

2023 Fuel Suppliers and In-State Producers Training

Office of Greenhouse Gas Programs

Clean Fuels Program

Greenhouse Gas Reporting Program

Third Party Verification Program

March 2023

Logistics

- We will be pausing for questions at different points in the presentation. Use the “Raise My Hand” function in Zoom if you have a question you would like to ask us.
- We also have the text-based Q and A option enabled for folks to enter questions and will have time for questions and answers at the end of the presentation.
- [Sign up for updates for programs](#) via GovDelivery

Purpose

- To provide information for reporting and verification for the Greenhouse Gas Reporting Program and the Clean Fuels Program in order to better enable compliance with these requirements for fuel suppliers.
- To share lessons learned during the 2022 verification year and provide useful tips on reporting and verification for this sector.
- Provide time for questions and answers.

Agenda

1. Data Flow in OFRS

- **GHG RP Only**
- **CFP and GHG Reporting**

2. Common Issues found in Reporting

3. Exports

4. Verification

5. Questions

GHG Only Reporting Entities

Fuel Importer



Fuel owned as it is brought into state that does not enter the bulk system (i.e., retail site delivery)

Position holder



Fuel that was brought into the bulk system and will be disbursed at a terminal or fuel production facility

GHG Only Reporting Entities

From [OAR 340-215-0020\(9\)](#)

(9) “Bulk transfer/terminal system” means a fuel distribution system consisting of one or more of refineries, pipelines, vessels, and terminals. Fuel storage and blending facilities that are not fed by pipeline or vessel are considered outside the bulk transfer system.

- It is important to remember that fuel production facilities, including biofuel production facilities, in the state fit into this definition and are considered within the bulk system.

Quarterly CFP to Annual GHG RP– Import transactions

Import outside the bulk system



Aggregated from quarterly data by fuel types and blends separated into components



Added to **Fuel Importer** gallons in GHG annual report

Import within the bulk system



Not added to GHG RP annual report



Gallons will later be reported in a **Position holder** sale as the fuel is disbursed from the terminals and added to GHG annual report

Data Flow to GHG RP Annual Report: Position holder transactions

Position holder sale without obligation

Used for fuel that was delivered originally into the bulk system but has been transferred outside the bulk system and delivered in state for use in Oregon

Gallons added to **Position holder** gallons in GHG RP annual report - blends split into components

Position holder sale for export

Used for fuel that was delivered originally into the bulk system but has now been transferred outside the bulk system and that was exported from state

Gallons not added to GHG RP annual report

Demonstration in OFRS

- Brief demonstration
 - Show fuel entry as a GHG only reporting entity
 - Demonstrate how gallons are pulled into a hybrid user's reporting in OFRS
 - Demonstrate further definition of fuel types GHG RP annual report
 - Submittal and Making Corrections

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3. Exports

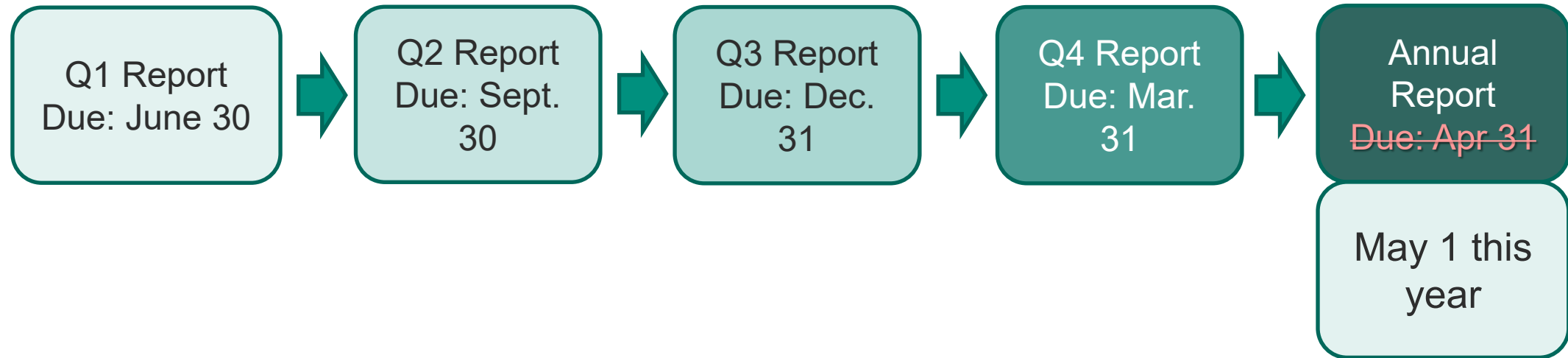
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Common Issues in Reporting

- Deadlines
- Gallons reported as the 'gross' volume instead of the temperature-corrected 'net' volume
- Multiple party sales from terminal
- CFP Exemptions reporting, both documentation and correct reporting of the exempt categories
- Business partner impacts
- Related entities reporting in OFRS

Fourth Quarter to Annual Report Timeline



- Corrections requests for any 2022 quarterly report must be received by April 10 and resubmitted by April 20 in order for DEQ staff to be able to process them by the deadline.

Annual Reporting Timeline

- Entities reporting to both programs must plan ahead in order to have enough time to:
 - Ensure that quarterly reporting to CFP is correct
 - Purchase any credits required to comply with the clean fuel standards
 - Submit annual reports to both programs by the due date
- Entities only reporting to GHG must submit the GHG RP annual report by due date

Clean Fuel Standard compliance

- Plan ahead for any credit purchases you need to make to come into compliance. Do not wait until the last week!
- Be sure to accept any credit transfers needed for compliance as Carryback transfers by clicking the checkbox on the credit transfer form.
- Once credits are purchased and transferred into your OFRS account you can file CFP Annual Report. Do not file your CFP Annual Report early if you are still in the process of buying credits.
- Any changes you make to CFP reporting will require you to reopen and re-submit your GHG Annual Report. But you do not need to wait to purchase credits before you file your GHG Annual Report.

Annual Reporting Timeline – Enforcement

- If your reporting is not received on time, you will receive an enforcement letter
- WLOC – Warning Letter with Opportunity to Correct
 - If company has not received an enforcement letter in the previous 3 years
 - Can make corrective action within timeline given
 - If the corrective action is not made by the deadline, we will issue a PEN
- PEN - Pre-Enforcement Notice
 - If company has received any enforcement letter in the last 3 years
 - Automatically forwarded to DEQ's Office of Compliance and Enforcement
 - A fine will likely be assessed

Net vs. gross gallons

- OAR 340-253-0640(4) requires temperature correction of all liquid fuel volumes reported in the Oregon Fuels Reporting System to a standard temperature of 60 degrees Fahrenheit
- Any liquid fuel volumes reported in gross gallons must be corrected to net gallons
- This is to ensure proper application of emission factors for these fuels

Net vs. gross gallons

- For **Ethanol**, use the formula: Standardized Volume = Actual volume * ((-0.0006301 * T) + 1.0378), where the standardized volume refers to the volume of ethanol in gallons at 60°F, actual volume refers to the measured volume in gallons, and T refers to the actual temperature of the batch in °F.
- For **Biodiesel**, you must use one of the following two methodologies:
 - (A) Standardized Volume = Actual Volume * ((-0.00045767 * T) + 1.02746025), where Standardized Volume refers to the volume in gallons at 60°F, Actual Volume refers to the measured volume in gallons, and T refers to the actual temperature of the batch in °F; or
 - (B) The standardized volume in gallons of biodiesel at 60°F, as calculated using the American Petroleum Institute Refined Products Table 6B, as referenced in ASTM 1250-08.

Net vs. gross gallons

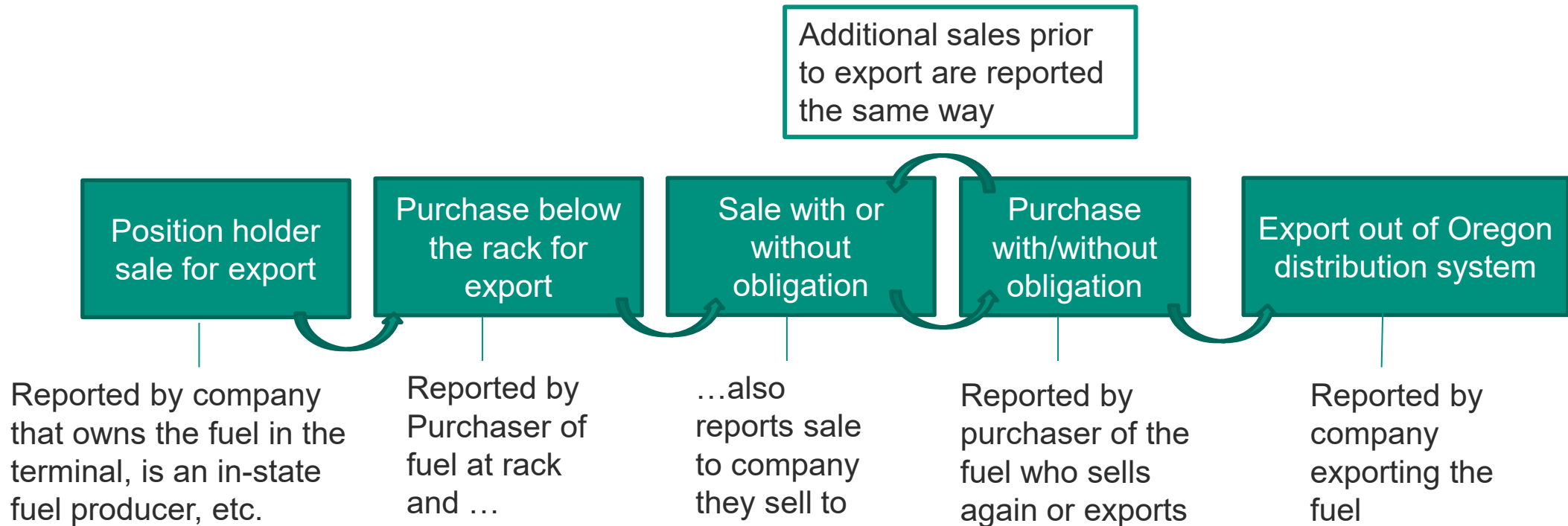
- For **other liquid fuels including gasoline and diesel**, the volume correction to standard conditions must be calculated by the methods described in the American Petroleum Institute Manual of Petroleum Measurement Standards Chapter 11 – Physical Properties Data, the ASTM Standard Guide for the Use of Petroleum Measurement Tables (ASTM D1250-08), or the API Technical Data Book, Petroleum Refining Chapter 6 – Density.
- These are the same standards used by financial transaction meters at terminals, so a terminal's net gallon reading can be used for reporting.

Multiple party sales from terminal

- Fuel is sold from the terminal and instead of being immediately delivered to a retail site, the fuel is then sold to another company
 - Fuel could be going to intermediate storage site for later delivery or could be immediately sold at the rack to another company
- This is reported differently depending on two factors:
 - Do the companies being sold to report to CFP?
 - Does the fuel stay in state or is it exported?

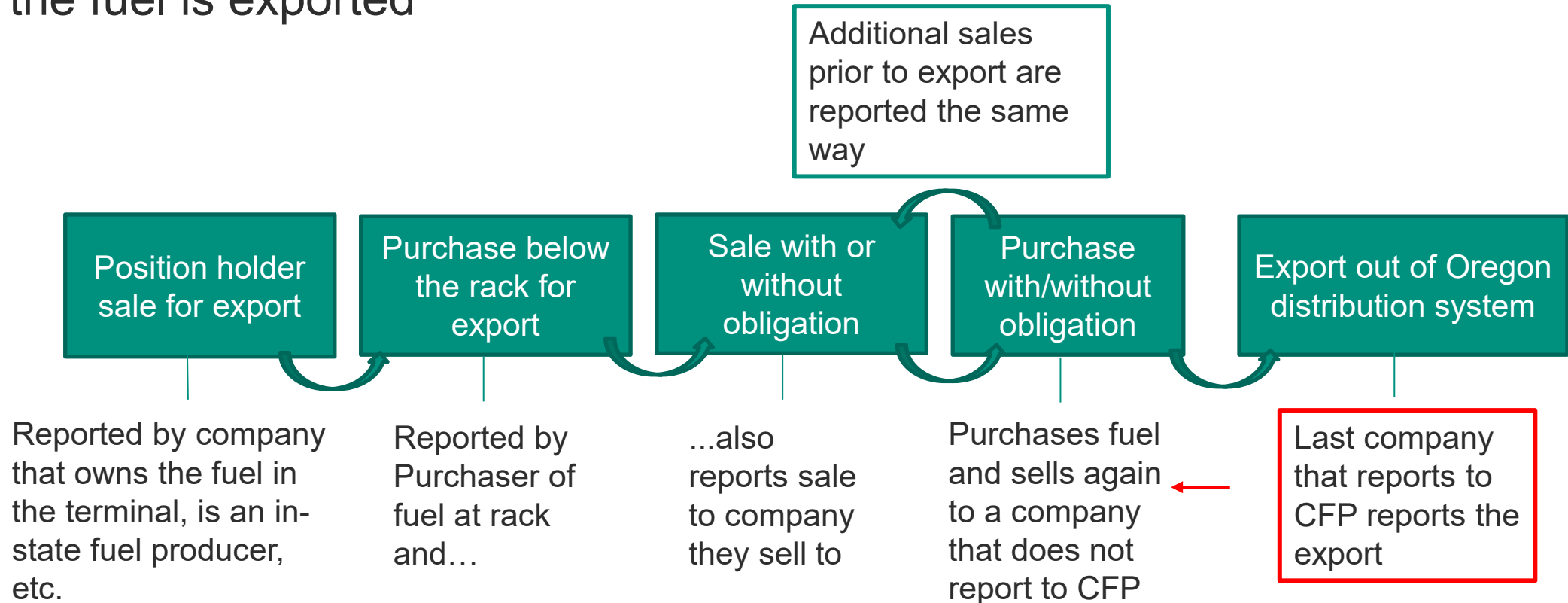
Multiple party sales from terminal (cont'd)

Reporting flow if the fuel is being sold to companies that report to the CFP and the final company sold to is exporting that fuel out of the state of Oregon



Multiple party sales from terminal (cont'd)

Reporting flow if the fuel is being sold to a company that does not report to CFP and the fuel is exported



Multiple party sales from terminal (cont'd)

If the fuel is being sold to a company that distributes the fuel in state, only the position holder reports the sale

Position holder
sale without
obligation

Company that owns
the fuel in the
terminal, is the fuel
producer, etc.



Companies
purchasing below
rack do not need to
report the purchase
or other sales, so
long as the fuel is
staying in state

Example: Flash sale transaction

- This is a sale where a position holder sells fuel to a company that immediately transfers ownership to another company that is picking up that fuel at the terminal
- If fuel is being exported:
 - Position holder reports **Position holder sale for export**
 - Flash seller reports a **Purchase below the rack for export** and **Sale with/without obligation** to company purchasing for export from state
 - If company picking up below the rack reports to CFP, they report **Purchase with/without obligation** from flash seller and the **Export out of Oregon distribution system** transaction
 - If company picking up below rack does not report CFP, the flash seller reports the export
- If fuel is staying in state:
 - Position holder reports **Position holder sale without obligation**
 - Flash seller and company purchasing for distribution do not need to report any transactions for in state sales

Exempt fuel documentation

- Any claim that a fuel went to an exempt fuel use in the CFP must have documentation that demonstrates that it was delivered to such a use
- For example, an invoice showing that diesel was delivered to a farm or into a dedicated tank for watercraft
- Dyed diesel is not exempt – it can go to an exempt use, but it is not categorically exempt and many uses of dyed diesel (eg, mining equipment, transportation refrigeration units) are not exempt uses under the CFP

Exempt fuels supporting documentation

Exempt fuel type	Documentation required:
Fuels used in small volumes	Documentation that all providers supply an aggregate volume of less than 360,000 gallons of a specific liquid fuel per year
Small volume fuel producers	Documentation that: <ul style="list-style-type: none"><li data-bbox="588 672 2295 772">• The producer has an annual production volume of less than 10,000 gallons of liquid fuel per year<li data-bbox="588 786 2339 943">• The producer uses the entire volume of fuel produced in motor vehicles used by the producer directly and has an annual production volume of less than 50,000 gallons of liquid fuel<li data-bbox="588 958 2040 1001">• The producer is a research, development or demonstration facility
Transportation fuels exempted under OAR 340-253-0250 (2)	Documentation that the fuel was supplied for use in a motor vehicle listed in subsection (2)(a). Documentation must demonstrate that the fuel was sold through a dedicated source to use in one of the specified motor vehicles, or the method of documentation must be on a fuel transaction basis if the fuel is not sold through a dedicated source.

Reconciling with Business Partners

- Many transactions in the quarterly reports must be reconciled with your business partner to ensure you both match on volumes, if the fuel is being transferred with or without obligation, and fuel pathway code
- Reconciliation is required, and you must be responsive to your business partners if there are discrepancies that they are attempting to work out with you

Related entities

- OFRS will have a new area for recording related entities of reporting parties
- This will be much more efficient for tracking related entities
- A guide for how to enter related entities will be put up on the website as soon as this feature is finished
- This is used for verification and for Climate Protection Program purposes

Change of ownership or control provisions

- If the ownership of a reporting party in the CFP changes or its operational control shifts to a new entity, DEQ must be notified within 30 days of the change by both the previous and the new owner or operator.
- Only one party can report for a party's operations in a single quarter.
- The new owner or operator is responsible for demonstrating compliance when the annual report is due.

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- 3. Exports**
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Exports – Documentation Needs

- Companies that purchase below the rack for export must be able to document those exports
- If requested by DEQ or your verifier, provide documentation for volumes that are claimed as being exported out of state
 - Appropriate documentation can consist of Product Transfer Documents (BOLs, invoices, etc.)
 - In these cases, if the exporting party does not have documentation that the fuel left the state after they purchased the fuel for distribution in state and cannot provide documentation to show it was exported to their business partner, the fuel cannot be claimed as exported

Exports of gallons imported outside of the bulk system

- Very specific case used by very few reporting entities
- If you do this, notify GHGReport@deq.oregon.gov and it can be properly reported in OFRS using the GHG Export function
- We will provide instruction to those entities that will be using this function individually

Agenda - SS

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Third party verification for fuel suppliers

Related entities

Both OAR 340-253 and OAR 340-215 define related entities as follows:

“Related entity” means any direct parent company, direct subsidiary, or a company with common ownership or control.

According to OAR 340-272, related entities must aggregate together when determining whether they are exempt from verification requirements.

For the purposes of determining third party verification applicability, “common ownership or control” is any percentage of ownership or control over another company.

Example: Company A and Company B each own 50% of company C, though Company C is under the complete operational control of Company A. If the three companies together meet the threshold for verification, all must have their data verified- even if one or more of them do not meet the threshold independently.

Third party verification applicability for CFP

According to OAR 340-272-0110(3)(b)(A) in order to determine if third party verification is required for your company, you must add together the total credits and deficits from all related entities reporting to the CFP in the previous reporting year.

Third party verification applicability for CFP

Entity A	Entity B	Entity C	Entity A + Entity B + Entity C
2000 credits <u>+1000 deficits</u> 3000	4000 credits <u>+1000 deficits</u> 5000	0 credits and deficits	3000 credits and deficits + 5000 credits and deficits <u>+ 0 credits and deficits</u> 8000

Separately, none of these facilities meet the threshold for third party verification.

However, related entities must aggregate their credits and deficits to determine if they meet the threshold.

Together, Entities A, B and C are above the threshold so all are subject to third party verification for their quarterly reporting.

Third party verification applicability for CFP

To determine how many credits and deficits your company generated:

- Sign in to OFRS and navigate to the Annual Reports tab
- Choose Go to Report on 2022 CFP report
- Review Individual Quarter totals or scroll to bottom for the Annual summary table
- If you are uncertain whether a related entity has generated enough credits and deficits to meet the threshold, email 3PVerify@deq.oregon.gov.

Third party verification applicability for CFP

If the entity and any related entities generate a total of 6,000 or more credits and deficits in the previous year and report the following transaction types below, then the entity is required to have their quarterly reporting verified.

For all liquid fuels:

- Production in Oregon
- Import
- Export
- Gain of inventory
- Loss of inventory
- Not used for transportation
- Transactions used to claim exempt uses under OAR 340 253 0250

NGV Fueling

LPG Fueling

If you do not report any of the transaction types on this slide, you are not required to undergo verification for your quarterly reporting.

Third party verification applicability for CFP

According to OAR 340-272-0110(3)(b)(B) an entity is exempt from verification if:

During the year, only the following transaction types were reported:

- Export
- Gain of inventory
- Loss of inventory
- Not used for transportation

And

All of the following provisions are met:

1. All such transactions do not generate 6,000 or more total credits and deficits during the previous calendar year
2. The entity did not report any liquid fuel using the transaction types: Production in Oregon or Import into Oregon
3. The entity did not report any NGV fueling transactions

Third party verification applicability for GHGRP

- Third party verification applies to the emissions data report that was submitted and attested to by the entity.
- Any entity or group of related entities that reported their emissions were equal to or greater than 25,000 MT CO₂e need to have their reporting verified.
- Threshold applies only to anthropogenic emissions, but if a company meets this threshold they need to have all emissions verified (both anthropogenic and biogenic).

Third party verification applicability for GHGRP

Cessation of verification:

- Responsible entities must have an emissions data report verified for the first year that the report indicates emissions are reduced below the applicability threshold
- An emissions data report is not subject to verification in any following year thereafter where emissions remain below the threshold.

Third party verification applicability for GHGRP

	Entity A	Entity B	Entity C	Entity A + Entity B + Entity C
Total anthro MTCO ₂ e	24,500	1,200	10,000	24,500 + 1,200 <u>+ 10,000</u> 35,700 anthropogenic MTCO ₂ e

Separately, none of these facilities meet the threshold for third party verification.

However, related entities must aggregate their credits and deficits to determine if they meet the threshold.

Together, Entities A, B and C are above the threshold so all are subject to third party verification for their GHG RP reporting.

Verification bodies list

- Verification body lists are included on the "Information for Responsible Entities pages under “Find a verification body”
- Check list each year as verification body approvals can change

[DEQ's Third Party Verification page online](#)

Find a verification body

Only DEQ-approved verifiers and verification bodies may perform verification services in Oregon. All verifiers and verification bodies are accredited by the California Air Resources Board (CARB) in the verification services they provide.

- [Oregon CFP Approved Verification Bodies List](#)
- [Oregon CFP Approved Verifiers List](#)

Quick note

- If you don't have any questions for DEQ and you are not subject to verification, please feel free to sign off at this point

How long does verification take?

Report type	Average number of months*
CFP quarterly fuel transactions report	3
Fuel supplier emissions data report	3

* Time from approval date of COI to submission date of verification statement

Report corrections:

- Depends on complexity
- 1 day to several weeks
- Allow 2-3 days for DEQ processing and 1-2 weeks for the verification body to perform a final check

Give yourself plenty of time to get verification completed before the deadline. Verification bodies may not take on new clients closer to the deadlines!

Verification statements are due **August 31** of each year

How to prepare for verification

- Entities should have information available and organized for their verification bodies. This includes:
 - Reported and attested data as submitted to DEQ
 - Any information and documentation used to calculate and report emissions, fuel quantities, and fuel and electricity transactions
 - All data and information required by or submitted to the Clean Fuels or GHG Reporting programs
- Retain this information for a minimum of 7 years

Materiality

- **All correctible errors must be corrected**, even if they are less than 5% of reported emissions or credit/deficit calculations
- A correctible error is defined as any error that impacts reported emissions for the Greenhouse Gas Reporting program, or credit/deficit calculations for the Clean Fuels program

Reporting corrections

If reporting errors are discovered during verification, they will need to be fixed by the entity to avoid issuance of an adverse verification statement.

Responsible entity must request the re-opening of their reporting from DEQ in the Oregon Fuels Reporting System.

Include:

- Indication that errors were discovered during verification
- Description of the error(s)
- Complete description of changes to be made to reporting to correct the error(s)

Include all changes to be made in the request; changes not requested will not be granted. Reporting cannot be opened before the requested changes are known.

Reporting corrections

For entities reporting to both the GHG Reporting Program and the Clean Fuels Program:

- OFRS pulls data from CFP reporting to fill in pieces of the GHG reporting
- If CFP reporting is re-opened for reporting updates, the GHG Reporting Program must also be re-opened and re-submitted to ensure any changes affecting the GHG annual data is pulled correctly from the CFP reporting
- If only subject to verification for GHG reporting, you may also need to open the CFP report to make corrections because this is where much of the data for the annual GHG report comes from

Reporting corrections

Reporting corrections can impact reporting for business partners if transactions between partners are reported incorrectly.

DEQ may ask business partners undergoing verification to wait until verification is done for each of their business partners to make reconciliation corrections. This will prevent companies having to re-open their reporting multiple times to make updates during the verification process.

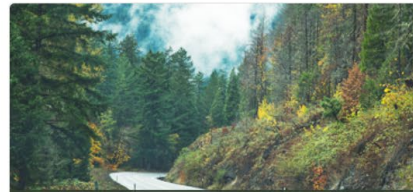
Additional resources

- Additional training resources on 3PV applicability and process
- FAQ documents
- Approved verification body lists

3PVerify@deq.oregon.gov

[DEQ's Third Party Verification page online](#)

Oregon Third Party Verification Program
DEQ's mission is to be a leader in restoring, maintaining and enhancing the quality of Oregon's



Clean Fuels Verification

[Information for Verifiers](#)

[Information for Verification Bodies](#)

[Information for Responsible Entities](#)



GHG Reporting Verification

[Information for Verifiers](#)

[Information for Verification Bodies](#)

[Information for Responsible Entities](#)



Resources

[Program Rules \(OAR 340-272\)](#)

[Implementation Timeline](#)

[Sign-up for program updates](#)

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Questions

Greenhouse Gas Fuels

Stephanie Summers

GHGReport@deq.oregon.gov

Greenhouse Gas Reporting Resources and Forms

- Reporting protocols
- OFRS user guides
- Related entity declaration form

Third Party Verification

Liz Hardee

3PVerify@deq.oregon.gov

3PV Resources

FAQs, trainings and more are available under "Information for Responsible Entities" for the appropriate program.

Clean Fuels Program

OregonCleanFuels@deq.oregon.gov

CFP Resources

- Reporting Guides and Trainings
- OFRS user guides
- FAQs