



Oregon
Environmental
Council
It's Your Oregon

Reducing the global warming impacts of transportation by curtailing carbon emissions from Oregon's transportation fuels and enhancing the diversity of our fuel supply.



Oregon Needs a Low-Carbon Fuel Standard (HB 2186)

HB 2186 authorizes the Environmental Quality Commission to adopt rules to help the state achieve its greenhouse gas emissions reduction goals. One tool the EQC should adopt is a Low-Carbon Fuel Standard (LCFS), which would reduce the greenhouse gas impact from Oregon's use of transportation fuels and diversify the state's transportation fuels portfolio. A LCFS would ensure that the carbon intensity of Oregon's vehicle fuels is reduced by at least 10% by 2020.

Why We Must Act

Transportation accounts for nearly 40% of Oregon's annual greenhouse gas (GHG) emissions, and the state relies on petroleum-based fuels for the vast majority of its transportation needs. Petroleum use contributes to climate change, and dependency on oil leaves workers, businesses and consumers vulnerable to price shocks from an unstable global energy market. No business should be hostage to a single supplier for its most critical raw materials; neither should any state or nation. To protect our jobs and wages, clean our air and maintain our way of life, we must diversify our fuel sources and reduce our reliance on oil. Oregon has the opportunity and ability to diversify its transportation fuel supplies, decrease the GHGs emitted by those fuels, and establish a sustainable market for cleaner-burning fuels.

How a Low-Carbon Fuel Standard Works

A LCFS requires all providers of transportation fuels to a specific market (in our case, Oregon) to meet, on average, a declining standard for GHG emissions, reducing the carbon intensity of their fuel mix by at least 10% by 2020.

The standard is measured on a lifecycle basis in order to include all emissions from fuel consumption and production, including the "upstream" emissions that are major contributors to the global warming impact of transportation fuels. It is measured in CO₂ equivalent gram per unit of fuel energy sold.

A LCFS utilizes market-based mechanisms to allow providers to choose how they reduce emissions while responding to consumer demand. For example, providers may purchase and blend more low-carbon biodiesel into diesel products, purchase credits from electric utilities supplying low-carbon electrons to electric passenger vehicles, diversify into low-carbon hydrogen as a product and more, including new strategies yet to be developed.

Creating a West Coast Low-Carbon Fuel Corridor

California adopted a LCFS by Executive Order in January 2007 and identified the policy as an "early action measure" under its Global Warming Solutions

Benefits of a Low-Carbon Fuel Standard

- Substantially reduces global warming pollution and creates a sustainable and growing market for cleaner fuels
- Uses a variety of market-based strategies with a flexible phase-in period to achieve goals and meet consumer demand at the lowest cost
- Does not "pick winners" by choosing specific fuel types

Act. California is currently developing the rules necessary for implementation. Oregon can benefit from California's experience with design of a LCFS and implement the policy as part of a comprehensive legislative global warming solutions package.

Oregon can adopt the California rules and implement any modifications necessary to reflect Oregon's specific fuel supply characteristics. We should join together with other West Coast states and provinces to create a "low-carbon fuels corridor" with harmonized policies and clear market signals that generate better transportation fuels.

Recently, states and provinces that are members of the Regional Greenhouse Gas Initiative (RGGI) in the Northeast also agreed to develop a regional LCFS.

Complementing Other Policies

Carbon cap-and-trade and LCFS each address a different type of market failure. A cap-and-trade program addresses the failure of market prices to capture the damage greenhouse gases are doing to our climate. However, cap-and-trade does not directly address specific sources of carbon emissions where innovation is needed, such as fuels. The carbon price signal provided by cap-and-trade is unlikely to spur large-scale investments in new fuels technology because the price signal may not be high enough and the cross-sector trading that is likely to be allowed means that most reductions under cap-and-trade will come from stationary sources in the near term. This is why complementary policies like a LCFS are needed.

The LCFS can also work with the Renewable Fuels Standard (RFS) passed by the Oregon Legislature in 2007, which creates a stable market for biofuels producers and growers of biofuels feedstocks. This is necessary because neither the LCFS nor a cap-and-trade program specifically drive in-state production and use of biofuels. The RFS should remain in place to create a strong market for biofuels and spur research and development into advanced, second-generation biofuels.

Addressing the Low-Carbon Fuel Standard in 2009 (HB 2186)

Oregon should adopt a LCFS policy as part of the global warming package and have the Environmental Quality Commission develop rules that would take effect in 2010. Waiting until 2011 to act on a LCFS would cause the rules to take effect in 2012 at the earliest, likely with an initial period of flexibility for fuel providers. A regulatory rulemaking process will be needed to develop the additional data described above. Postponing adoption of a target until 2011 will likely make achievement of the 2020 goal more difficult, not allow adequate time for new technology development, and bolster industry arguments for a compliance delay and "back-loading" of actual carbon reductions.

FOR MORE INFORMATION

Chris Hagerbaumer
Deputy Director
503-222-1963 x102
chrish@oeconline.org

Andrea Salinas
Legislative Director
971-221-2653
andreas@oeconline.org



Oregon
Environmental
Council
It's Your Oregon