

Rulemaking Advisory Committee Meeting #4

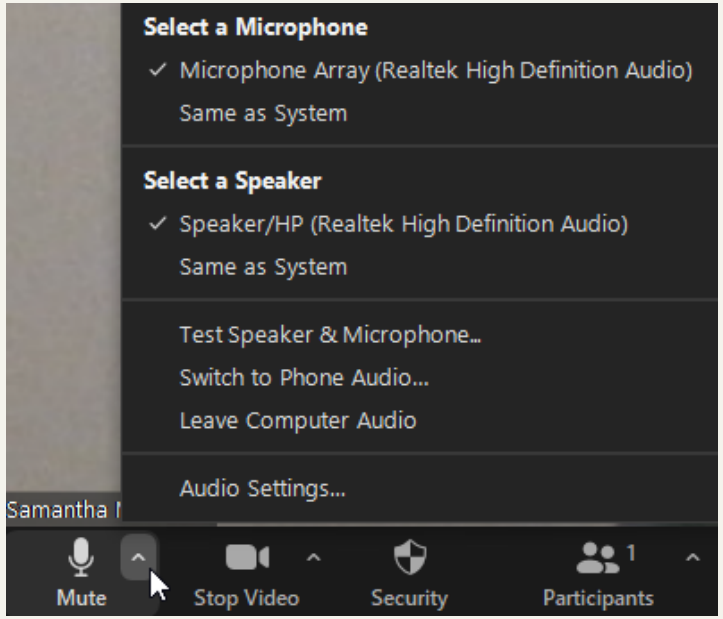
Clean Fuels Program – 2026/2027 Rulemaking

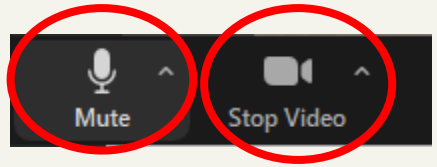
Bill Peters and Courtney Herbolsheimer
Nov. 12, 2026, 10 a.m. – 4 p.m.
Held virtually via Zoom

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Zoom Meeting Tips

- Please see below webinar instructions and tips below:
  - If you have not already **connected your audio**, click on the arrow next to the microphone icon, then click “Join Computer Audio” **or** “Switch to Phone Audio” to connect your computer speakers or to view the conference line information.
  - For RAC members, please **keep yourself on mute** when not speaking. To mute and unmute, either select microphone icon or use your personal phone.
  - **Use video** if possible to promote face to face communication. Click the video icon to turn on your webinar camera.





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Public Comment Instructions

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.
- DEQ staff 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.**
- **The chat function is available but we prefer hearing your voice where possible – please keep all chats on topic and avoid side conversations.**





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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

- 10 a.m. Welcome and meeting setup
- 10:05 a.m. Options for target-setting
- 11 a.m. Overview of updated proposals
- 12 p.m. Lunch break
- 1 p.m. DEQ presentation and discussion on draft fiscal, racial equity, and environmental justice analysis
  - We will take a 5-10 minute break during this item
- 3:30 p.m. Public comment
- 4 p.m. Next steps and meeting adjournment

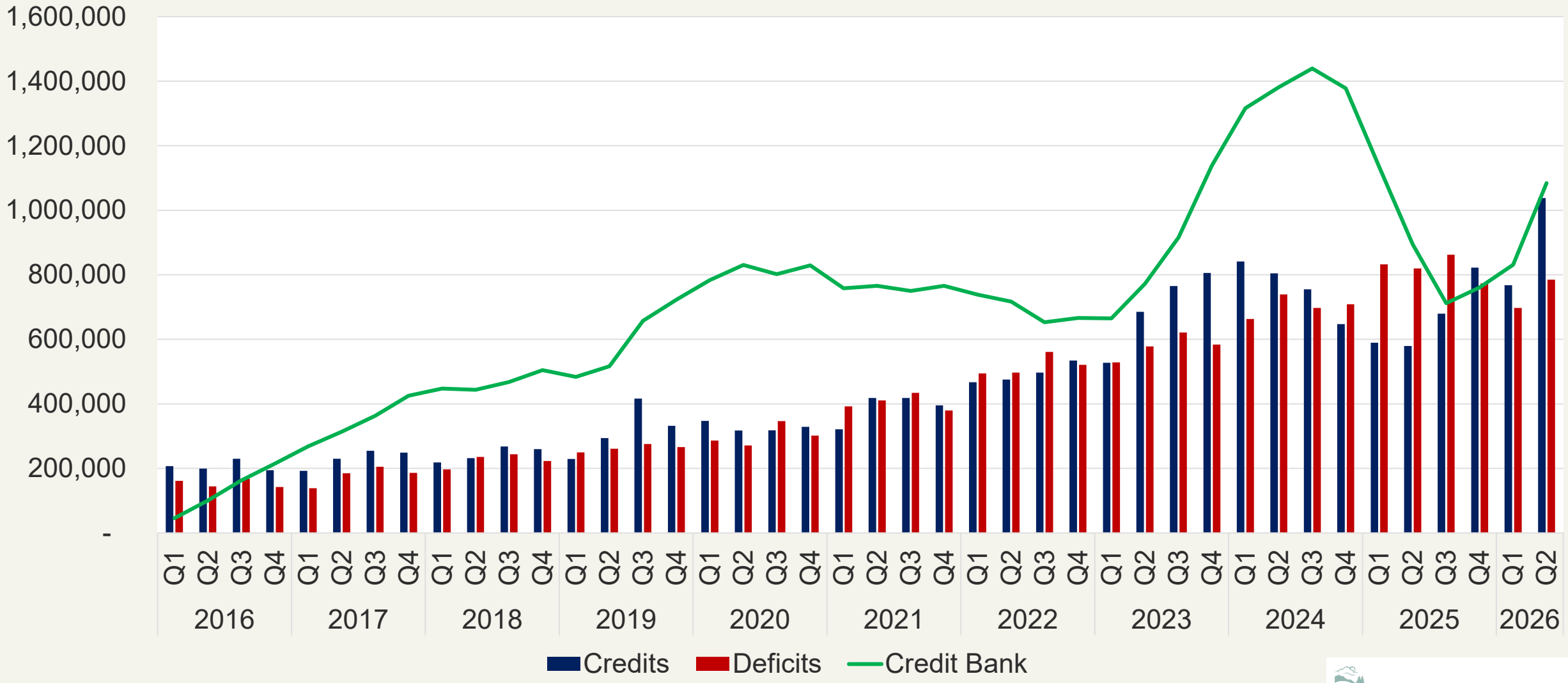
Options for the program's targets

Scenario analysis and target-setting

- DEQ appreciate the comments filed during this rulemaking to inform its judgement call on where to recommend Clean Fuels Standard targets in this rulemaking

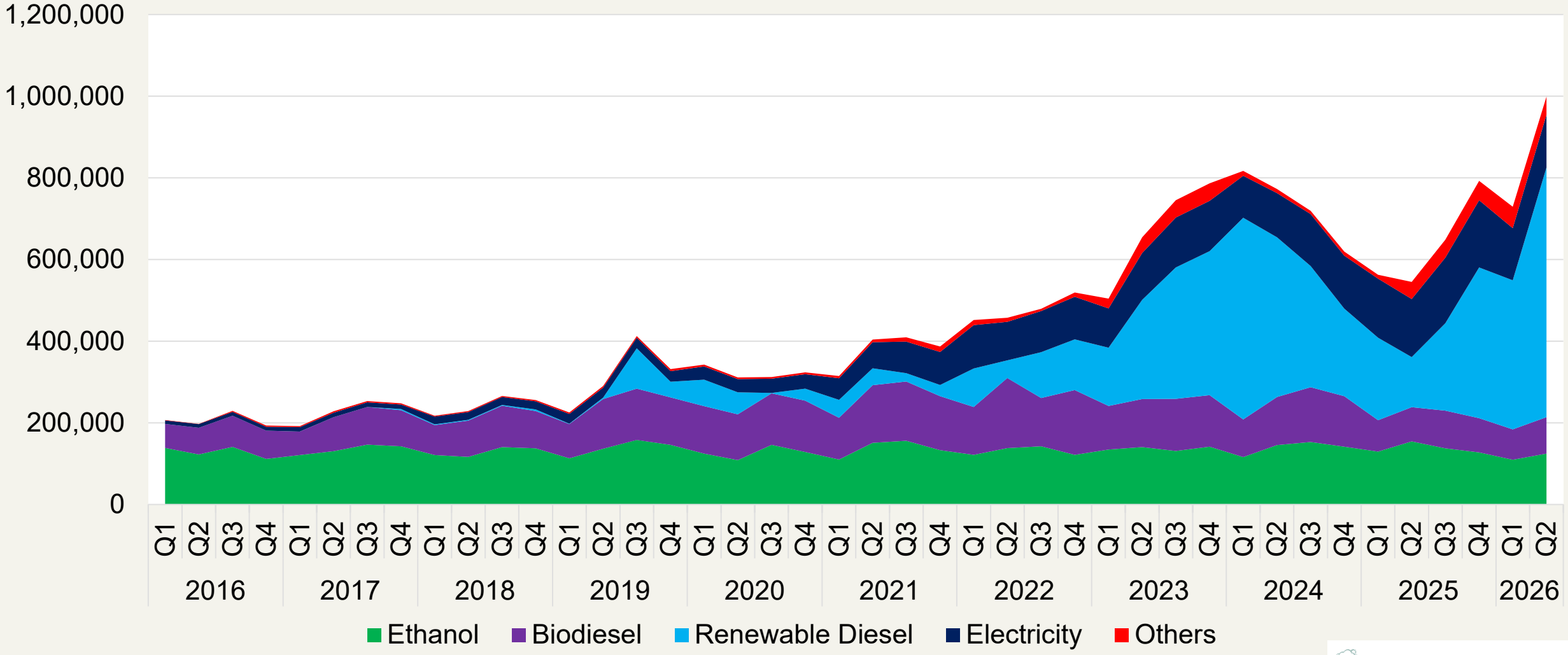
- We are proposing two options for the targets in order to solicit additional feedback. Both options will be proposed in the Notice, and a recommendation will be developed in Q1 2027 after review of comments from this RAC meeting and the formal public comment period.

Supply and demand



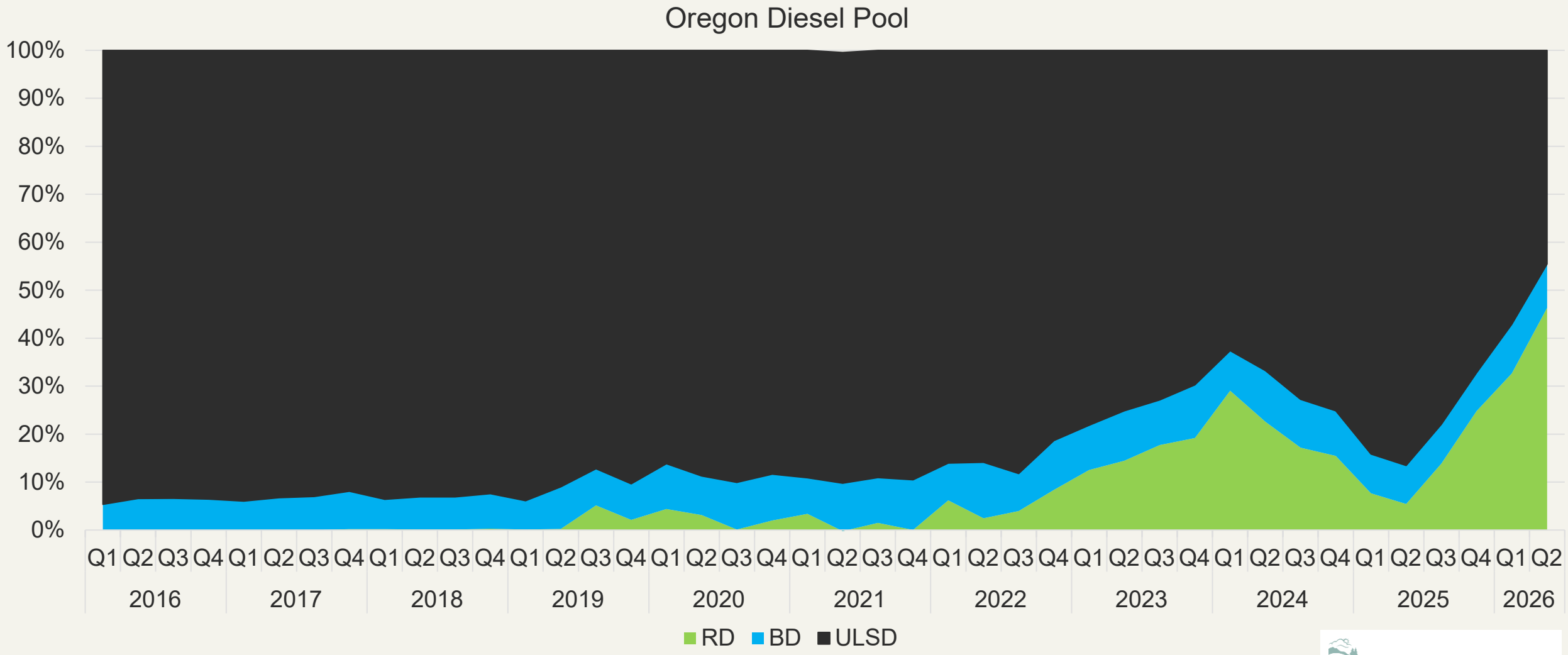
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Credits by fuel source



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Fossil diesel a minority for the first time



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Additional scenario work and target options

- Based on comments and additional research after the last RAC, DEQ conducted additional scenario modeling to determine if the near-term targets should be adjusted

- DEQ is proposing two options for the program's targets to solicit comment. Both have been analyzed for the draft fiscal statement and comments following this RAC and during the public notice comment period will be used to determine the final recommendation to the Environmental Quality Commission

Which fuels are credit price responsive

- Generally, we view biodiesel and renewable diesel as the most price responsive fuels to credit prices, both in terms of lower carbon intensity versions and more volume being delivered.
- Alternative Jet Fuel / Sustainable Aviation Fuel may also prove to be similarly price responsive.
- Other clean fuels such as ethanol and renewable natural gas are limited by being at their maximum blend without infrastructure changes or additional vehicles, so the shift is mainly towards lower carbon intensities when prices are higher.

Renewable diesel timing

- Supply and demand balances are incredibly sensitive to when biodiesel and renewable diesel displace fossil diesel to and past levels we've seen in California.
- Oregon's market is smaller, and diesel makes up a greater proportion of our fuels. Renewable diesel supplies appear to be reasonably price sensitive, but other state and federal policy drivers may create additional demand for it outside of the CFP.
- Federal policy (the tax credits under 45z, recent renewable volume obligations) have been supportive of increased margins for renewable fuels, along with higher fossil fuel prices.

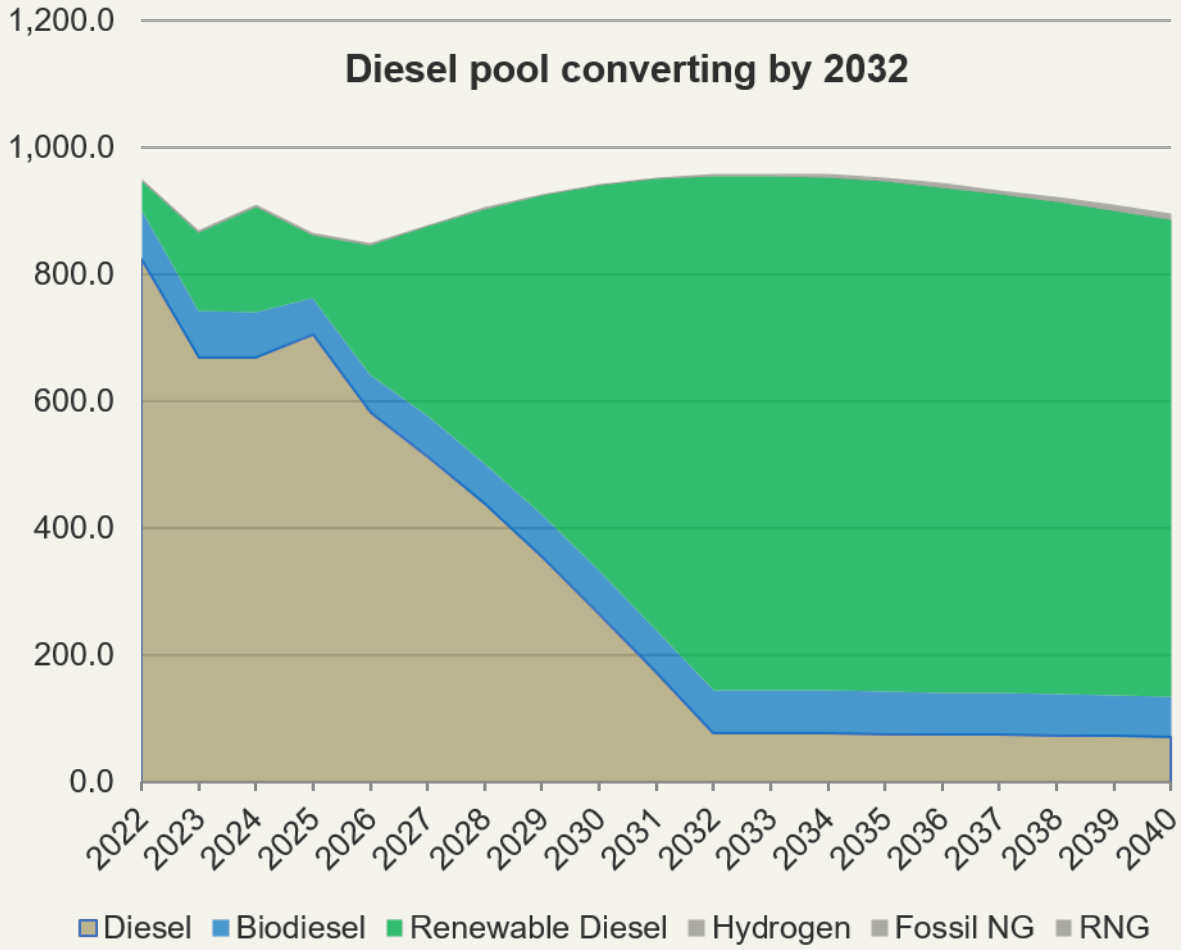
Other policy drivers

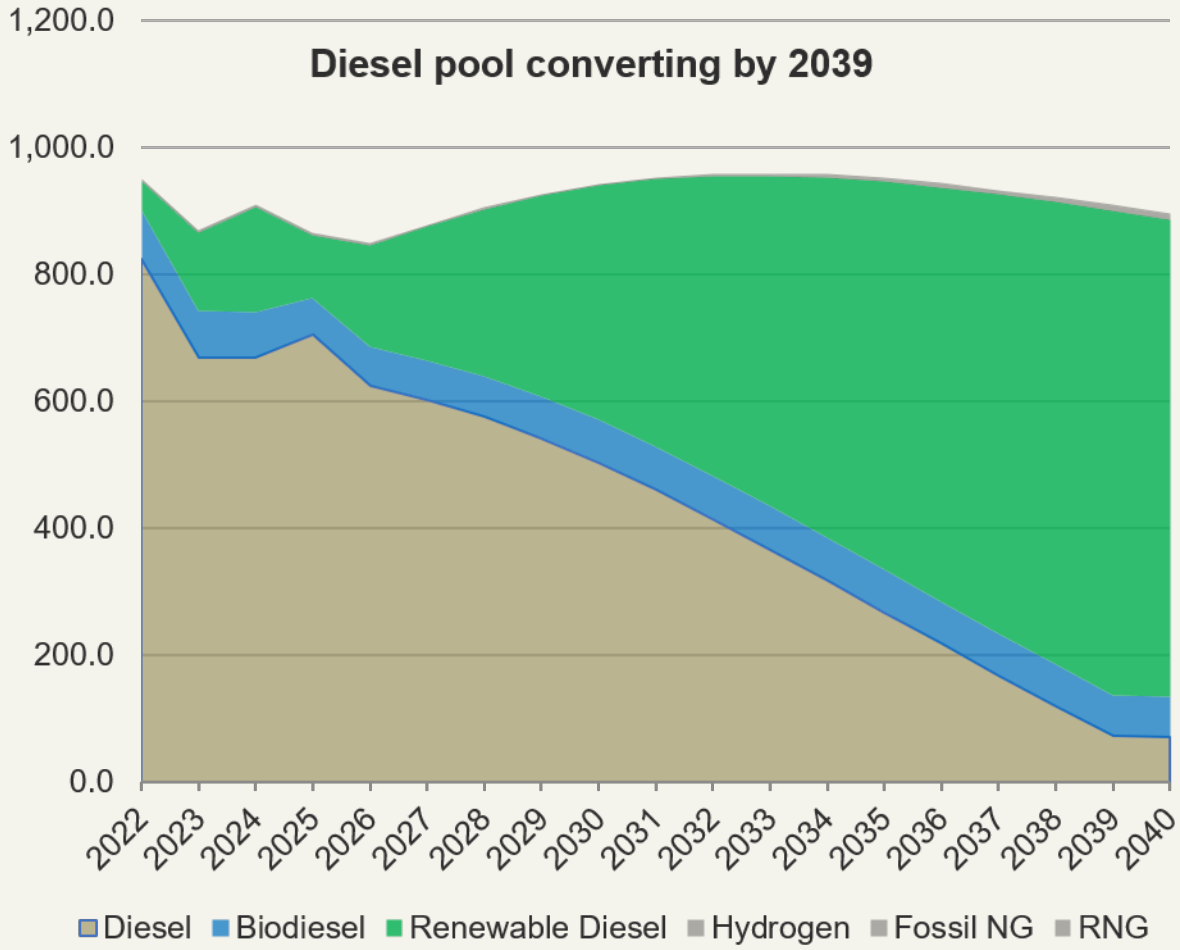
- Oregon's Climate Protection Program is a full allocation cap and trade program, with fuel suppliers receiving compliance instruments based on prior fuel sales/emissions
  - Their allocation method treats biofuels and fossil fuels equally for compliance instrument allocations
  - May see fuel suppliers decide to preferentially allocate renewable diesel to maintain gasoline sales
- Oregon and Washington's markets operate in tandem, and Ecology's Clean Fuels Standard and Cap-and-Invest policies are also helping shift our fuel markets.
- What are the constraints to full diesel pool conversion? No.1 blending in winter?

Findings from additional modeling work

- First round of modeling results focused on the effects caused by the shifts in the vehicle fleet from what had previously been forecast
  - As is also seen in recent other modeling, light duty fleet turnover is slow and there are not clear other options for decarbonizing light duty transport to the levels required by the state's climate goals
  - Absent higher EV sales, fossil gasoline volumes make it difficult to get past 50% in 2040, even with the diesel pool largely converting and improvements in other fuel CIs
  - The DEQ High scenario is used for the following modeling results

Two additional diesel pool scenarios



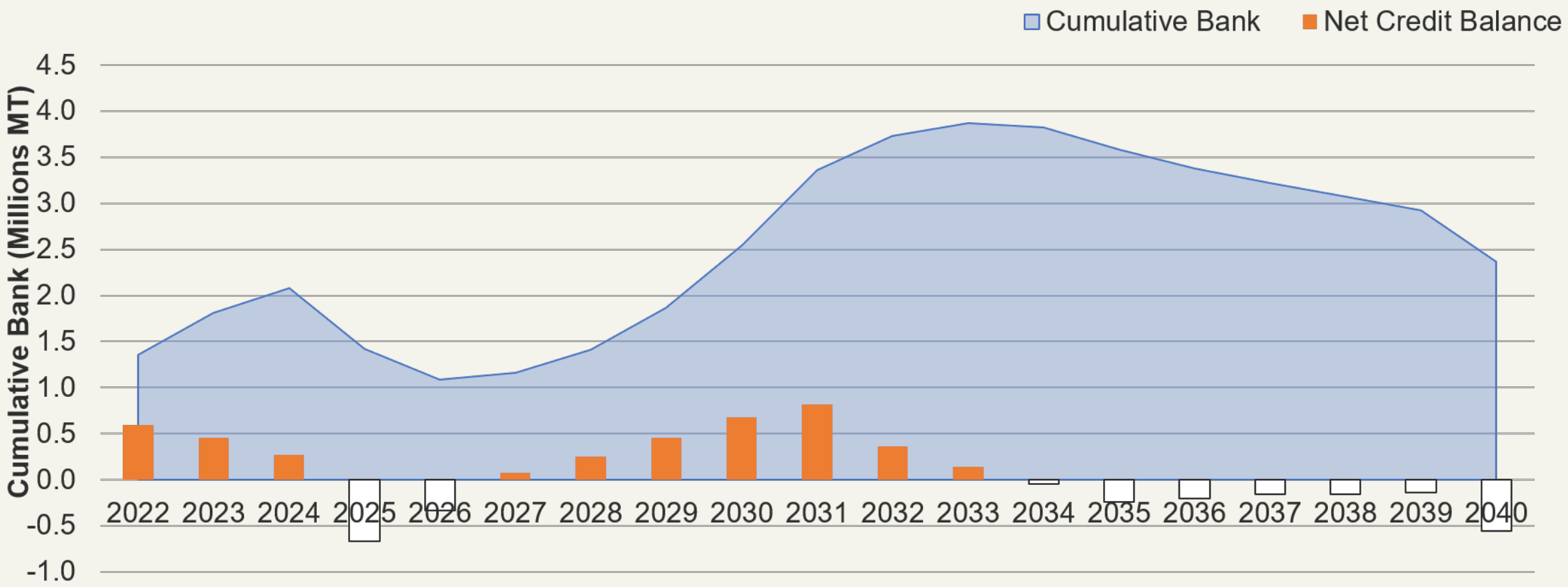


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Notes on these scenarios

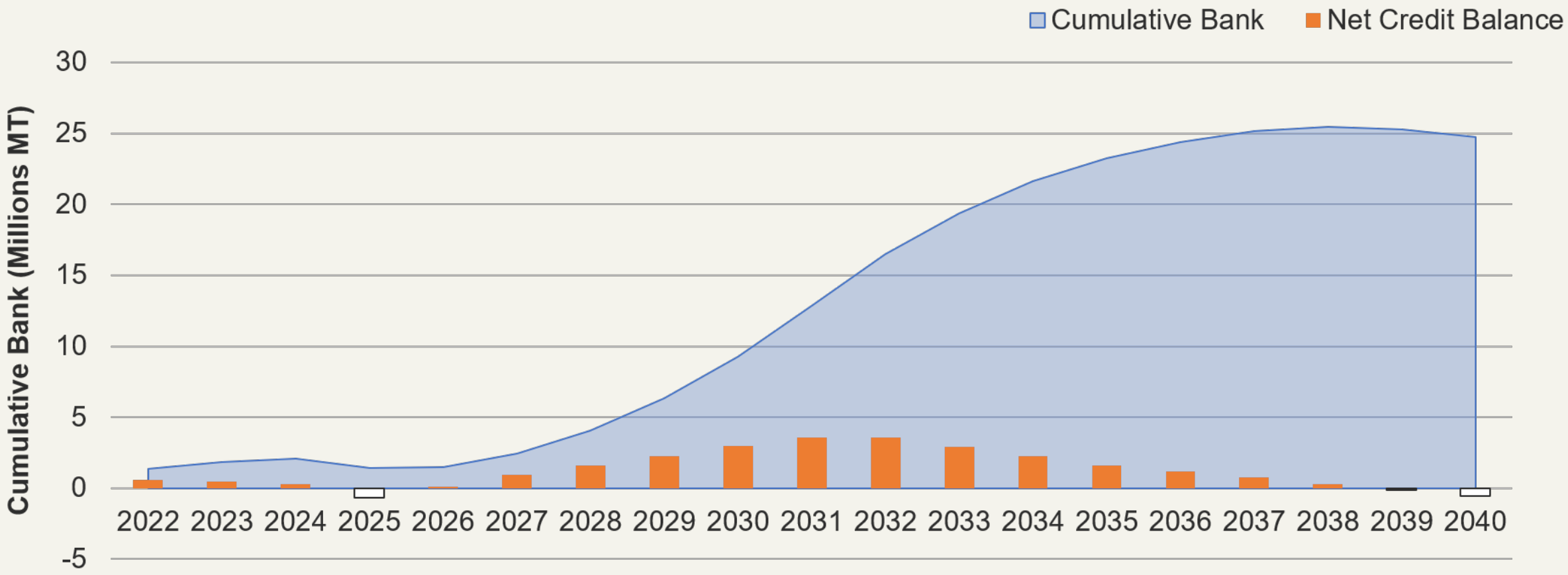
- Diesel pool is taken to 85% Renewable Diesel, 10% Biodiesel. Highest point in CA data is 79% for two quarters (72% RD, 7%BD). Alternative Jet Fuel allowed to grow to 25% of the Jet A pool.
- This round does include the supply of renewable diesel moving to half crop-based, half waste-based by 2040 from the current mainly waste-based composition.
- The electricity provisions are included in the modeling as proposed other than the electricity standard, which is implemented for residential credits but not non-residential credits.
- Other assumptions were the same as the last round.

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



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

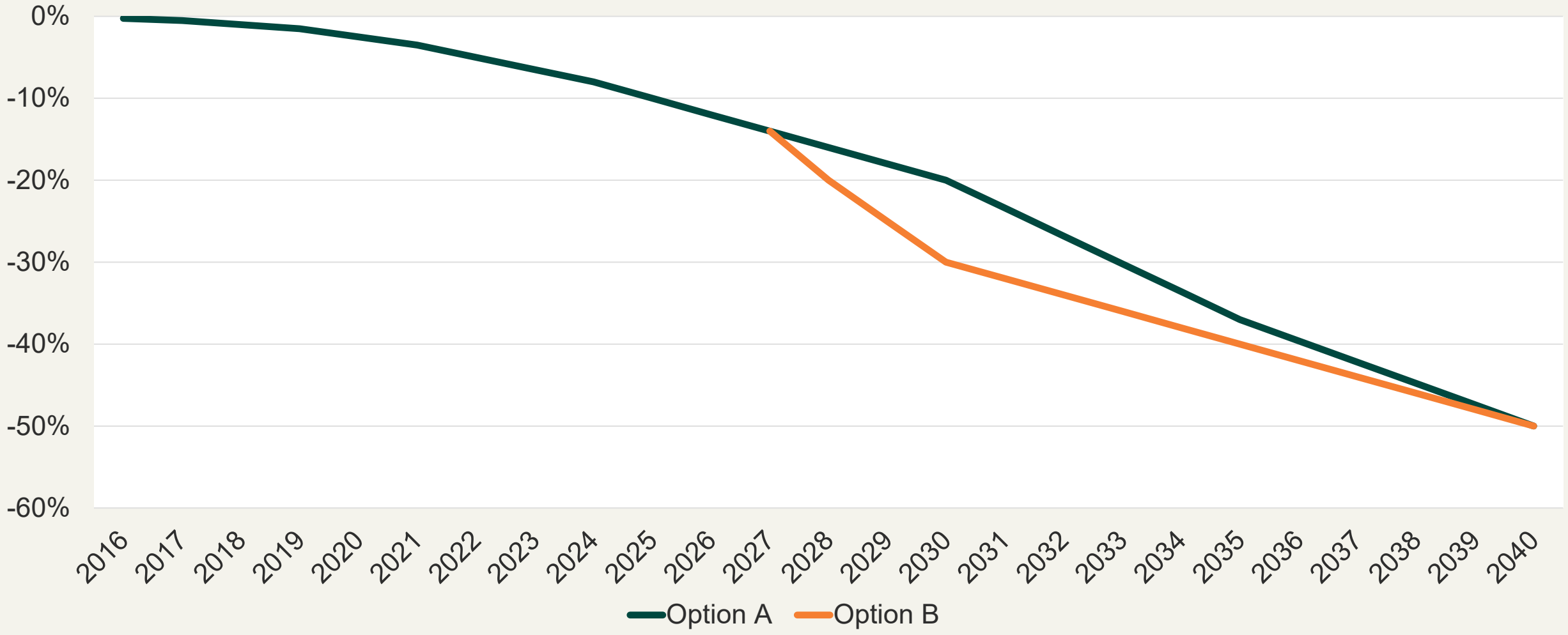


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Proposed target options

- DEQ is proposing two options for updated carbon intensity standards for the Clean Fuels Program:
  - Option A is what was used for the first round of modeling: the current standards through 2035 would remain the same, with a linear increase to a 50% reduction in carbon intensity by 2040.
  - Option B would also reach a 50% reduction in carbon intensity by 2040 but would be more ambitious in the short term – moving up to 30% by 2030 and then increasing linearly from 2030 to a 50% target by 2040.
- Given the uncertainties, the agency will plan to update the illustrative compliance scenario work in 2031-2032.

Target options

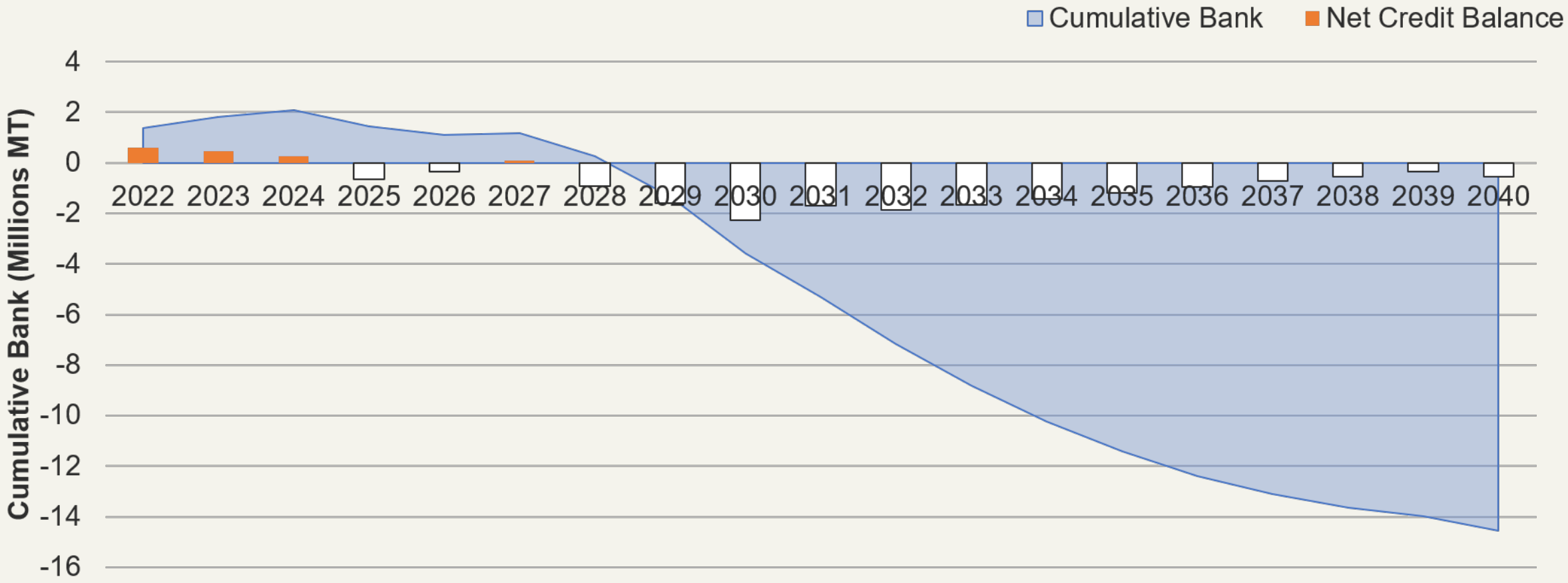


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Considerations

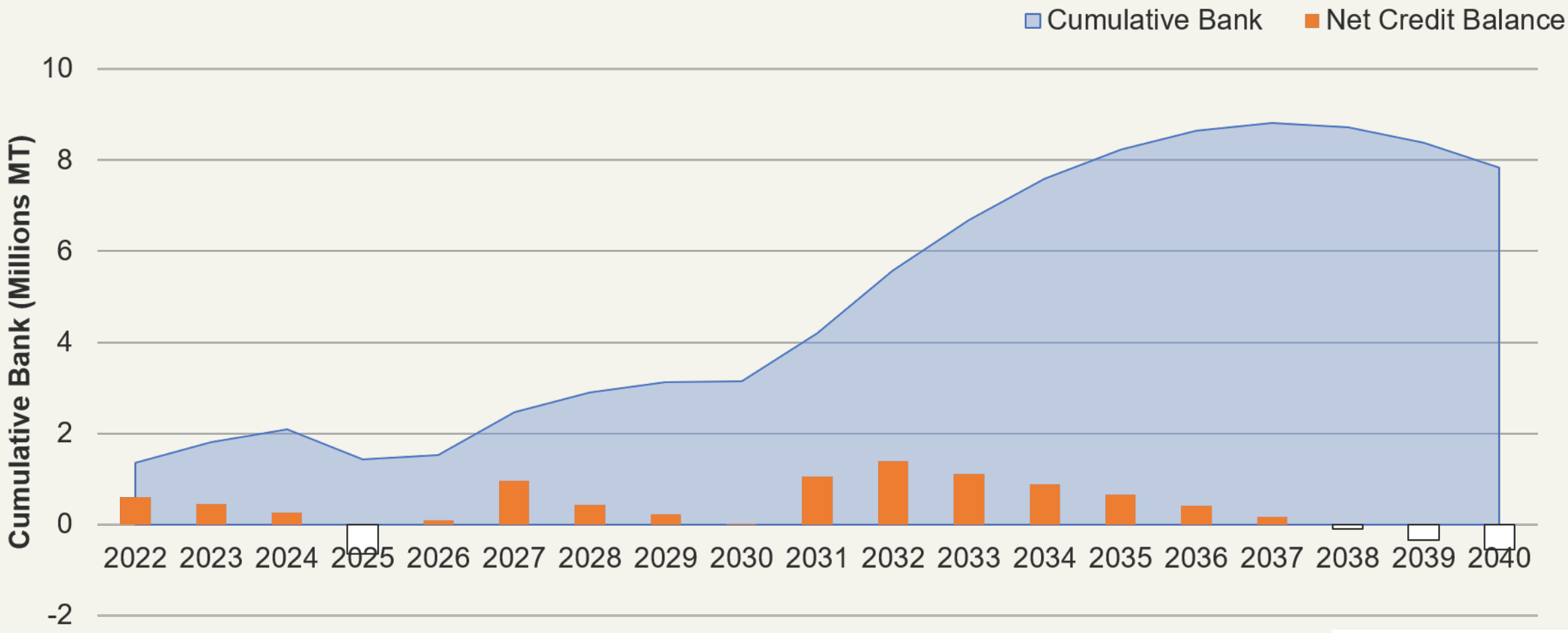
- Option B reflects projections that the Northwest diesel pool will mostly convert to renewable diesel and biodiesel in the next few years.
- Option B would have less buffer if the diesel pool does not convert in the early 2030s, however, DEQ would be able to use the annual fuel supply forecast process to adjust the targets in any given year.
- Option A keeps the existing trajectory but runs the risk of ongoing low credit prices and a building credit bank if the diesel pool converts before the late 2030s.

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



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



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Questions on the Proposed Standards

DEQ is soliciting comments and feedback on these two options for carbon intensity standards and would appreciate input on:

- Are there physical limitations to the diesel pool converting? What are they? How much of the pool would that affect?
- Are there other constraints we should consider?
- How should we judge setting targets higher or lower?
- Is it better to set them higher and risk pulling them back with the fuel supply forecast, or setting them too low and needing to adjust standards in another rulemaking?

Overview of where we landed on other proposals

Updated Proposals

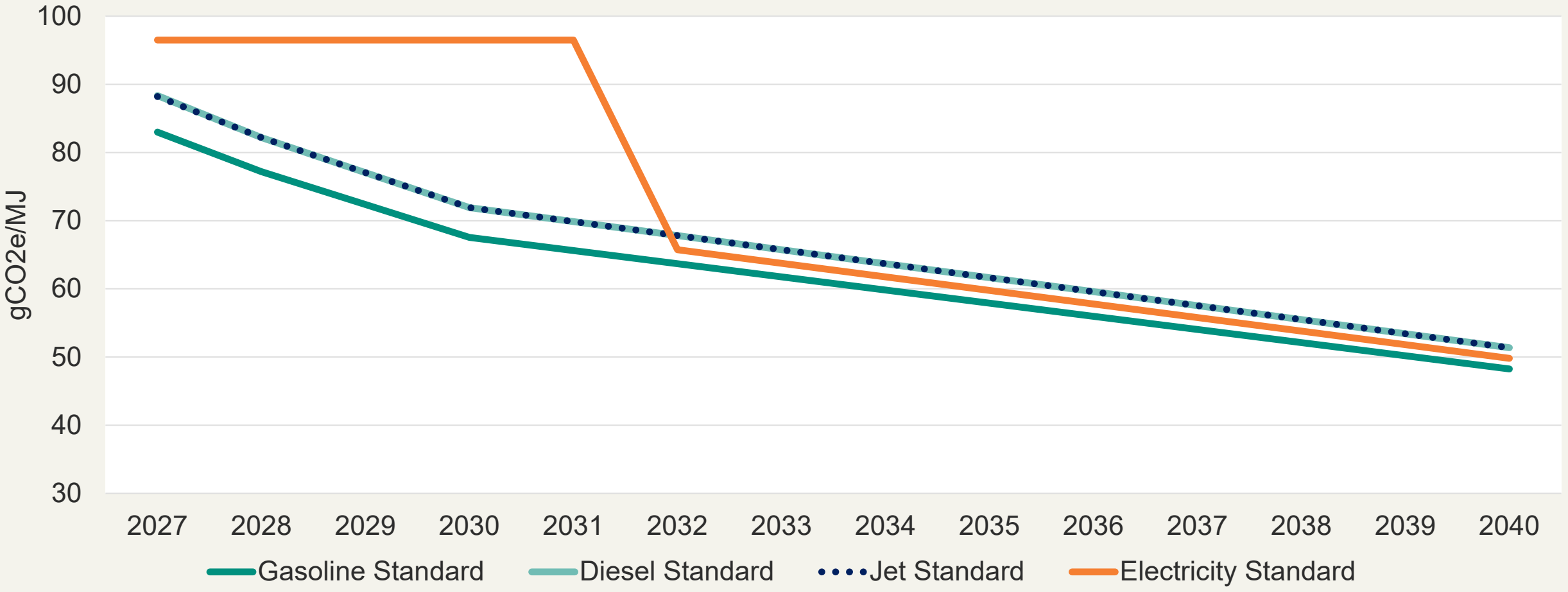
- Electricity standard
- Utility spending thresholds
- Renewable electricity verification

Electricity standard

In lieu of the baseline credits concept, DEQ is instead proposing to develop 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) needed to enable more EVs and electric utility programs designed to spur the adoption of more EVs.

Electricity standard (Option B shown)



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Electricity standard effects

- The intent of asking the Commission to create a fourth standard is to boost EV credit generation so the state can unlock deeper decarbonization in the transportation sector.
- Continuing to significantly progress the Clean Fuels Standards after 2040 is difficult with the amount of fossil gasoline remaining needed if EV sales share do not rise above the estimates in the DEQ High scenario.

Questions or comments?

Utility residential credit spending

- We are moving forward with the proposal to offer an optional template for utilities to use for their annual spending report on residential credit revenue

- Transportation electrification is defined in the rule, but no list of projects. If the rulemaking is adopted by the EQC, we will plan to provide a Frequently Asked Questions document on this next year and will likely include the list of projects in that document along with other questions from utilities

Utility residential credit spending

- Requiring electric utilities with over 500 credits in their account for two years to sell some of them within the next year.
- Changes to threshold for requiring half of residential credit revenue to be spent on customer focused rebates
  - We are proposing a threshold of $500,000 in utility revenue over two out of three consecutive years

Other electricity updates

- We are moving forward with the following electricity-related proposals:
  - 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 efficacies of conventional vehicles. The agency would revisit that analysis in 2029 and every other year thereafter.
- Merging the Backstop and Incremental Aggregator roles into the Backstop aggregator

Third party verification

- DEQ is moving forward with its proposal to update the third party verification rules to modify the definition of qualified positive verification statements for the Clean Fuels Program
  - This proposal 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.

Renewable electricity

- DEQ is moving forward with its proposal for a new verification pathway for renewable energy certificates to be claimed in the program in addition to the existing Green-e Certification.
  - This alternate pathway involves an attestation from the renewable electricity generator/seller and requires third party verification of RECs to ensure they are in compliance with the program.

Exemption reporting by position holders

- We are proposing updates to the rules for reporting exemptions that allow position holders at terminals to work with fuel suppliers delivering to exempt vehicles so the position holder can claim the exemptions in agreement with the fuel suppliers
- This is in response to a request from BP to approve a system of alternative documentation for exemptions, and is similar to how they track some exemptions under Washington's programs
- The updates ensure enforceability and create a clearer path for this under our rules

Other updates

- Allowing Ecology-approved pathways to qualify for the recertification program once they move to WA-GREET 4.0
- Margin of Safety request process added as described in the discussion paper for RAC #3
- A verification that finds that an entity underreported clean fuels or exempt volumes by more than 5% will be eligible for a qualified positive so long as no other issues exist that would lead to adverse verification statement
- Clarifications to FSE registration requirements for EV chargers to require the hardware serial number. An alternative may be requested by the charger manufacturer if it would better guard against double-counting.

Questions or comments?

Statement of fiscal and economic impact

Fiscal analysis requirements

- 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[.]”
- This fiscal and economic impact analysis **is limited to the impact of the proposed rule changes contained in this rulemaking**; it does not fully reassess the existing CFP.
- In some areas, we do not have the information to assess the possible cost of the rule changes. If you can provide information or estimates in those cases, please do.

What we're asking you to consider

- 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 racial equity impacts of the proposed rules.
- Potential environmental justice consideration of the proposed rules.

Draft fiscal analysis

- The updated carbon intensity standards have the most significant fiscal and economic impact of this rulemaking.

- The increasing targets 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. It will create more demand for low-carbon fuels, benefiting producers of those fuels.

- 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.

Benefits

- Criteria and air toxics emissions reductions and air quality benefits are still being calculated and will be published in the Notice. They are expected to be greater than those calculated ($84-87 million per year) for the 2022 rulemaking.
- 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.
- Those are 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.

Spending on gasoline

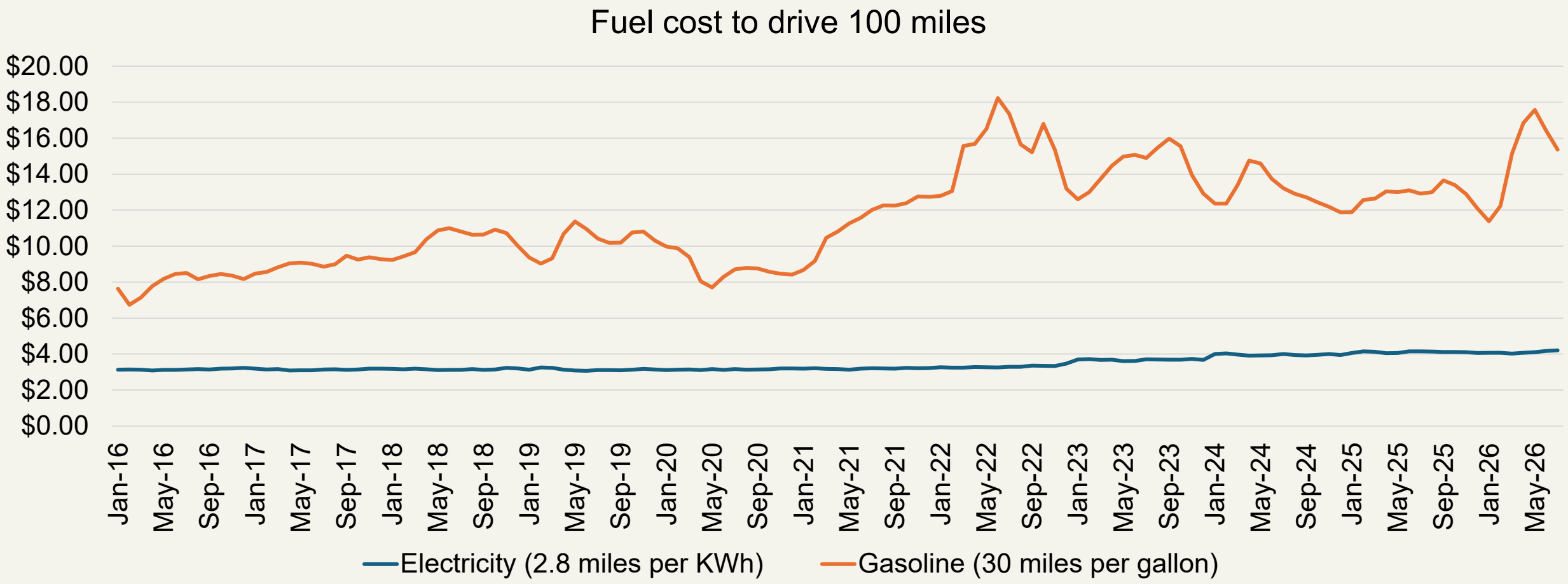
- Spending on transportation is a major component of household budgets, and the provisions helping Oregonians switch to electric can help them save costs over time.
- Estimates here use $4.25/gal for gasoline and 19.6c/KWh for electricity based on 80% home charging and 20% fast charging

Estimated state-wide 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

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

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Helping shift to cheaper fuel costs



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Credit prices selected for analysis

- DEQ selected three credit prices – $50, $100, $150 – that represent the range of recent annual average prices for credits.
- This range covers the likely spread of future credit prices given the program's history. As the program's targets increase, credit prices may further moderate as fuel suppliers make decisions to import fuel based on avoiding deficit costs in addition to generate credits.
- The credit market is circular, so one company's deficit cost is another's credit benefit.

Fiscal analysis: Fuel benefits and costs

	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	$0.26	$0.52	$0.78
Dollars/Gallon	B 2035	$0.19	$0.38	$0.58
	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

Fiscal analysis: Target option A and B

- The estimated cost of compliance is the number of deficits generated, multiplied by each of the different example credit prices

	Size of credit market / maximum estimated cost of compliance		
Number of Deficits in 2040	$50 per credit	$100 per credit	$150 per credit
6,160,000	$308,000,000	$616,000,000	$924,000,000

Fiscal analysis: Target option B

Option B:

	Size of credit market / Maximum estimated cost of compliance		
Number of deficits in 2030	$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	$50 per credit	$100 per credit	$150 per credit
5,470,000	$273,500,000	$547,000,000	$820,500,000

Difference between existing targets and Option B

	Difference in the maximum estimated cost of compliance between the existing Clean Fuels Standards and the Option B proposal		
Difference in the number of deficits in 2030	$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	$50 per credit	$100 per credit	$150 per credit
390,000	$19,500,000	$39,000,000	$58,500,000

Effects beyond regulated parties

- For DEQ – Some fiscal impacts due to need to update our IT system and for technical assistance to regulated parties.
- For other state agencies and local governments – As fuel consumers, affected to the extent the program's incentives and costs affect the state's fuel markets or that they generate credits.
- For the public – Affected as fuel consumers, benefit from cleaner air as emissions decrease and some will benefit from utility rebates.

Discussion on fiscal analysis of updated carbon intensity standards

- What is the fiscal impact and the extent of that impact?
- How can we achieve the rules' substantive goals while reducing any negative impacts?
- Do CI standard updates have a significant economic effect on businesses?
- Do the CI standard updates have a significant adverse effect on small businesses, and if so, how might we reduce that impact, consistent with the public health and safety purpose of the proposed rules?
- What are potential racial equity impacts of the CI standard updates?
- What are potential environmental justice considerations of the CI standard updates?

Electricity provisions: Electricity standard

- 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. The proposal creates modest benefits to electricity credit generators.

Electricity provisions: Spending requirement

- This proposal would have a positive fiscal and economic benefit to Oregonians 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.
- There will be a cost to utilities to stand up new programs or modify their reporting to DEQ, but those costs may be recovered from credit revenue.

Electricity provisions: Updated light-duty energy economy ratio (EER)

- This proposal will have a positive fiscal and economic benefit to the owners of non-residential electric vehicles and EV charging equipment as the efficiency of electric vehicles will be more accurately captured, and in turn will 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.

Electricity provisions: Advance Crediting

- Advance crediting expansion: this proposal will have a slight positive fiscal and economic impact for entities that own medium- and heavy-duty chargers that 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.

Electricity Provisions: 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.
- We are requesting any cost estimates that verifiers or electricity entities can provide.

Other provisions

- 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.

Discussion on fiscal analysis of the electrification, renewable electricity, and other provisions

- What is the fiscal impact and the extent of that impact?
- How can we achieve the rules' substantive goals while reducing any negative impacts?
- Do these provisions have a significant economic effect on businesses?
- Do these provisions have a significant adverse effect on small businesses, and if so, how might we reduce that impact, consistent with the public health and safety purpose of the proposed rules?
- What are potential racial equity impacts of the proposed updates?
- What are potential environmental justice considerations of the proposed updates?

Racial equity and environmental justice analyses

Draft racial equity and environmental justice analyses

- Pollution from the transportation sector is the largest contributor of greenhouse gases and most criteria pollutants to the air in Oregon.
- 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 lead to clear air quality improvements in the vicinity of major roadways, given that the standards will generally result in reduced greenhouse gas and particulate matter emissions, which will benefit those living near roadways the most.

Draft racial equity and environmental justice analyses

- The electrification provisions of this rulemaking could also have positive impacts on low-income and disadvantaged communities.
  - 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.
  - Utilities who receive revenue from residential credit revenue are encouraged to funnel that revenue into disadvantaged communities.
  - School districts may be looking to electrify their school buses, and that reduction in pollution will greatly benefit the school-aged children who take those buses, the drivers, and the communities where they serve.

Draft racial equity and environmental justice analyses

- DEQ has attempted to design rule changes to maximize benefits and mitigate costs, however, there may still be a mix of impacts to disadvantaged communities.
  - For example, switching from a gasoline or diesel-powered vehicle is costly and low-income Oregonians may be delayed in transitioning to driving electric vehicles.
  - 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.

Discussion of environmental justice and racial equity analysis

- What are potential racial equity impacts of the proposed updates?
- What are potential environmental justice considerations of the proposed updates?
- What else should DEQ consider as we work to achieve environmental justice and address disproportionate impacts on low-income populations and communities of color?

General Public Comment

- We will now take public comment on this rulemaking

Next Steps

- Please submit written comments to CFP2026@deq.Oregon.gov by **Thursday, December 3rd.**

- We plan to issue the Notice of Proposed Rulemaking in December or early January, public hearing will likely be late January

- Informational presentation to the EQC at their January meeting

Title VI and alternate formats

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