

Oregon Clean Fuels Program

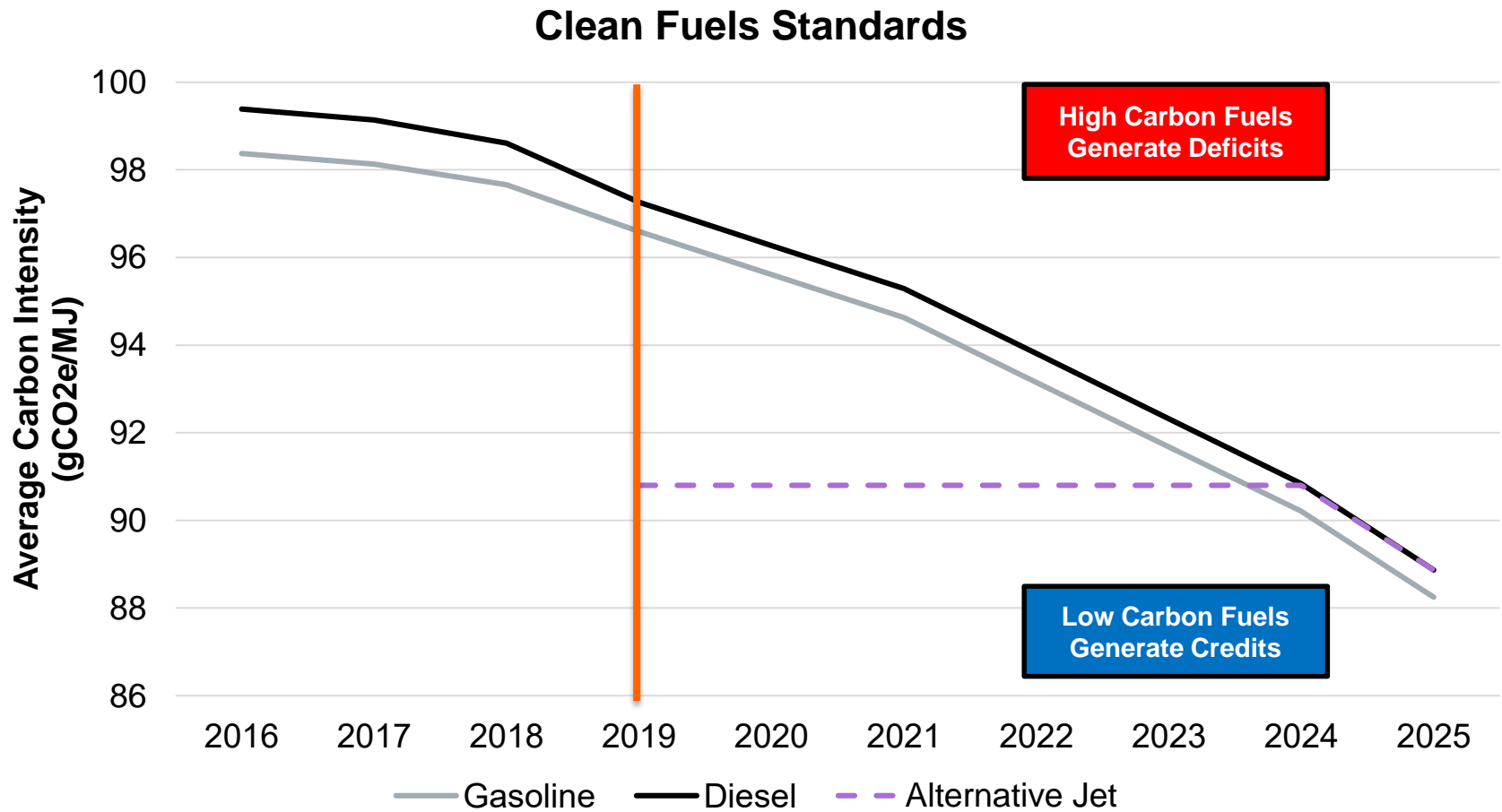
2019 Reporting Updates Webinar

Agenda

- Status update
- Changes to reporting for 2019
- Q&A

Due to the number of attendees, we will be taking questions via the webinar's chat box. We'll try to answer clarifying questions as they come in, and will take the others at the end.

Clean Fuel Standards



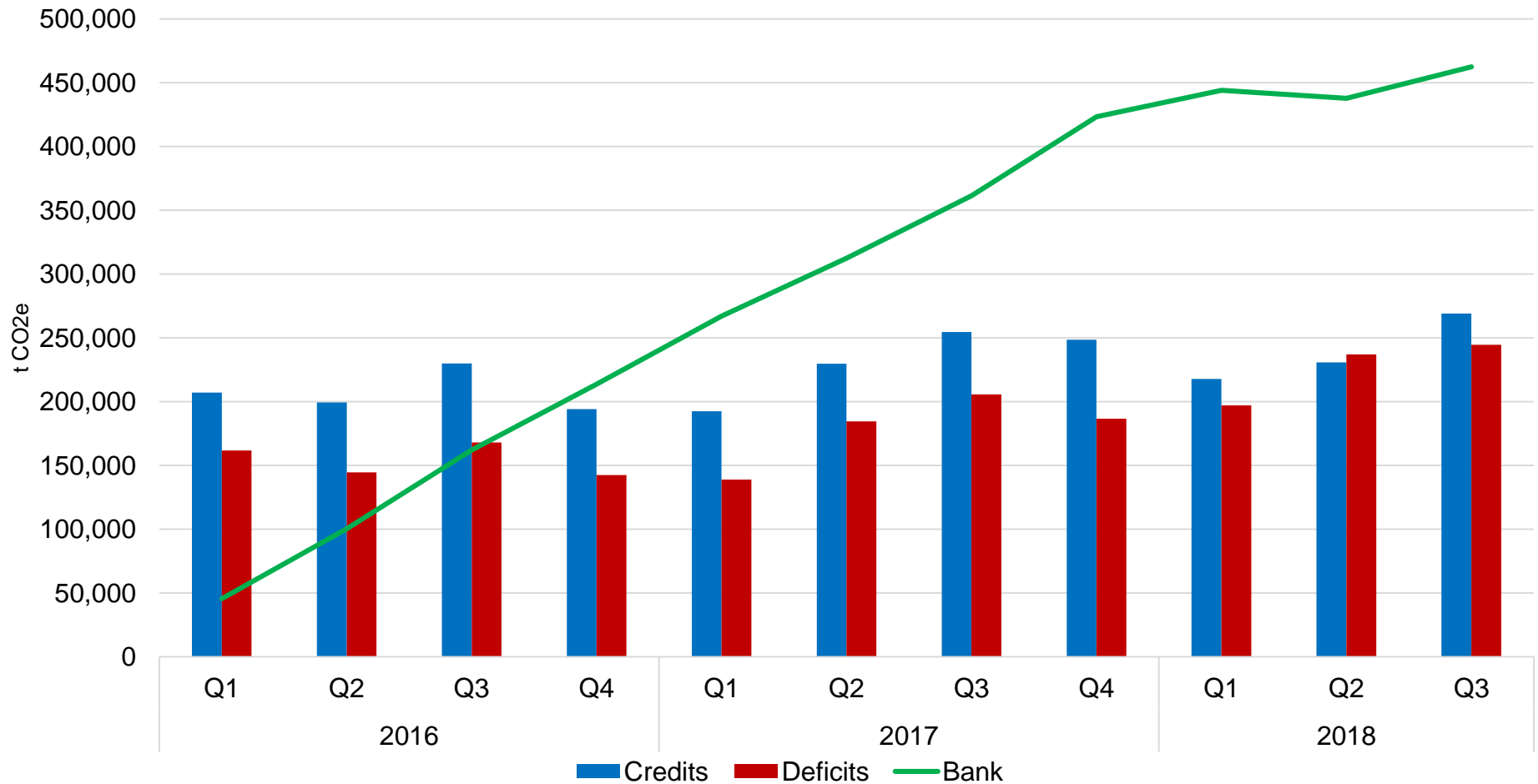
Compliance Deadline in April

- Compliance is due for all regulated parties at the end of April upon the submission of the 2018 Annual Report
 - For importers of blendstocks, 2018 deficits must be retired
 - For large importers of finished fuels who did not comply with their 2016-2017 deficits upon the submission of the 2017 annual report, deficits from 2016-2018 must be retired
- If regulated parties do not have enough credits to comply, they can elect to participate in the Credit Clearance Market, or use the small deficit carryover if they have credits for at least 95% of the deficits that are due

Credit Clearance Market

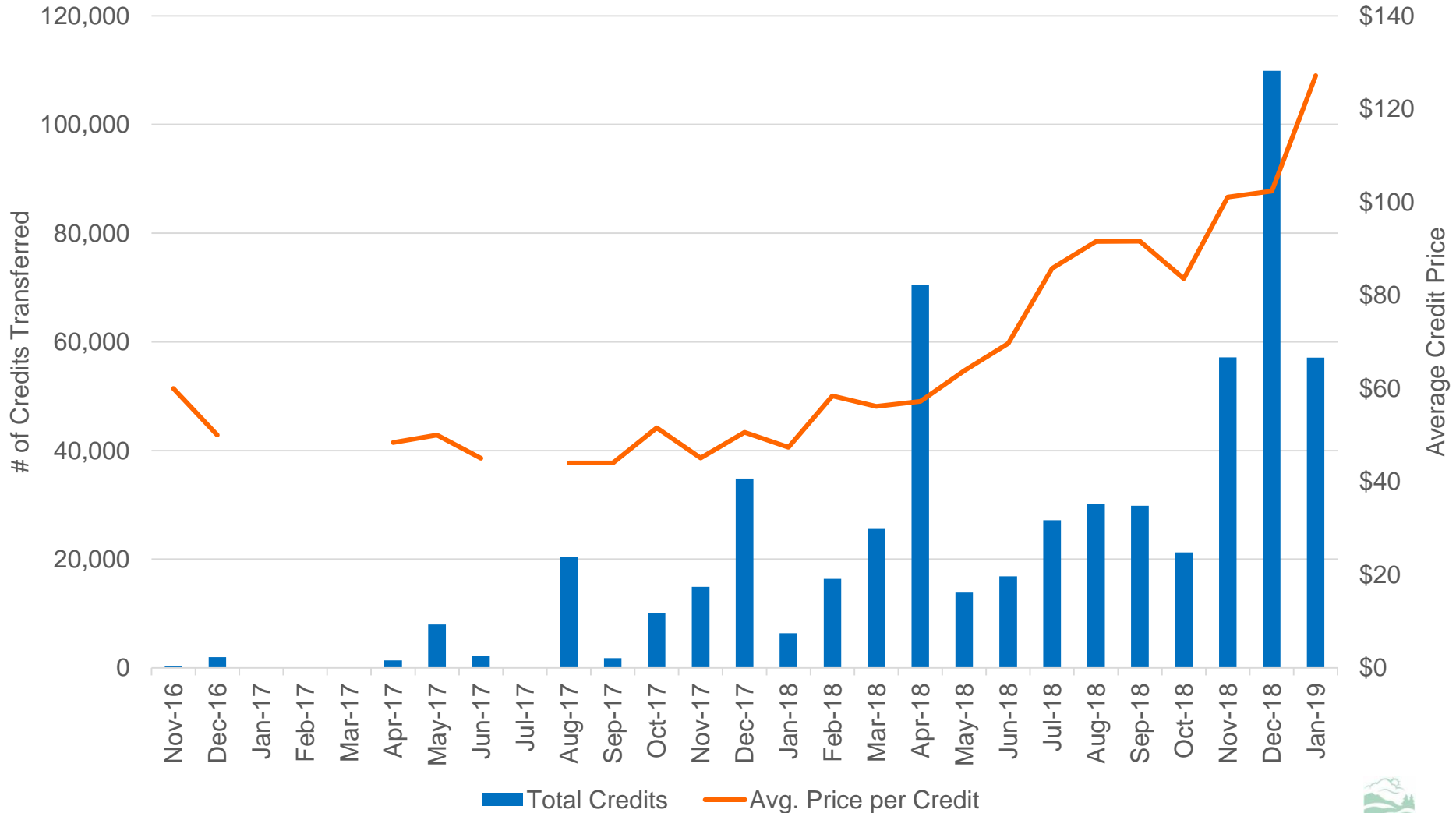
- The maximum credit price for the 2019 Credit Clearance Market will be \$206.20 per credit
- DEQ will issue a call for credits to be pledged into the Credit Clearance Market on April 2nd
- More information on the Credit Clearance Market can be found here:
<https://www.oregon.gov/deq/FilterDocs/cfp-ccm2019.pdf>

Healthy Bank of Credits



*Based on information submitted to the CFP Online System.

CFP Credit Market



Electricity & Natural Gas

- Starting in 2019, all compressed natural gas reporting will change from standard cubic feet to therms
- For electricity, remember that the fuel pathway codes (FPCs) will change annually
 - ORELC2018 —> ORELC2019, and so on
 - <https://www.oregon.gov/deq/FilterDocs/cfp-electrcalc.pdf>
- For EV charging equipment, if the equipment is served by a utility that has opted into a utility specific CI, you can use their fuel pathway to report those KWh

Reconciliation

- The 90-day reporting period is meant to facilitate counterparties reconciling their transactions with each other
 - The first 45 days should be used to upload data into the system
 - The second 45 days should be used to reconcile transactions with counterparties
- DEQ appreciates the work reporting parties have put in to reconcile with their counterparties, and reminds parties that have transactions with others to make sure they have reconciled them before submitting

More Reconciliation

- The only transactions that we do not currently require be reconciled are sales at the rack by position holders
- Purchases at the rack do need to be reported in order for entities operating below the rack to report those gallons as exports, going to an exempt user, or as not for transportation

Any clarifying questions?

Substitute Pathways

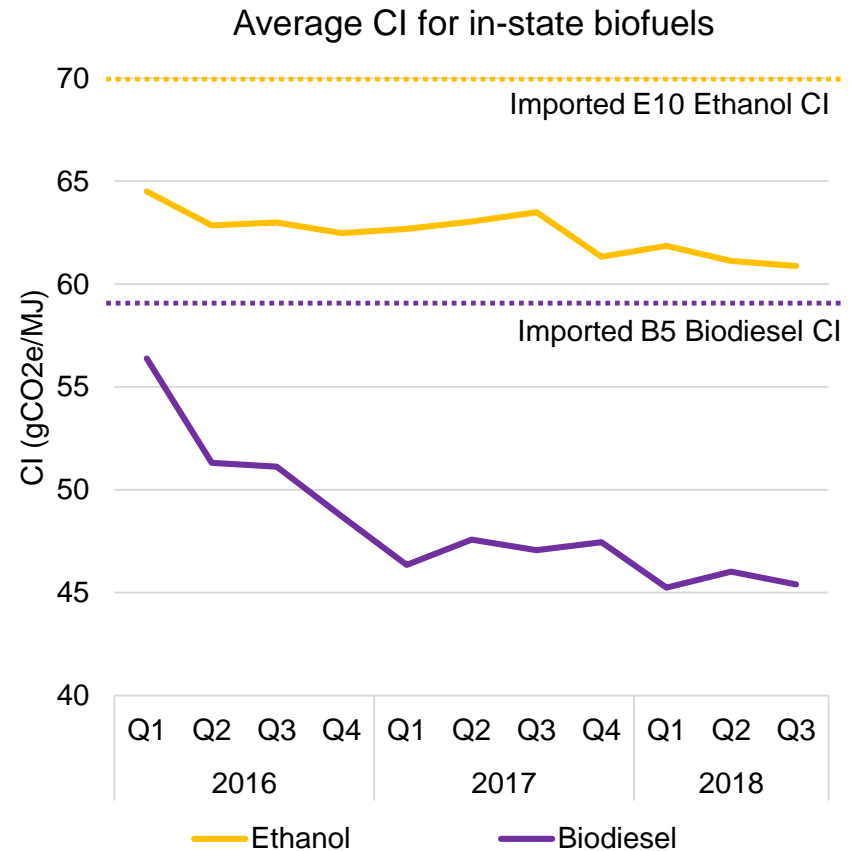
- The Clean Fuels Program includes regulated parties that operate above and below the rack
- Entities above the rack (position holders at terminals) have said that it would be difficult for them to pass on accurate carbon intensity information for blended finished fuels to below the rack entities (jobbers, end users)
- Many below the rack entities have used the imported B5 and E10 fuel pathway codes to report

Substitute Pathways

- Substitute fuel pathways are limited-use Fuel Pathway Codes (FPCs) that can be used when the specific carbon intensity information for a liquid fuel is not being passed on
- These pathways have been in place for Biodiesel, Ethanol, and Renewable Diesel
- The pathways can only be used for the following transaction types: sales or purchases without obligation, exports, loss of inventory, not for transportation use, and exempt fuel use

Substitute Pathways

- The imported finished fuel FPCs (ORGAS002, ORULSD002) assumed relatively high CI biofuel components
- In-state biofuel CIs are falling as a result of the Program, and can be expected to do so in the future



Substitute Pathways

Description	FPC	Carbon Intensity
Substitute CI for E10 Gasoline. This pathway may only be used to report transactions that are sales or purchases without obligation, exports, loss of inventory, not for transportation use, and exempt fuel use.	ORGAS0116	For 2019: 96.59 For 2020 and beyond: 96.00
Substitute CI for B5 Diesel. This pathway may only be used to report transactions that are sales or purchases without obligation, exports, loss of inventory, not for transportation use, and exempt fuel use	ORULSD01165	For 2019: 97.26 For 2020 and beyond: 96.71
Substitute CI for B20 Diesel. This pathway may only be used to report transactions that are sales or purchases without obligation, exports, loss of inventory, not for transportation use, and exempt fuel use.	ORULSD011620	84.45

Substitute Pathways

- Beginning with Q1 2019 reporting, in cases where the position holder at an in-state rack does not provide the carbon intensity information for the biofuel portion of that blend, the substitute pathways should be used report the purchase without obligation and any subsequent transactions for those gallons

Any clarifying questions?

Reporting Exports

- Exports must be reported, and should be reported by the entity who holds title to the fuel when it leaves the state
- For fuels blended in-state where the FPC and carbon intensity of the biofuel has not been passed on, the substitute fuel pathway codes must be used
- For blends without CI information that are not represented by the new substitute pathways, exports should be broken out and reported using the pure lookup table and substitute fuel pathway codes

Reporting Exempt Volumes

- Exemptions generally are for the uses of a fuel, and can only be claimed when there is reasonable evidence that they are going into the listed exempt vehicle. All gallons should be presumed to be covered until proven to go to an exempt user
- Beginning with the start of 2019 reporting, ‘corrections’ to past reports to add exempt fuel claims will not be allowed
- Dyed diesel is not exempt from the Clean Fuels Program
- Off-road vehicles are not exempt unless explicitly called out

Reporting Exempt Volumes

OAR 340-253-0250(2)(a)

(A) Aircraft;

(B) Racing activity vehicles defined in ORS 801.404;

(C) Military tactical vehicles and tactical support equipment;

(D) Locomotives;

(E) Watercraft;

(F) Motor vehicles registered as farm vehicles as provided in ORS 805.300;

(G) Farm tractors defined in ORS 801.265;

(H) Implements of husbandry defined in ORS 801.310;

(I) Motor trucks defined in ORS 801.355 if used primarily to transport logs; and

(J) Motor vehicles that meet all of the following conditions:

- (i) Not designed primarily to transport persons or property;
- (ii) Operated on highways only incidentally; and
- (iii) Used primarily for construction work.

Reporting Exempt Volumes

- Beginning with the Q3 2018 data release, DEQ began publishing the volumes of fuels claimed as exempt from the program
- DEQ is adding exempt-use specific transactions to the CFP Online System for the Q1 2019 reporting period
 - The three agricultural-related exemptions will be grouped, but all others will be on their own
- Beginning with 2019 reporting, each category of exempt fuel must be reported separately

Reporting Exempt Volumes

- Reporting parties claiming exempt uses of fuel need to retain documentation that the fuel is going into the motor vehicles in -0250(2)(a)
- Account-level data (ie, cardlock transactions for a customer) can be used, but fuel suppliers should take care to determine if a customer has vehicles filling on that account which are not exempt
- For example, if ABC Farms has a card lock account that pulls fuel for tractors and farm vehicles, but also for the personal (without farm plates) vehicles of ABC Farm's owners, gallons going to the personal vehicles cannot be claimed as exempt
- DEQ will be conducting audits on this issue in the coming months

Reporting “Not for Transportation”

- “Not for Transportation” means:
 - The fuel is being combusted in a stationary application, such as home heating oil being used in a furnace, or diesel being used in an electric generator.
- It specifically does not include dyed (or undyed) products being sold to:
 - Transportation refrigeration units
 - Forklifts
- If you have a question about a specific use, please ask

Any clarifying questions?

Pathway Migration

- DEQ has updated the carbon intensity model it uses to assign carbon intensity scores to fuels
- Fuel producers will be applying for and receiving new FPCs for their products under the new model over the next two years
- When a facility is granted a new FPC, the old FPC will remain active for one quarter to allow gallons in storage or transit to be transferred to the new FPC

Pathway Migration

- For example, if biodiesel producer A has the existing FPC BIOD444 and in Q2 2019 is granted the new FPC BIOD555, both will be active during the Q2 reporting period.
- Reporting entities with gallons in storage or in transit from Q1 to Q2 under the BIOD444 can transfer the gallons to the new FPC by recording a “Loss of Inventory” transaction in BIOD444 and then a “Gain of Inventory” transaction in BIOD555

Pathway Migration

FPC	Transaction	Gallons	Transaction Description
BIOD444	Loss of Inventory	2,000	Transferring gallons to BIOD555
BIOD555	Gain of Inventory	2,000	Transferring gallons from BIOD444

- In this example, the two transactions ‘lose’ the inventory out of the BIOD444 fuel pathway code, and then ‘gain’ it into the BIOD555 pathway code
- We plan to post a crosswalk to our Fuel Pathway Codes webpage as we begin approving OR-GREET 3.0 applications

Questions?

Ask away, or you can contact us at the following:

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