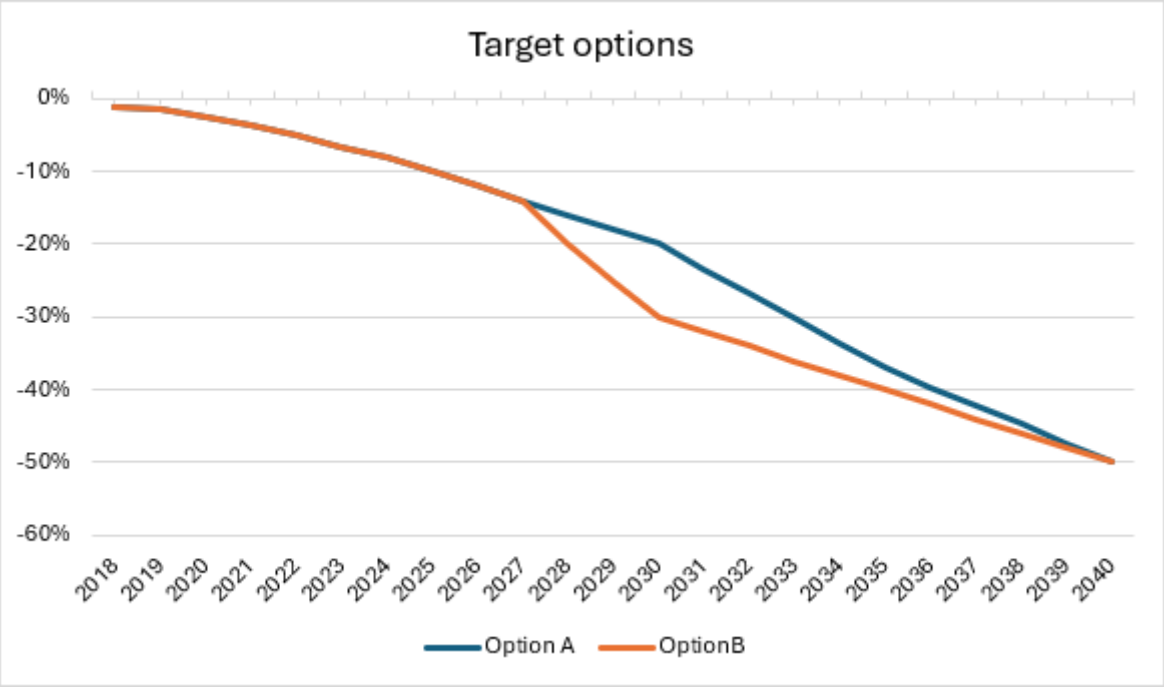
State of Oregon
DEQ Department of Environmental Quality

Clean Fuels Program Rulemaking Advisory Committee #4 Discussion Paper – Carbon Intensity Standards

This paper presents two options for the next Rulemaking Advisory Committee (RAC) meeting on updated carbon intensity standards for the Clean Fuels Program (CFP). The first option is what was already laid out in the third RAC meeting – where the current standards through 2035 remain the same, with a linear increase to a 50% reduction in carbon intensity by 2040. The second option for targets would be significantly more ambitious in the short term – moving up to 30% by 2030 and then increasing linearly from 2030 to a 50% target by 2040.

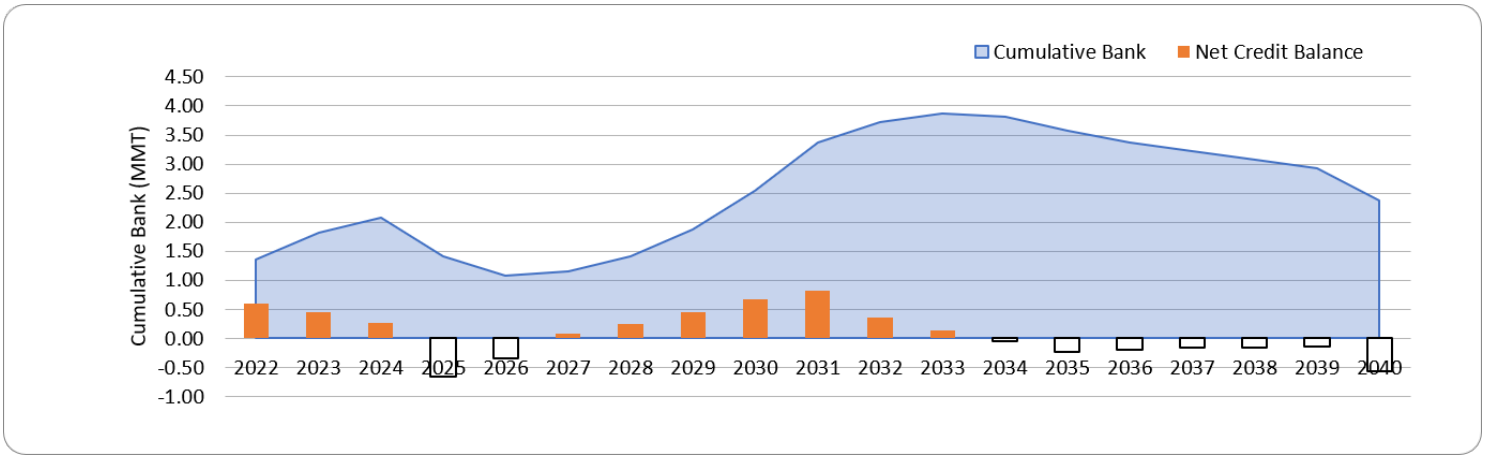
Carbon Intensity Standard Options

The graph below shows Option A as the first option described above, and Option B as the second. While both of these options end at the same standard by 2040, we are proposing the second option now given the increase in renewable diesel we've seen this year, federal policy becoming increasingly supportive of renewable diesel, other state policies that are driving more renewable diesel, and a variety of comments and industry projections. Option B projects that the diesel pool will convert to mostly renewable diesel by 2032, so it has more ambitious targets in the near-term while moderating the pace of improvements after that.

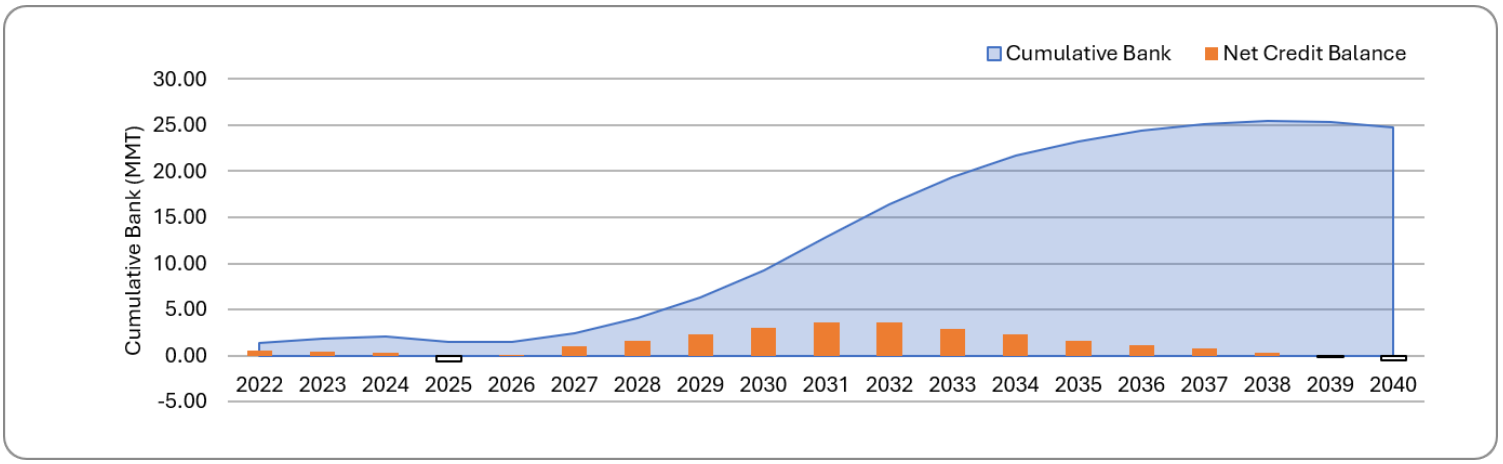


The below graphs show what is projected to happen with both Option A and Option B if the diesel pool mostly converts to renewable diesel and biodiesel by 2032, or if it doesn't convert until 2039. These projections are using the DEQ High model from the UC Davis FPSM modeling.

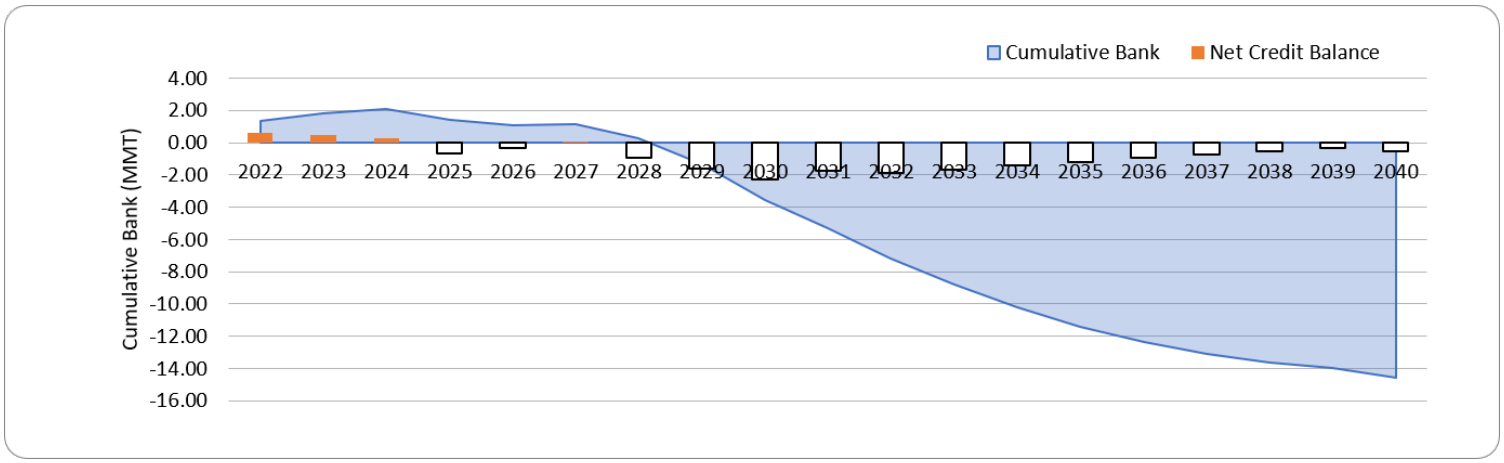
1. Option A (37% by 2035, 50% by 2040) – Diesel pool converts to 85% RD, 10% BD by 2039



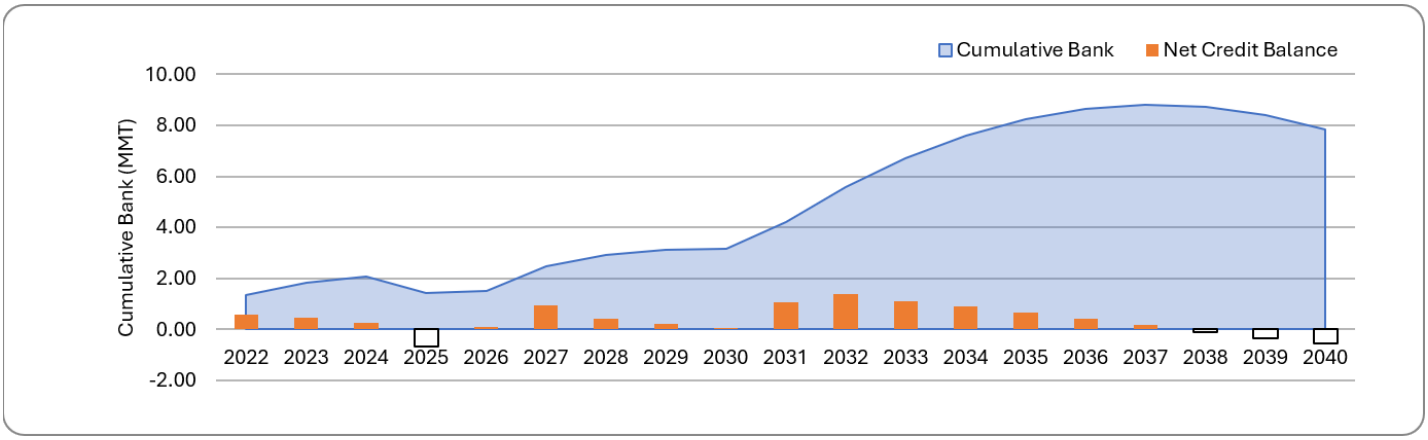
2. Option B (37% by 2035, 50% by 2040) – Diesel pool converts to 85% RD, 10%BD by 2032



3. Option B (30% by 2030, 50% by 2040) – Diesel pool converts to 85% RD, 10% BD by 2039



4. Option B (30% by 2030, 50% by 2040) – Diesel pool converts to 85% RD, 10%BD by 2032



Option B has significantly less buffer if the diesel pool does not convert as quickly as expected, however, DEQ would be able to use the annual fuel supply forecast process to adjust the targets to more achievable levels in any given year. Option B would be more supportive of both the short-term draw of renewable diesel into the state and the long-term investments that are needed to reach deep decarbonization targets and increase electrification. Option A keeps the credit bank positive, but runs the risk of ongoing low credit prices and a building credit bank that would force DEQ back into a target setting rulemaking because the additional investments in electrification that would be needed for the targets would be lost.

DEQ is soliciting comments and feedback on these two options for carbon intensity standards, and would appreciate input on diesel pool conversion rates and other data points that would assist in target setting.

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