

Meeting Summary

Meeting #1

Nov. 2, 2016
DEQ Headquarters
811 SW 6th Avenue
Portland, OR 97204

List of Attendees:

Committee Members in Attendance:

Craig Campbell, AAA (Primary)
Marie Dodds, AAA (Alternate)
Anne Smart, ChargePoint (Primary)
Amanda Dalton, ChargePoint (Alternate)
Micah Berry, Chevron (Primary)
Nick Economides, Chevron (Alternate)
Bob Jenks, Citizens Utility Board (Primary)
Mike Goetz, Citizens Utility Board (Alternate)
Brandon Price, Clean Energy (Primary)
Annie Stuart, Coleman Oil (Primary)
Virgil Welch, Low Carbon Fuels Coalition (Alternate)
Jana Gastellum, Oregon Environmental Council (Primary)
Danelle Romain, Oregon Fuels Association (Primary)
Beth Vargas Duncan, Oregon Municipal Electricity Utilities (Primary)
Bob Russell, Oregon Trucking Association (Primary)
Mary Wiencke, Pacificorp (Primary)
Brendan McCarthy, Portland General Electric (Primary)
Lindsay Fitzgerald, Renewable Energy Group (Primary)
Ian Hill, SeSequential Biodiesel (Primary)
Miles Heller, Tesoro (Primary)
Peter Weisberg, The Climate Trust (Primary)
Jeremy Martin, Union of Concerned Scientists (Primary)
Jeff Rouse, Carson Oil (Primary)
Jeff Allen, Drive Oregon (Primary)
Jessica Spiegel, Western States Petroleum Association (Primary)
Dave Vant Hof, Climate Solutions (Alternate)

Committee Members on the Phone:

Tom Koehler, Pacific Ethanol (Primary)
Ralph Poole, Campo & Poole Distributing (Alternate)
Jessica Hoffmann, RPMG (Primary)
John Costantino, Manatt (Alternate)
Connor Nix, Shell (Primary)
Joshua Skov, University of Oregon (Primary)



State of Oregon
Department of
Environmental
Quality

Oregon Clean Fuels Program

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www.oregon.gov/DEQ

DEQ is a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

Kim Kaminski, Waste Management (Primary)

DEQ staff in Attendance:

Cory-Ann Wind, Oregon Clean Fuels Program
Bill Peters, Oregon Clean Fuels Program
Wendy Wiles, Environmental Solutions Division Administrator
Matthew Van Sickle, Communications and Outreach
Elizabeth Elbel, Greenhouse Gas Reporting Program
Jeff Rosenfeld, ICF (consultant to DEQ for this rulemaking)

Other Government staff in Attendance:

Ruchi Sadhir, Governor's Energy Policy Advisor

Members of the Public in Attendance:

Mark Grahm, Jubitz
Blake Woodbury, Carson Oil
David Konz, Tidewater
Stu Sanborn, Tidewater
Janice Thompson, Citizens Utility Board
Hilary Borrund, Oregonian
Brian Doherty, Miller Nash
Adam Meyer, Oregon League of Conversation Voters
Becky Gilliam-Madge, ChargePoint
Sabine Hilding, AFD
Paul Romain, The Romain Group

Members of the Public on the Phone:

Elizabeth Hepp, Valero
Marla Benyshek, Phillips 66
Corey Erhardt, CHS
Johannes Escudero, RNG Coalition

Summary of Input:

Meeting Commencement, Welcome and Introductions:

Mark Reeve, Chair, Clean Fuels Program 2017 Rulemaking Advisory Committee
Cory-Ann Wind
Wendy Wiles
Ruchi Sadhir

- Committee introductions around the room and on the phone. Introductions of members of the public.
- Highlights of the committee charter, scope of the topics proposed by DEQ.
- Reminder that this is not a voting committee.
- A final report will not be prepared.
- The committee is asked to provide input to assist and inform DEQ staff in their recommendations. Please use OregonCleanFuels@deq.state.or.us.

Agenda Item A: General Business

Cory-Ann Wind and Bill Peters

Bill provided an update on quarterly data from recent program implementation. Both Q1 and Q2 show more credits than deficits were reported. Q2 data shows improvement in the average CI being imported into Oregon. Further revisions to the data may be completed as the program continues to audit and identify previously unregulated parties. However, major adjustments to the data have likely been completed and the program believes that any further changes should be minor. The credit trading function in the CFP tool is active, however no trades have yet been reported.

Cory gave an overview of the committee meeting schedule and intended process. Meeting dates were selected approximately 6 weeks apart to provide enough time for members to submit comment to DEQ. DEQ expects to have draft recommendations to the committee at the April meeting. Draft rule language and the review of the fiscal and economic impact are scheduled for the May committee meeting. DEQ is scheduled to propose rule changes to the EQC in November of 2017.

Questions/Comments:

- Oregon Trucking Association - Are the new oxidation stability standards an issue with eligibility for biodiesel to generate credits in the CFP program? No, but we continue to work with Dept of Ag Weights and Measures on this issue.
- Oregon Environmental Council – The CFP program is more important than ever because emissions from the transportation sector in Oregon are creeping up. It is important that we ensure no loopholes are imbedded in the program. We should be thinking about creating new economic opportunities in Oregon.
- RNG Coalition - This program is important for their industry especially for medium and heavy duty transportation.
- Tesoro – Make sure that stakeholders have adequate time to review deliverables.

Agenda Item B: Opportunities for Additional Credit Generation

Cory-Ann Wind and Bill Peters

Cory presented to the committee outlining the key concepts and purpose of additional credit generation. An additional supply of credits can help contain the cost of the program to ensure there are enough credits for compliance. These additions also can incentivize new fuels and new technology in the transportation sector. The intent of the program is to support the development of low carbon fuels and credits as drivers and incentives that support this objective.

One potential sector is the electricity sector. Currently there are provisions in the rule that allow for credit generation from electricity utilized for residential passenger vehicles. However, this language needs to be revisited to provide clarification and refined guidance on who is eligible to generate these credits and how this can best be administered.

As the program progresses there is innovation in the sector and the program should encompass any technological advancements in transportation fuel that further the goals of the program. DEQ requested comments on the addition of:

- Transit (light rail, street cars and electric buses)
- Forklifts
- Truck stop electrification and refrigeration units
- Marine and aviation fuel

DEQ also requests comment on methodology and the baseline for crediting expansion and on the point of regulation for these proposed additions.

Questions and Comments -

- Baseline issues
 - Do we need to establish a baseline for non-residential electricity sector credit generators?
 - How do we, and should we, consider existing vs. new infrastructure with a goal of incentivizing further reductions?
 - Consider base electricity usage as well as measures of service such as ridership or number of cars added.
 - ICF will provide some initial analysis regarding the number of credits generated from these sectors in context of the existing baseline.
 - The goal is not to redo the baseline for all fuels but to develop a baseline for electricity that treats it equal to biofuels.
- Multi-family dwellings
 - Much interest in generating credits for multifamily housing. Clarification needed.
- Calculation methodology
 - The method for calculating credits from residential EV in California is complicated and opaque.
 - More robust methods should be utilized, ideally direct metered if possible.
- Carbon Intensity
 - As the Oregon grid gets cleaner transportation electrification will provide even cleaner benefits.
 - Can we account for variable mixes of renewables during the day in the electricity mix?
- Legal issues
 - Question of whether income generated from the sale of credits held by transit districts or local governments are subject to the highway trust fund?
 - Make sure forklifts are within scope.
 - Be mindful of exemptions in statute.

Agenda Item C – Implementing the Forecasted Fuel Supply Deferral

Cory Ann Wind

Jeff Rosenfeld, ICF

Cory presented on the current language pertaining to the process to implement the forecasted fuel deferral.

Jeff Rosenfeld presented on the proposed methodology for the upcoming fuel forecast analysis which will involve three main parts including; demand side inputs, fuel supply, and the CI of the fuel supply. Jeff went over proposed data sources for the analysis and presented information on accounting for additional program factors such as infrastructure constraints.

The methodology will be utilized for the 2017 forecast. In the future, ICF will develop a tool for DEQ to conduct subsequent forecasts on an annual basis. DEQ requested comment on the process and methodology for developing the forecasted fuel deferral.

Questions and Comments:

- How does fuel that currently goes to California get incorporated into the forecast?
- The deferral should be designed in a way that can still provide market certainty so that credits can still be monetized and the program maintains a price signal.
- The analysis and deferral mechanism should consider both short term fluctuations and the long term compliance needs of the program.
- How will banked credits be dealt with in the forecast? Don't automatically assume that banked credits will be available.
- How should co-processing of biological feedstocks at petroleum refineries be incorporated?
- How could the City of Portland's new policy on fossil fuel infrastructure be addressed?
- How often will the tool be updated?
- It would be nice to design the forecast for use in other studies, programs.
- Can electricity use be analyzed at a finer resolution than statewide? i.e. utility districts.

Agenda Item D – Cost Containment 101

Cory-Ann Wind and Bill Peters

Bill presented background information about cost containment. Most of the information came from a workshop that DEQ hosted earlier in the year where representatives from the California Air Resources Board, the British Columbia Ministry of Mines and UC Davis presented.

Bill reminded members that communications regarding cost containment will not take place in one-on-one or small group meetings, but rather to the entire committee at the same time in order to avoid unfair market responses.

The program has many existing cost containment measures and the current task is to consider whether additional measures are needed. Examples of different types of mechanisms are included in the slides but not all types were discussed during the meeting. The committee should consider what new mechanism or suite of mechanisms should be added and whether existing mechanisms need modification or deletion. In the end, there should be a recommendation on a comprehensive cost containment strategy.

DEQ posed several key questions to the committee in the discussion paper and in the slides but did not adhere to them during the meeting. Rather, DEQ directed committee members to focus their written comments on these key questions.

Questions and Comments:

- What is the primary motivation of cost containment?
 - Consumer protection
 - Minimize cost to comply while meeting environmental goals
 - Create stability for the credit market in the long-term
 - What happens if something goes wrong
- The mechanism must be simple
 - To implement by DEQ
 - To be able to explain to decision makers

- For regulated parties to develop compliance strategies
 - To send a clear signal to the market
- Will regulated parties be held hostage by lower CI fuel producers or other credit generators?
- Need to consider fuel that is bundled or unbundled with the deficits/credits and their associated costs.
- What about regional issues like businesses located on the border with Idaho if the prices are too high?
- What about sector-specific issues like long-haul truckers that might not need to fuel in Oregon if the prices are too high?
- Remember that Washington and Idaho do not have clean fuel standards.
- Fuel users are focused on fuel prices but the program is focused on reducing carbon; there is a conflict in providing incentives to make the switch.
- The connection between the cost of compliance and the price of fuels needs to be transparent in any cost containment mechanism design.

Written comments:

Committee members should utilize the OregonCleanFuels@deq.state.or.us for submitting written comments.

For Agenda Items B and D, comments due by Friday, November 18th.

For Agenda Item C, comments due by Friday, November 11th.

Next meeting scheduled:

10:00 a.m. – 4:00 p.m.

Friday, December 16, 2016

State Office Building, 800 NE Multnomah