



# Oregon Clean Fuels Program

## Advance Crediting

### Implementing the CFP Electricity 2021 Rulemaking

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## Introduction

Having zero emission medium- and heavy-duty vehicles is critical for Oregon to meet its greenhouse gas reduction goals. The benefits in the battle against the impacts of climate change are significant, but even more so are improvements to local air quality and public health. DEQ is considering adoption of regulations to require more of these vehicles to be zero emission, but right now, the Clean Fuels Program has several new ways to kick start this transition. This guidance document introduces one of these provisions called advance crediting.

## Overview

Many fleets are currently participating in pilot programs where they have bought a single electric vehicle – but how do we get that to turn into 10 or 100? In the current program, credits are generated on a quarterly basis when the fleet reports its electricity used to power its vehicles. On an individual vehicle level, the rate of credit generation may seem to be a little drop in a very large bucket until enough credits are generated that makes sense to sell them and then reinvest the revenue into more EVs. In order to accelerate that pace, an eligible fleet manager can now request for DEQ to issue credits in advance of when they would normally be generated -- up to six years' worth -- once the vehicle is put into service. This is called advance crediting.

## How does it work?



By knowing the number of miles typically driven by the electric vehicle, a fleet manager can estimate the amount of electricity that vehicle should use over a period of time. They will also know what utility provides its electricity-- allowing DEQ to know the carbon intensity of the electricity being used. Those two factors can then be used to calculate the number of credits that an electric vehicle should generate over a period of time. That is the number of “advance credits” DEQ would issue to a fleet. The fleet can then sell those credits to offset some of the additional costs to electrify their fleet such as pay for additional electric vehicles or chargers, or train mechanics on how to maintain an electric vehicle.

## Who is eligible?

Advance credits can only be generated by deploying electric vehicles. Public entities such as local governments, port authorities, tribes, transit agencies, and school districts can apply for advance credits

but certain private entities, such as those under franchise agreements with public entities or that are on contract to provide a public service such as garbage trucks can also apply. A public entity can apply for advance credits for medium and heavy-duty electric vehicles and for light-duty vehicles if it can show commitment to electrify their entire light-duty fleet in 15 years. DEQ recommends that the public entity modify the conditions of their contract with the service provider to align with the timeframe of the advance credit agreement.

## **Applying for advance credits**

Public fleets can apply for advance crediting at specific time periods that DEQ establishes. This window will allow DEQ to evaluate multiple applications simultaneously in order to ensure that the amount of advance credits generated do not exceed the maximum threshold of 5% of total deficits generated in the previous compliance year.

DEQ will develop an application form to enable applicants to provide detailed estimates of how many credits would be generated over several years once that electric vehicle is put into operation. DEQ will work directly with potential applicants and provide calculators and other guidance for how to complete the calculations and determine a reasonable estimate.

## **Negotiating the agreement**

Once an application is deemed complete, accurate, and reasonable then DEQ would enter into a negotiation with the applicant to determine the conditions of the advance credit agreement such as:

- the number of electric vehicles to be included in the estimate and the number of advance credits to be issued,
- the period of time the applicant has to pay back the advance credits and what happens if it does not, and
- any additional conditions DEQ may include.

## **Selling the credits and investing the revenue**

DEQ will deposit the agreed upon advance credits into your account in the Oregon Fuels Reporting System. You can either sell the credits yourself or contract with a third party to do so. Once you sell your credits, then you are free to invest your revenue in any way that can support your electrification efforts.

## **Paying back the advance**

Every quarter, the public entity is required to report the actual amount of charging from the electric vehicles covered by the agreement. DEQ will subtract the number of credits generated in the quarter from the number of advance credits issued. When the balance hits zero, normal credit generation can return.

## **Alternative formats**

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email [deqinfo@deq.state.or.us](mailto:deqinfo@deq.state.or.us).