result of this rulemaking and the increasing population of EVs in their service territory, they may have more residential credit revenue to offer higher rebate amounts or more rebates for the residents of their service territories.

The spending requirements on electric utilities for residential credit revenue will impose some additional reporting and administrative work, but the fiscal impact will likely be mitigated by utilities being able to use the revenue to cover their administrative costs.

The electricity standard and light-duty energy economy ratio (EER) update will increase credit generation for both residential and non-residential charging in Oregon. This will result in a positive economic benefit to electric utilities and the owners and operators of non-residential chargers in the state. The effect of both the electricity standard and the EER update will depend on the year and the carbon intensity of the electricity being supplied. Assuming that the electricity supplied is renewable electricity at a zero CI, the following chart shows the increased revenue a non-residential charger operator would receive at a range of credit prices in 2030 and 2035 under the proposed Option A standards.

Increased revenue in cents/KWh	$50 per credit	$100 per credit	$150 per credit
2030	3.1	6.3	9.4
2035	1.3	2.6	3.8

That increased revenue may be used to improve the operational economics of those non-residential chargers and improve the business case for installing additional chargers. In areas of the state where there is competition among multiple charging networks, revenue from the Clean Fuels Program may be used to reduce the cost of public charging, resulting in a benefit to drivers.

DEQ is still calculating the public health impacts of reduced air pollution from this rulemaking and will add them prior to the public notice being published.

State agencies

This rulemaking will require some adjustments to the program's electronic reporting system but that does not pose a significant fiscal impact to DEQ above its current costs to implement the program. DEQ has had difficulty standing up the Advance Crediting provisions and may need additional staff to implement the proposed expansion.

DEQ and other state agencies are consumers of fuel and will be exposed to the program's effects on conventional and alternative fuels like other fuel consumers in the state. Potential costs are estimated above but will vary depending on the fuels that agencies procure. For example, agencies that use renewable diesel may be able to get it cheaper than fossil diesel if the program's incentives continue to lead fuel suppliers to discount that fuel.

Local governments

Many local governments benefit from the program by owning electric vehicle chargers and generating credits from the electricity they produce. Like state agencies, local agencies are also consumers of fuel and will be exposed to the program's effects on conventional and alternative fuels like other fuel consumers in the state and as estimated above.

Public

The public are consumers of transportation fuels and will be exposed to the program's effects on conventional and alternative fuels like other fuel consumers in the state. The public also benefits from the reduction of tailpipe emissions. In addition, members of the public may benefit financially by participating in the program when they register their electric vehicles and generate credits for the electricity they use.

Large businesses - businesses with more than 50 employees

Currently, nearly 200 entities are registered to participate in the Clean Fuels Program. Of those, approximately 75 are registered as regulated parties and the remaining are credit generators and aggregators. Approximately 95 percent are large businesses and are a mix of fuel producers and distributors, electric utilities, electric vehicle charging station owners, and local governments.

For those who provide deficit-generating fuels, the proposed expansion of the targets will have a significant fiscal and economic impact on them. The traditional blend of gasoline and diesel will generate more deficits and the regulated parties will need to acquire and retire more credits to comply with the proposed targets. For those who provide credit-generating fuels, the proposed expansion of the targets will have a significant fiscal and economic benefit as the demand their fuels and the credits they generate increases and credit prices may rise due to that. It should be noted that many of the entities providing deficit-generating fuels also provide credit-generating fuels.

Small businesses – businesses with 50 or fewer employees

ORS 183.336 - Cost of Compliance for Small Businesses

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

Approximately 5 percent of participants, or 10 businesses, in the Clean Fuels Program are small businesses. They fall into three categories of businesses: credit generators, local fuel distribution companies, and companies that are registered as an aggregator to assist larger companies in reporting data and managing credit transactions. DEQ does not believe any fuel production companies fall into the category of small businesses.

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

The proposed rules offer mostly minor updates to existing requirements or create some additional flexibility about how to comply with existing provisions. For both categories of small fuel distributors, there are no additional mandatory requirements for reporting, recordkeeping or other administrative activities including costs of professional services for small businesses.

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

The proposed rules have no additional requirements for equipment, supplies, labor or administration for small businesses.

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

The rulemaking advisory committee contained members of the small business community.

Racial equity

The scope of this racial equity impact statement is for the proposed rule amendments in this rulemaking; it does not reassess the existing CFP. The proposed rules involve the expansion of the carbon intensity reduction targets through 2040 and changes to numerous provisions of the CFP. Each change or new provision may have an individual impact while also having an overall, cumulative impact.

Pollution from the transportation sector is the largest contributor of greenhouse gases and most criteria pollutants to the air in Oregon. While the CFP is primarily a lifecycle greenhouse gas reduction strategy, the lower-carbon fuels that replace the high-carbon ones also reduce tailpipe emissions and can be a highly effective strategy to address the localized impacts of air pollution. Communities that are adjacent to or near transportation facilities and corridors are disproportionately impacted by those emissions and are traditionally lower-income and have a higher percentage of Black, indigenous, and other peoples of color residents. These environmental justice communities have been historically overburdened by transportation emissions and expansion of the program's targets will benefit these most vulnerable Oregonians by decreasing the air pollution to which they are exposed.

Climate change and air pollution represent additional cumulative impacts that exacerbate the disparities between different racial groups in Oregon. Lower-income Oregonians are disproportionately non-white[3], and are less able to adapt to hotter summers, increasing pollution from wildfires, and are more likely to work in frontline occupations. Frontline workers, and especially those that work outdoors such as farmworkers, who are majority-Latin American in Oregon, bear disproportionate exposure to the negative impacts of climate change and worsening air quality and work in situations where heat and wildfire smoke cannot be easily avoided.

UC Davis' 2022 study on the Air Quality Impacts of Oregon's Proposed Expanded Clean Fuels Program clearly signalled that the health of Oregonians generally benefits from more stringent clean fuels standards. The study showed clear air quality improvements in the vicinity of major roadways and that disadvantaged communities, including lower-income and populations of color, are more likely to live near major roadways and be exposed to vehicle pollution. This 2026 expanded rulemaking will likely have similar results, given that the standards will generally result in reduced greenhouse gas and particulate matter emissions, which will benefit those living near roadways the most.

The electrification provisions of this rulemaking could also have positive impacts on low-income and disadvantaged communities. For example, the expanded advance crediting provision could increase electrification in the heavy-duty sector and help fleets looking to electrify their buses and heavy-duty vehicles, which would reduce diesel pollution and tailpipe emissions. DEQ is also encouraging utilities who receive revenue from residential credit revenue to funnel that

[3] US Census Bureau's American Community Survey, https://data.census.gov/cedsci/table?q=United%20States&t=Income%20and%20Earnings&g=0400000US41&tid=ACSST5Y2020.S1903

revenue into disadvantaged communities and environmental justice. Similarly, given expanded targets, many school districts may be looking to electrify their school buses, or switch from petroleum diesel to renewable diesel, or even from fossil propane to renewable propane. The reduction in pollution will greatly benefit the school-aged children who take those buses, the drivers, and the communities where they serve.

DEQ is aware that switching from a gasoline or diesel-powered vehicle is costly and low-income Oregonians may be delayed in transitioning to driving electric vehicles. While an expanded CFP will add to the cost of gasoline and diesel, it also creates incentives for higher blends of biofuels that will bring down the cost of those fuels. Higher gasoline and diesel costs will disproportionately impact lower income Oregonians but increasing the availability of lower-cost alternatives can also benefit those same communities. E15 can be used in most cars and B20 in most trucks with no changes and both will be cheaper than the E10 and B5 that is currently mandated. Renewable diesel will also replace petroleum diesel completely at a competitive cost. In addition, this rulemaking is requiring that a portion of utility revenue from residential charging be used for consumer-focused rebates for electric vehicles and charging equipment, lowering the cost of electric vehicles to low- and moderate-income.

As described above, there are costs associated with having to comply with the proposed targets, but there are also significant benefits to reducing greenhouse gas and particulate matter emissions and to electrification of the Oregon vehicle fleet. As such, DEQ finds that the proposed rules will impact racial equity in the state positively and negatively. Through the development of the proposed rules, DEQ has attempted to design the changes to maximize the benefits and mitigate the costs.

Environmental justice analysis

Environmental justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, culture, education or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies. DEQ is committed to incorporating environmental justice best practices into its programs and decision-making, to ensure all people in Oregon have equitable environmental and public health protections.

This rulemaking focuses on reducing transportation emissions from the Oregon vehicle fleet through cleaner fuels and electrification. Due to the nature of mobile sources and emissions being dispersed, it is difficult to pinpoint specific communities with environmental justice concerns for targeted outreach. DEQ focused efforts on including environmental justice representation on its Rulemaking Advisory Committee, including several organizations who work closely with environmental justice communities and have their best interests in mind. DEQ also always offers translation of rulemaking materials, but we have not received any requests for translation as part of this rulemaking.

Non-discrimination statement

DEQ does not discriminate on the basis of race, color, national origin, disability, age, sex, religion, sexual orientation, gender identity, or marital status in the administration of its programs and activities.

For translation or other formats, visit DEQ's Civil Rights and Environmental Justice page