Clean Fuels Program Electricity 2021 Rulemaking

Rulemaking Advisory Committee Meeting #4: Advance Credits and Other Topics

Nov. 5, 2020

Today's Agenda

- Introductions and Overview
- **Topic 1:** Advance Credits
- Break
- **Topic 2:** Other Topics
- Public Comment
- Wrap Up and Next Steps

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Ground Rules

- Honor the agenda
- Provide a balance of speaking time
- Listen to understand and ask questions to clarify
- Respect each other’s viewpoints, values and interests
- Focus comments on topics at hand – **be hard on the issues and soft on the people**
- Please stay on mute when not speaking
- Please set your display name to your name and organization
- For questions or comment, **use “Raise Your Hand” button to get in the queue**; if joined by phone, press *9 to raise hand
  - When it is your turn to speak, we will call on you
  - Say your name and affiliation before speaking
  - Use the “Chat” feature for help troubleshooting any issues

Timeline for this Rulemaking

- 6 meetings are scheduled
  - Meeting 1 (Kick-off and Overview): Sept. 24
  - Meeting 2 (New Electric Vehicles): Oct. 8
  - Meeting 3 (Renewable Electricity): Oct. 22
  - **Meeting 4 (Advance Crediting): Today**
  - *Meeting 5 (Draft rules and Wrap up): Nov. 19*
  - *Meeting 6 (Fiscal discussion): Dec. 1*
- Start of public comment period, issuance of Notice of Proposed Rulemaking: late-December 2020
- Public hearing: late-January 2021
- End of public comment period: late-January 2021
- EQC consideration of rulemaking: March 2021

Goals for this Meeting

- Provide a forum to hear stakeholders' ideas about potential changes to the electricity provisions of CFP
- Introduce some initial concepts raised in the discussion paper and provide some of the agency's initial thoughts
- Respond to stakeholder questions
- Highlight areas where the agency is soliciting specific feedback, especially where:
  - multiple options are possible
  - there are both pros and cons that should be considered

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Advance Credits

Advance Credits: General Provisions

- Advance Credits are designed to be another tool to advance the state's transportation electrification goals.
- The aim of this provision is to help lower the initial costs of conversion to electric vehicles.
- Advance crediting means issuing credits for an action that will be generating real reductions for years to come and are 'paid back' as those reductions occur.
- All advance credits represent actual reductions of greenhouse gas emissions against the Clean Fuels Standards set by this program.
- Vehicles receiving advanced credits must be registered with, and largely operating within, the State of Oregon.

Advance Credits: Eligibility

DEQ is proposing that the following entities can apply for advance credits:

- Public Transit Agencies
- Political subdivisions of the State of Oregon
- Tribes
- School Districts
- Companies under contract to provide services to a political subdivision of the State of Oregon or an Oregon School District
  - Contracted pupil transportation services
  - Garbage haulers under a franchise agreement with a local government

❖ *Are there any additional entities that we should consider?*

Advance Credits: Eligibility

DEQ is proposing that:

- The vehicles must be registered/based in Oregon and that the vast majority of miles be spent in Oregon.
  - ❖ *How can/should this be documented?*
- Medium- and Heavy-Duty Vehicles will be eligible to receive advance credits.
- Light Duty vehicles will be eligible to receive advance credits if it is part of an organization’s plan to fully electrify its fleet within a 15-year window.
  - ❖ *Is this time period too long, too short, or just right?*

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Advance Credits: Application Process

DEQ is proposing to:

- Hold at least one application period each year
- The applications would include:
  - A letter describing the proposal including the number of vehicles, charging equipment, timeframe, etc.
  - A detailed estimate of the potential credit generation including miles driven, electricity dispensed, etc.
  - Details about the charging equipment and how DEQ could be assured that credits will not be generated by another entity
  - Information about the carbon intensity of the electricity to be used
  - A proposed number of credits per vehicle
  - An attestation that the vehicles will remain under the ownership throughout the payback period

Advance Credits: Application Process

DEQ is proposing to:

- Provide technical assistance to potential applicants
- Review applications for completeness, reasonability of the credit estimates, and may ask for revisions to or additional documentation for the application
- Prioritize applications that are focused on areas of the state that are disproportionately burdened by air pollution
- Negotiate the approval conditions of the advance credits with applicants including the number of credits, the payback period, and other terms and contingencies

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Advance Credits: Approval Process

If DEQ approves an application, it would include the following the approval agreement:

- Clear milestones for the number of vehicles and infrastructure and when they will be placed in useful service
- The total number of advance credits that will be issued
- The length and terms of the payback period
- Reporting requirements to ensure progress is being made towards paying back the advance credits and compliance with the negotiated terms
- Conditions around the granting of advance credits and attestations by the applicant
- Conditions needed to ensure that advance credits are paid back to the program if the milestones and terms are not met

Advance Credits: Payback Period

DEQ proposes that:

- The payback period for advance credits must be at least 1 year greater than the negotiated term of the advance credits
- For example, if the negotiated crediting period is 4 years, then the payback period is 5 years
  - *Is this long enough?*
  - *How much longer should the payback period be than the amount of time credits are being advanced for?*

Advance Credits: Payback Period

DEQ proposes that:

- During the payback period, the applicant will report the charging by a covered vehicle or piece of infrastructure on a timely basis but that reporting will not result in the issuance of additional credits
- As soon as the number of advance credits is paid back then additional credits can be generated and issued
- If the number of advance credits is not generated during the payback period, or the applicant sells or permanently removes a vehicle or charging equipment from Oregon, then the applicant must retire credits to make up the difference

Discuss: Advance Credits

- Are there any additional entities that we should consider?
- How should an applicant document that the majority of a vehicle's time/miles are spent in Oregon?
- What is the appropriate period of time to allow for a full light duty vehicle fleet conversion?
- What is an appropriate payback period?
- What are appropriate conditions for paying back advance credits if terms of the proposal are not met?

BREAK TIME

BREAK TIME

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We’ll be back at 10:45AM

Other Topics

Frequency of Residential EV Crediting

- Current regulation: annual generation
- Initial proposal: semi-annual generation
- Comments received:
  - Mostly supportive
  - Some want quarterly generation
- Current proposal: semi-annual generation
- Primary considerations:
  - Uncertain about the availability of DMV registration data on a quarterly basis

Directing Revenue from Residential Credits

- Current regulation: no direction
- Initial proposal: submit annual report on expenditures
- Comments received:
  - IOUs want the report to be consistent with UM1826
  - COUs are supportive
  - If automaker model moves forward, then DEQ should propose limitations on expenditures for them
- Current proposal: submit annual report on expenditures
- Primary considerations:
  - Reporting should provide the desired transparency without imposing unnecessarily narrow limitations on expenditures
  - For an automaker model, expenditures should support transportation electrification and limitations should be defined broadly rather than narrowly

Adding New Energy Economy Ratios

- Current regulation: only through rulemaking
- Initial proposal: create an EER-adjusted CI application process for administrative approval
- Comments received:
  - Mostly supportive
  - Align the public comment period to that of a rulemaking process to ensure that stakeholders can have input
- Current proposal. In addition to the initial proposal:
  - Minimum data requirements: At least 3 months of operating data covering a minimum of 300 hours of operation
  - Duty-cycle testing may be used, but the applicant must consult with DEQ prior to submitting such data
  - Manufacturers can apply with an in-state owner/operator of their electric vehicles. Additional parties can sign on as joint applicants post issuance of the value with the manufacturer’s assent

Calculating the Statewide Mix CI

- Current regulation: 5 year rolling average
- Initial proposal: 1 year value; adjust for utility-specific CIs; replace Boardman with 0.428 MT/MWh for 2021-2
- Comments received:
  - Mostly supportive; consistent with carbon accounting methods
  - The result will be a higher statewide mix CI which lowers base credit generation
- Current proposal. In addition to the initial proposal:
  - If the EQC adopts the proposed rule changes, DEQ proposes to re-issue the statewide mix CI for 2021 so that it will retroactively apply to Q1 2021 reporting
  - DEQ is proposing to not adjust the indirect emissions from replacing Boardman

Renewable Electricity: Qualifying RECs

- Initial proposal: Green-e, balancing authority that has a footprint in Oregon; 2015 projects or newer
- Comments received:
  - This proposal provides the best incentive for new renewable electricity projects that can benefit Oregonians
  - Make it consistent with Oregon RPS
  - Don't require Green-E. Adds additional costs to acquire the RECs
  - Broaden delivery area to WECC-wide
  - The price of RECs will increase; there's not enough qualifying RECs
- Current proposal: no changes
- Primary consideration:
  - DEQ reached out to several entities that are knowledgeable about the REC market that have assured us that the market can meet the demand for the additional qualifying RECs needed by this proposal through 2025
  - DEQ will monitor the situation and can make adjustments to the regulation if there are unintended outcomes

Renewable Electricity: Green Tariffs

- Initial proposal: bundled and unbundled RECs
- Comments received:
  - Clarify how Green Tariff/voluntary REC programs can be used to claim zero CI electricity
  - Voluntary REC programs should have a non-zero CI if it includes biomass/biogas/hydrogen RECs or bundled power
- Current proposal. In addition to the initial proposal:
  - If there is matching between registered residential EV owners and voluntary REC program subscribers, then the utility would not need to retire additional RECs for those EVs for residential incremental credits
  - The voluntary REC program would need to demonstrate that the program contains the number of qualifying RECs that are equal to or greater than the RECs representing the percentage of subscribers that own EVs
  - Both residential and non-residential EV charging could use this proposal
  - DEQ would use the Tier 2 CI application process for a voluntary REC program to apply for acceptance of their program
  - ❖ *Should direct bundled purchases/PPAs also be allowed to apply using the Tier 2 CI pathway?*

Generating Incremental Residential Credits

DEQ proposes that:

- Utilities should have priority to claim incremental credits from residential charging
  - Utilities would need inform DEQ 1 month prior to the end of a semi-annual period (May and November) if they plan to claim the incremental credits for the future semi-annual period
  - Incremental credits would be issued following the receipt of the REC retirement records
- A backstop aggregator would generate the unclaimed incremental credits
  - In addition to the current framework for a backstop aggregator, DEQ would convene an equity advisory committee to assist in the process of developing an annual workplan for the revenue.

Direct Revenue from Incremental Credits

- Comments received:
  - There is interest in directing the revenue from incremental credits to equity-focused projects which is consistent with direction from EO 20-04.
  - The backstop aggregator model could support this via the equity advisory committee but how could it be integrated into a utility model?
- Considerations:
  - DEQ has reached out to PUC staff regarding its oversight role with the IOUs related to CFP credits to determine what/if there is a way to integrate this concept and are awaiting feedback. Specifically, DEQ asked whether base credits and incremental credits would be treated similarly in UM1826 and its established spending criteria; and if not, then how might they be treated.

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Smart Charging

- Current regulation: not allowed
- Initial proposal: that this provision not be included in this rulemaking because of the lack of data needed to implement it
- Comments received:
  - There is emerging information on the CI of electricity at a fine scale that can support this provision
  - Both smart chargers and electric vehicle telematics can provide the charging information to support this provision
- Current proposal:
  - While the data looks promising, DEQ wants to take some additional time to continue researching how to most effectively implement this provision.
  - DEQ is also interesting in collaborating with the PUC and utilities on efforts to get better real-time data and consider this provision in the next rulemaking.

Displacement Credit for New Forklifts

- In the 2017 rulemaking, DEQ elected not to extend the displacement credit portion of the credit calculation (in blue below) to forklifts given a lack of data on the share of alternative-fuel forklifts in service
- Since adding forklifts to be eligible to generate credits in 2019, a greater than expected number have been registered in the program and we are seeing the potential for even greater transition
- DEQ proposes to extend the displacement credit to 2016 and later to further incent the transition to electric forklifts
- This is consistent with how we treat additional miles for street car and light rail

$$Credits\ (mt) = (Standard\ CI - \frac{Fuel\ CI}{EER}) * Energy * Energy\ Density * \boldsymbol{EER}$$

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Public Comment Period

Is there anybody from the public that has comments they wish to make at this time?

Next Steps

- Next meetings:
  - Nov. 19 – Draft rules (note change to 1 p.m. start time instead of 9 a.m.)
  - Dec. 1 - Economic and fiscal impact (time to be determined)
- Comments are due by Friday, November 13th
- Please send all written comments to: CFPE2021@deq.state.or.us

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