



Oregon Clean Fuels Program 2023 Update

January 19th, 2023

Oregon Clean Fuels Program
oregoncleanfuels@deq.oregon.gov

Agenda

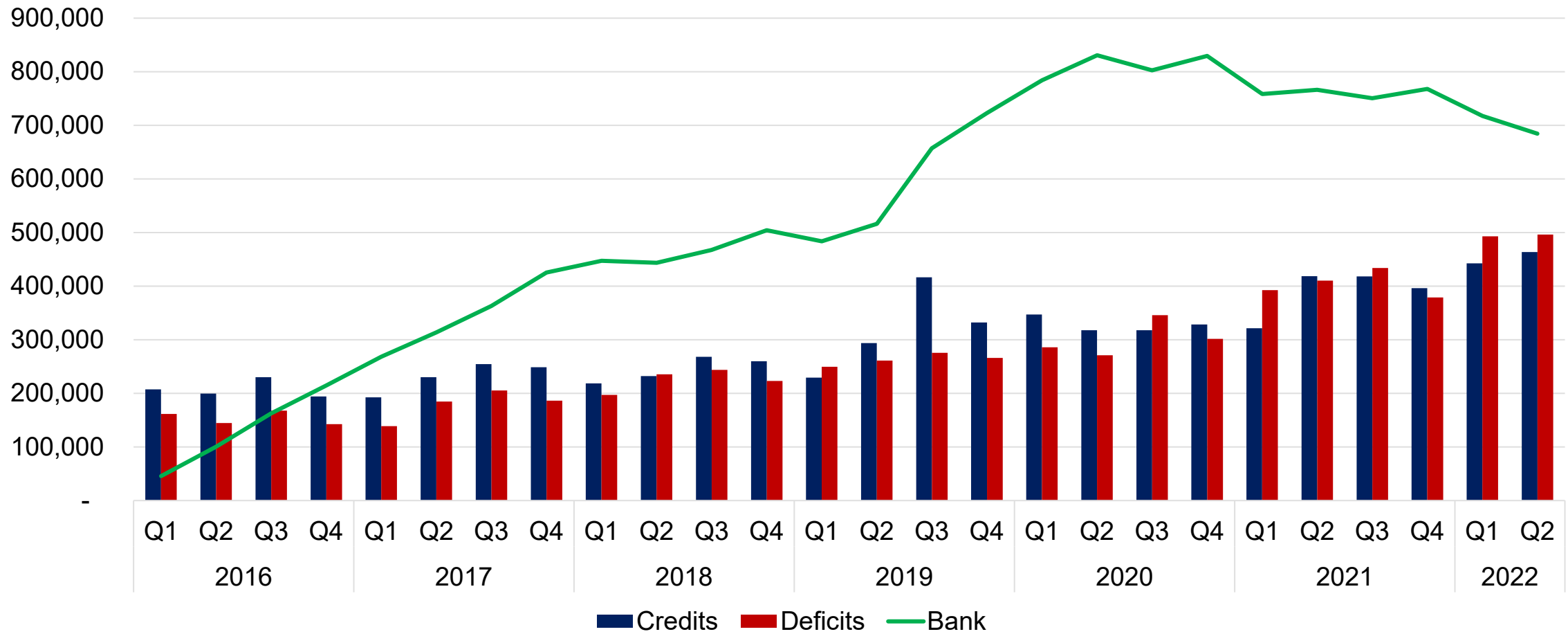
- Quick program updates
- Rulemaking updates
- Reminders for 2023
- Q&A

Quick Program Update

Oregon-Washington Collaboration

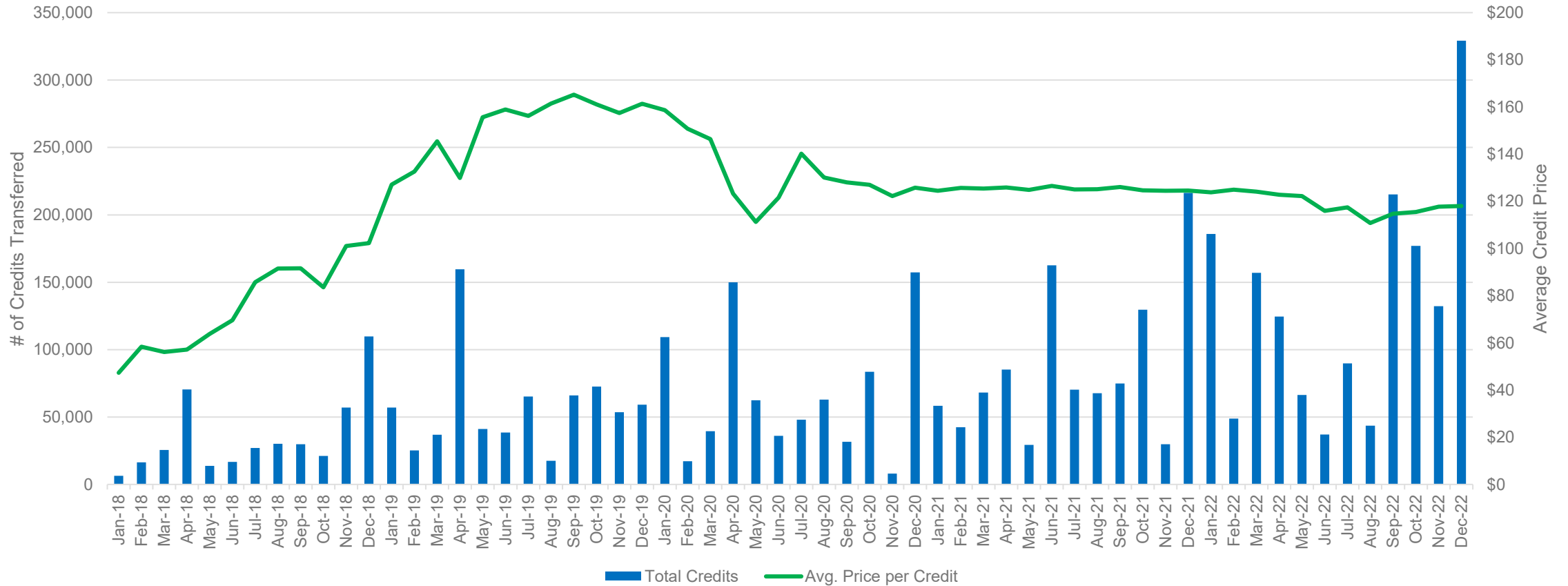
- DEQ is in regular communication with Washington's Department of Ecology on the implementation of the Clean Fuels Standard.
- We are not able to speak to the details of their program but are keeping track of questions that we are being asked and have been discussing the implementation issues that impact both regulations.

Program Update – Credits, Deficits, Bank



Market Update – Credit Prices, Volumes

Monthly Credit Transfer Data

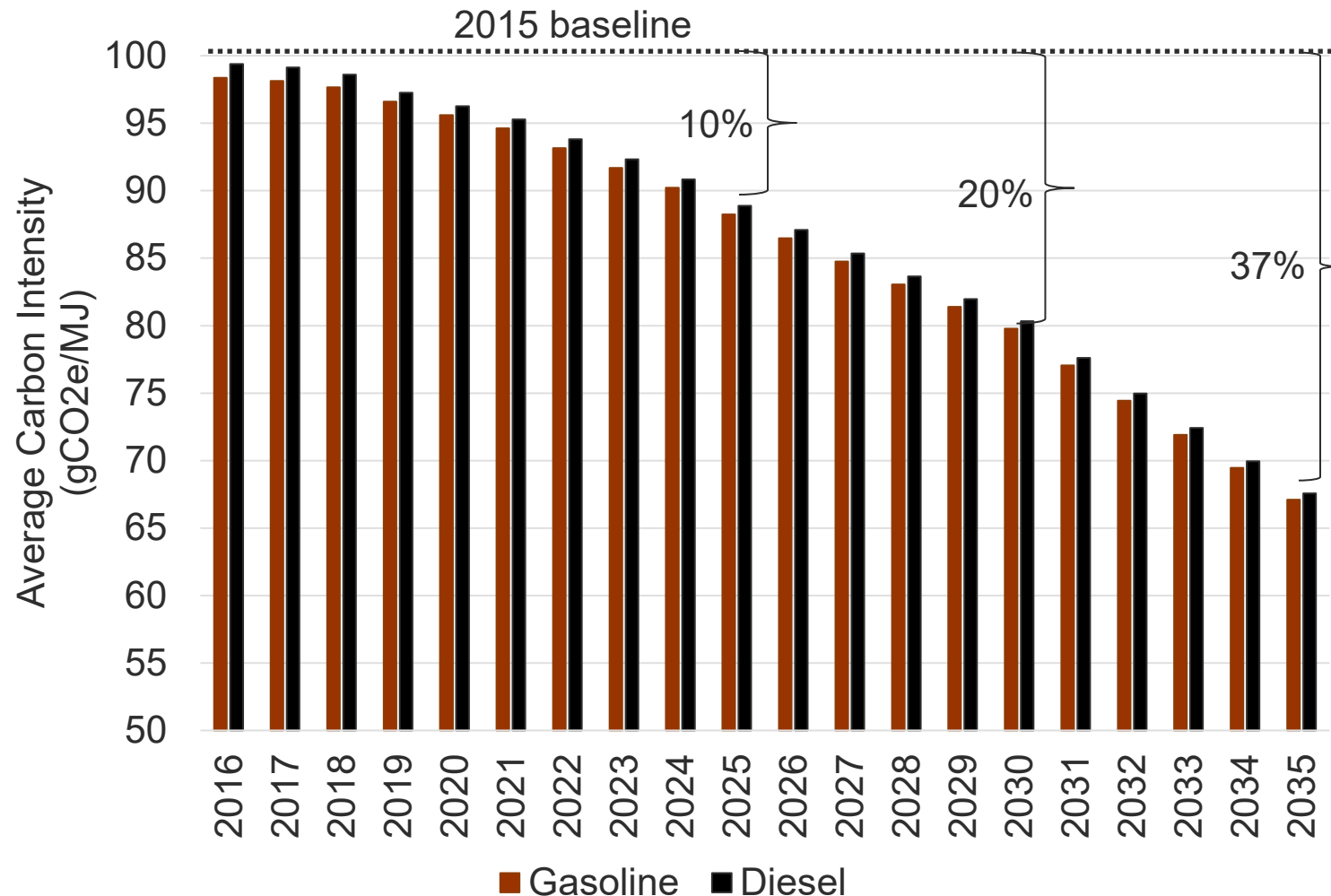


Rulemaking Updates

CFP Expansion 2022 Rulemaking

- The 2022 rulemaking was approved in September by the Environmental Quality Commission and the rules are now in effect
- Some rules are being implemented now, such as the updates to the fuel supply equipment registration
- Others won't be implemented until you begin working on your Q1 2023 reports
- The FAQ document is being updated to provide additional clarity
- Some require will changes to OFRS so there might be interim instructions until those can be completed

Current and New Clean Fuel Standards



Expanded targets:

- 10% in 2025, 20% in 2030, and 37% in 2035
- 2% annual reductions from 2026 to 2030
- 3.4% annual reductions from 2031 to 2035

New Regulated Fuels

- As the clean fuel standards become more stringent, the carbon intensity of the following fuels will exceed the standards and become a regulated fuel:
 - In 2022, fossil liquefied to compressed natural gas
 - In 2022, fossil liquified natural gas
 - In 2026, fossil compressed natural gas
 - In 2029, fossil liquified petroleum gas

Product Transfer Documents

- Product Transfer Documents must designate that the destination of the fuel is in-state or out-of-state

Fuel Supply Equipment Registration Changes

- The Fuel Supply Equipment (FSE) registration process has been updated to reflect the new requirements
- FSE registrations must now be accompanied by evidence that the equipment is operational at the time of registration

FSE Registration Call-In Process

- In order to update both the FSE registrations and ensure that the currently registered entity is able to generate credits under the updated credit generator rules, DEQ will be calling in existing parties to confirm their registrations
- More details on the call-in process are available in our guidance document here:
<https://www.oregon.gov/deq/ghgp/Documents/cfpUpFSERegistration.pdf>

Aggregator Designation

- Clarification that all credit generators can now designate an aggregator, not just a limited subset of them.

Documenting Exempt Fuel Use

- Regulated parties must maintain, and provide on request, proof that demonstrates fuel going to an exempt vehicle or use in order to claim that volume of fuel as exempt. That proof can take the form of:
 - Individual receipts or invoices for each fuel sale claimed as exempt that list the specific customer and exempt vehicle type
 - If the fuel is sold through a dedicated tank for a single customer, electronic or paper records that document that the customer's vehicle(s) being fueled are in an exempt category and that the tank is not used to fuel any other vehicles
 - Other comparable documentation approved in writing by DEQ prior to exemptions being claimed. The documentation must:
 - Establish that the fuel was sold through a dedicated source to use in a type of vehicle specified in subsection (a); or
 - Be on a fuel transaction basis if the fuel is not sold through a dedicated source.

Change of Ownership, Control, or Bankruptcy

- New provisions for reporting a registered party's change of ownership, control, or bankruptcy
 - DEQ must be notified by the new and previous owner/operator within 30 days of the change of ownership or operational control and provide information on the new owner/operator
 - The previous owner/operator must also make clear what they plan to do with any credits in their account and the disposition of any fuel pathways they have certified
 - Only one of these entities may report for a quarter, both are responsible to make sure the required reporting occurs

Moving from a Large to Small Importer of Finished Fuels

- Requires at least one year of submitted reporting showing that the company is below 500,000 gallons for the year.
- The following year, the entity can change its status to a small importer.

Documenting Credit Transactions

- Must retain the contract or any similar agreement and supporting documentation under which credits are being transferred
- Requires those documents be made available to DEQ upon request.

Reporting of B99/R99

- Must be reported as 99 percent biodiesel or renewable diesel and 1 percent petroleum diesel if the precise blend percentage is not known.
- If the precise actual percentages are known, that fuel should be reported according to those percentages
- It must not be reported as B100/R100.

New Transactions for OFRS

- "Position holder sale" changed to "Position holder sale without obligation"
- Add "Position holder sale with obligation" as a quarterly report transaction type so that obligation can be passed below the rack with one transaction when it is sold with the obligation. Obligation can only be passed to an Oregon producer, out-of-state producer, or an importer of blendstocks through the rack.
- Add "Import within of the bulk system of production for import gallons" and "Import outside of the bulk system of production for import gallons" so that these transactions can be reported correctly to CFP and GHG RP.

RNG Reporting and Contract Requirement

- Starting with Q1 2023 reporting, RNG reported in the Clean Fuels Program using a book and claim methodology must use Renewable Thermal Certificates in the M-RETS Thermal Tracking System
- Separately, RNG producers and fuel pathway holders are required to have and submit agreements to DEQ with the annual fuel pathway report that show they have taken steps to avoid double-counting of the environmental attributes with the physical gas off-taker.

OR-GREET-related Changes

- New biogas to electricity simplified OR-GREET calculator
 - Oregon DEQ CFP OR-GREET calculators:
<https://www.oregon.gov/deq/ghgp/cfp/Pages/Clean-Fuel-Pathways.aspx>
- Error fixed in the BD RD simplified OR-GREET calculator
 - BD RD simplified OR-GREET calculator: The cell reference in the 'BD Production' tab biodiesel transport calculations, cells I178:I179, has been changed from 'E' to 'C.'

EER-related Updates

- An EER for airport electric ground service equipment has been added and is now eligible to generate credits as of Q1 2023 reporting
 - The new EER value of 3.2 is applicable for baggage tractors, belt loaders, and pushbacks that will generate credits against the gasoline standard.
- To use the electric ocean-going vessel EER, the vessel being supplied electricity by shore power equipment must be:
 - greater than or equal to 400 feet in length overall
 - weigh 10,000 gross tons or greater
 - propelled by a marine compression-ignition engine with a displacement greater than or equal to 30 liters per cylinder.
- Vessels that do not meet these criteria will not be able to generate credits starting Jan. 1, 2023.

Post-Verification Additional Credit Generation

DEQ will annually issue additional credits to a fuel producer if all of the following apply:

- The fuel producer is registered in the reporting tool by the completion of their verification in order for DEQ to issue the additional credits.
- Their fuel production facility has gone through third-party verification for their annual fuel pathway and has received a positive or qualified positive verification statement.
- One or more of the non-provisional pathways in their annual fuel pathway report had volumes reported against it and the pathway's operational CI for the reporting year was at least one gram per megajoule lower than the certified CI used for transactions reporting.
- The pathways being verified are non-provisional pathways, not temporary or provisional pathways.

Advance Crediting Updates

The following are now eligible to apply for advance credits:

- Owners of electric charging equipment that is funded through the National Electric Vehicle Infrastructure (NEVI) program are now eligible to apply for advance credits
- Hydrogen fueling equipment owned by otherwise eligible entities provided that the planned source or sources of the hydrogen will achieve a CI rating of 117 gCO₂e/MJ or below.
- DEQ is updating and finalizing application materials and hopes to open the application window by the end of the second quarter of this year

Updates to Credit Generators

- Under OAR 340-253-0330, for providers of electricity:
 - For non-residential electric charging, the owner of the charging equipment can generate credits. If the owner of the charging equipment is not registered, then the electric vehicle supply equipment network service provider may generate the credits.
 - For electric forklifts, the forklift owner may generate the credits. If the forklift is being operated by a person other than the owner, the owner may generate the credits if they have detailed data that enables them to accurately report the electricity used to operate the forklift. Otherwise, the operator of the forklift may generate the credits.
- Under OAR 340-253-0340(3), for hydrogen forklifts the forklift fleet operator may generate the credits.

Updates to Enforcement Provisions

- In Division 12, “Enforcement Procedure and Civil Penalties” has been updated to include several new violations and reclassifying some existing violations. Violations that are not classified specifically in Division 12 can be enforced as Class 2 violations.
- Under OAR 340-253-0680, there is a new language that specifies that:
 - each illegitimate credit generated is considered as a separate violation
 - each deficit that a registered party does not retire a credit against to demonstrate compliance with any of the clean fuel standards is considered as a separate violation

Reminders

Deadlines

- 2022 Annual Fuel Pathway Report – March 31, 2023.
- 2022 Annual Compliance Report – April 30th falls on a Sunday this year, so the annual report will be due on Monday, May 1, 2023.
- Concurrently, GHG Reporting Annual report will be due on the same day. CFP reports for every quarter must be submitted for GHG annual reports to be available for submittal for reporters to both programs.
- 2022 3PV Verification Statements – August 31, 2023.

Related Party Reporting

- In late March/early April, DEQ will add related party reporting into OFRS.
- This will allow electronic reporting for related party relationships as required by OAR 340-253 and OAR 340-215. This reporting will need to be done annually.
- DEQ will hold a training and provide instructions when this feature is being released.

Production for Import Transactions

- Starting with Q1 2023 reporting, DEQ will add new production for import transactions to OFRS.
- These transactions will allow out-of-state producers to report the production of gallons that will be imported into Oregon and allow the importer to report those gallons.
- Two new import transactions are being added created that are not obligated but will allow the rollup of CFP data into the GHG annual report.

Lessons Learned from 3PV: Net vs. Gross

- Reporting must be temperature-corrected (aka net, not gross gallons).
- This is not a new requirement. It has been in place since 2016.
- If you do not have temperature corrected gallons in your records, you must request and receive a variance from DEQ.

Lessons Learned from 3PV: Exempt Fuels

- Please review OAR 340-253-0250 for what is and isn't exempt.
- You must keep records that demonstrate that the fuel went to an exempt use in order to claim the exemption.
- This is also not new, but this rulemaking added an additional way for reporters to satisfy the recordkeeping requirement.
- If you have questions related to this, please ask us before claiming it as exempt.

Questions?

Thank you!

Please send questions, comments, and inquiries to:

OregonCleanFuels@DEQ.Oregon.gov