



# Public Hearing: Clean Fuels Program Rule Chapter 173-424 WAC

August 23, 2022

**Welcome to the  
Clean Fuels Program Rule  
Chapter 173-424 WAC  
Public Hearing**

**We will start at 10 a.m. PDT.**

**We will check sound 10 and 5 minutes before start.**

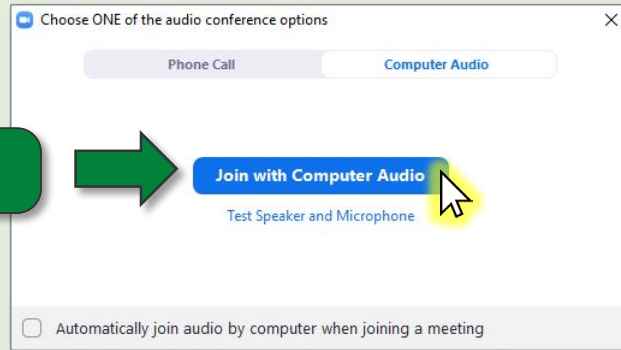


# Welcome to our online hearing

We will start our presentation shortly.  
No sound? Listen for periodic sound checks.

## Join

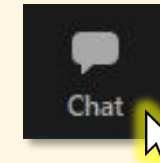
Connect Audio and Join



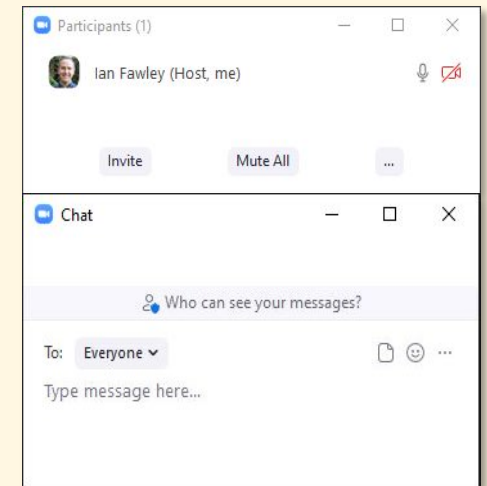
**Tip** Try your computer audio first.

You can test your speaker and microphone before joining.

## Participate



Question?  
Need help?  
Chat with us!



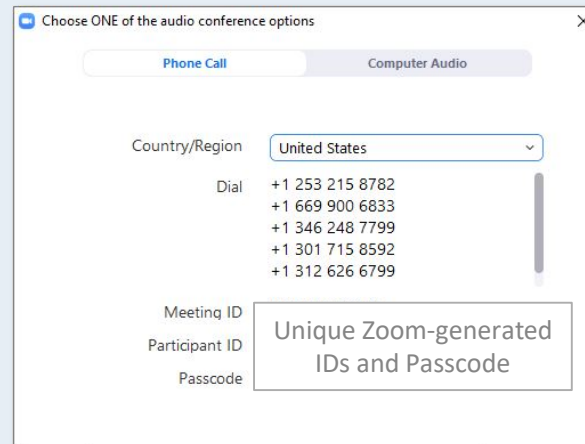
Turn on the Chat box and Participant list from your toolbar.

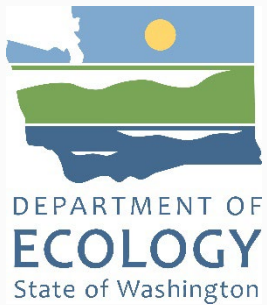
## Audio

**A** Best option: Use computer for audio

**B** If choosing "Phone Call"...

- Dial **253-215-8782 (Tacoma)**
- Enter Zoom Meeting ID **810-1368-6463**, then #
- Hit # when asked for a Zoom Participant ID





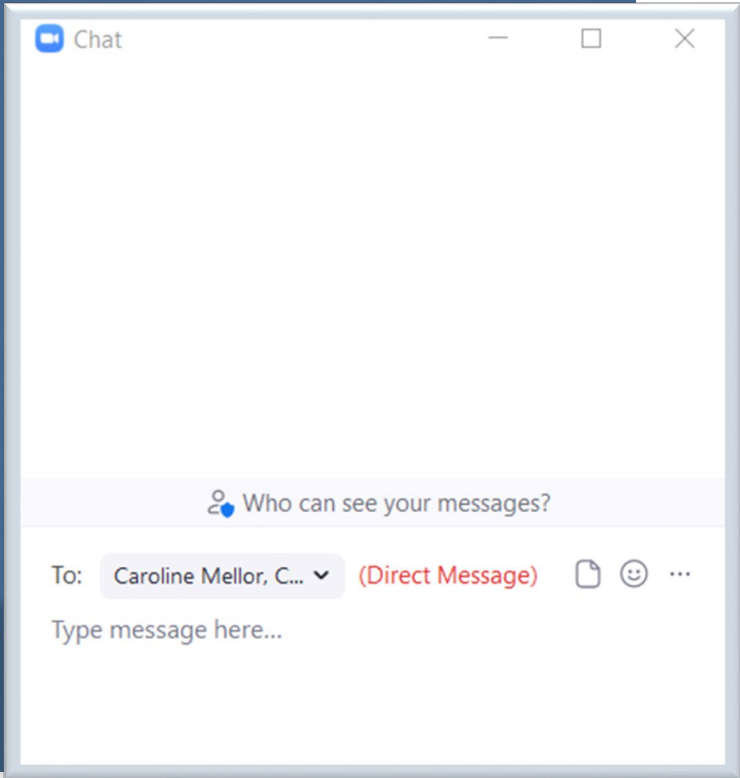
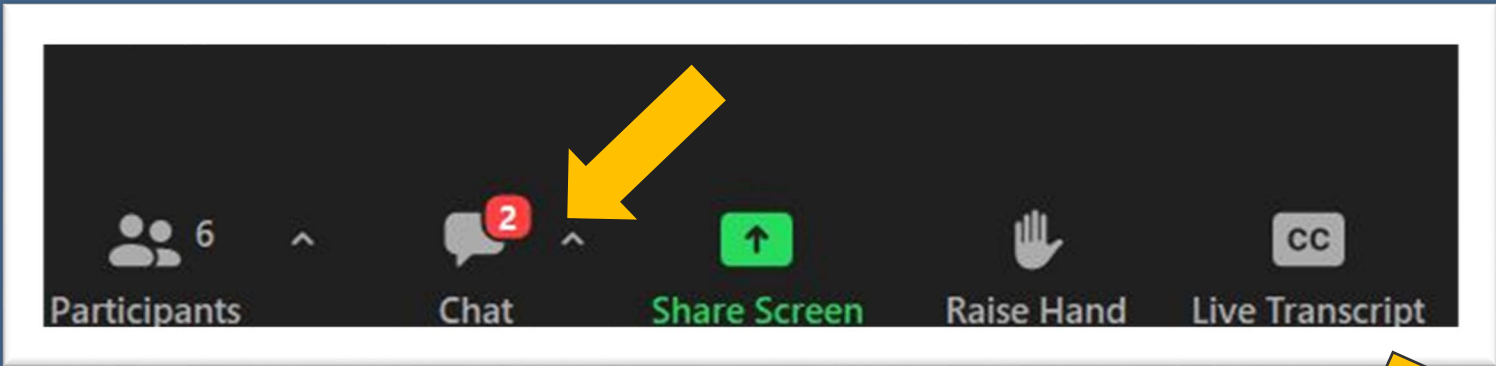
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# Send Us a Chat Message

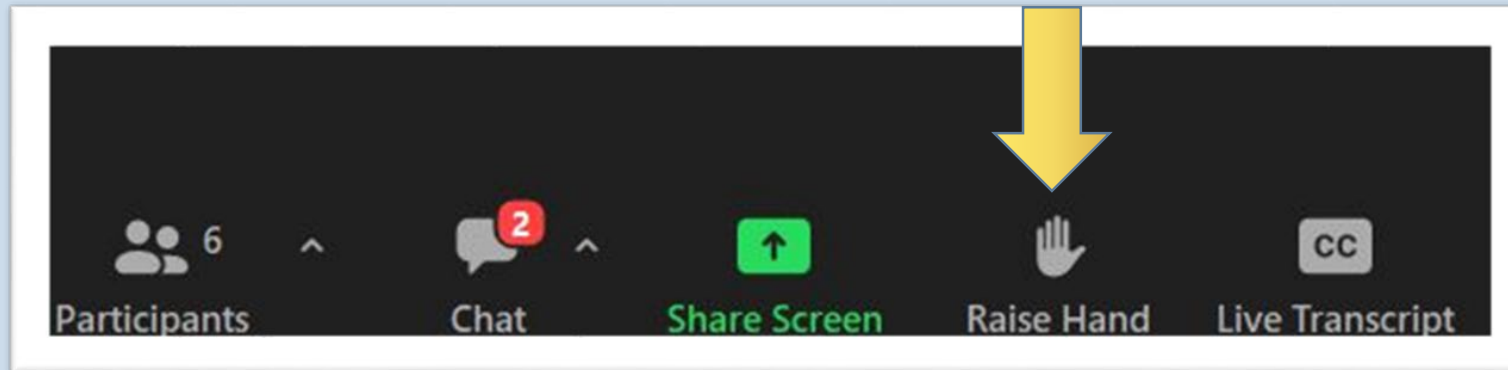
- Send us a “chat” if you need technical assistance
- Turn on “Live Transcript” for closed captions



# How To Participate

## During today's question-and-answer period:

- Participants using computer or mobile app: Use the “Raise Your Hand” button. This button is located in the lower right hand corner of the participant list window.



- Participants listening in on the phone: Press \*9 on your phone. The system will show you have your hand raised. The host will unmute you at your turn and the system will announce that you are unmuted.

# Ecology Staff

**Eman Jabali** – Host

**Janée Zakoren** – Co-Host, Outreach & Engagement Specialist

**Angela Fritz** – Hearing Officer

**Joanna Ekrem** – Acting Rules and Planning Unit Supervisor

**Rachel Assink** – Rulemaking Lead

**Abbey Brown** – Technical Lead

**Joel Creswell** – Climate Policy Section Manager

**Debebe Dererie** – Fuel Pathway Specialist

**Rebecca Sears** – Partnership Specialist

**Audrey Stacey** – Program Analyst

# Agenda

1 Public meeting: Presentation on the proposed rule

2 Q&A

3 Break (5 minutes)

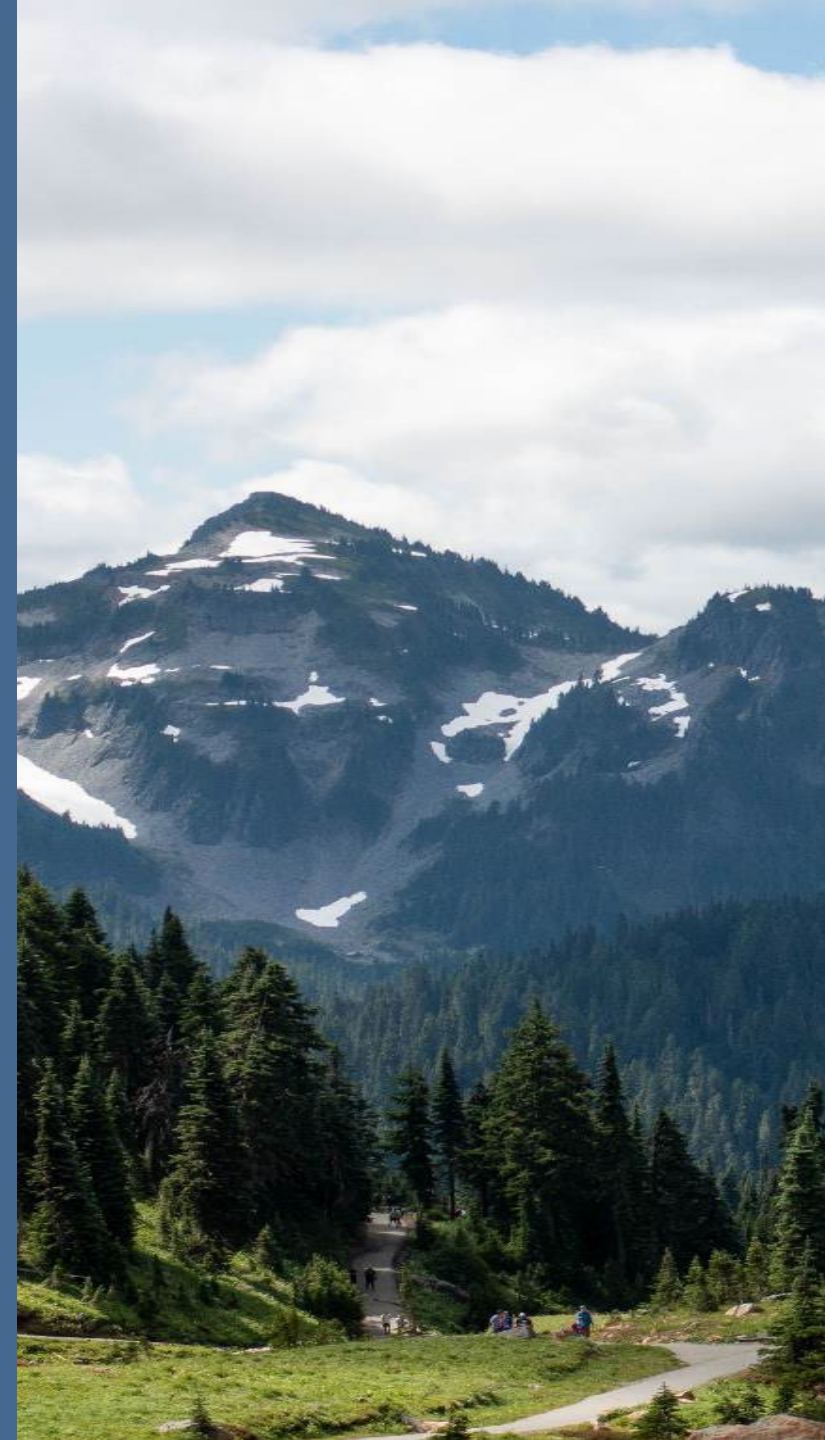
4 Public hearing – Formal public comments





# Program Overview

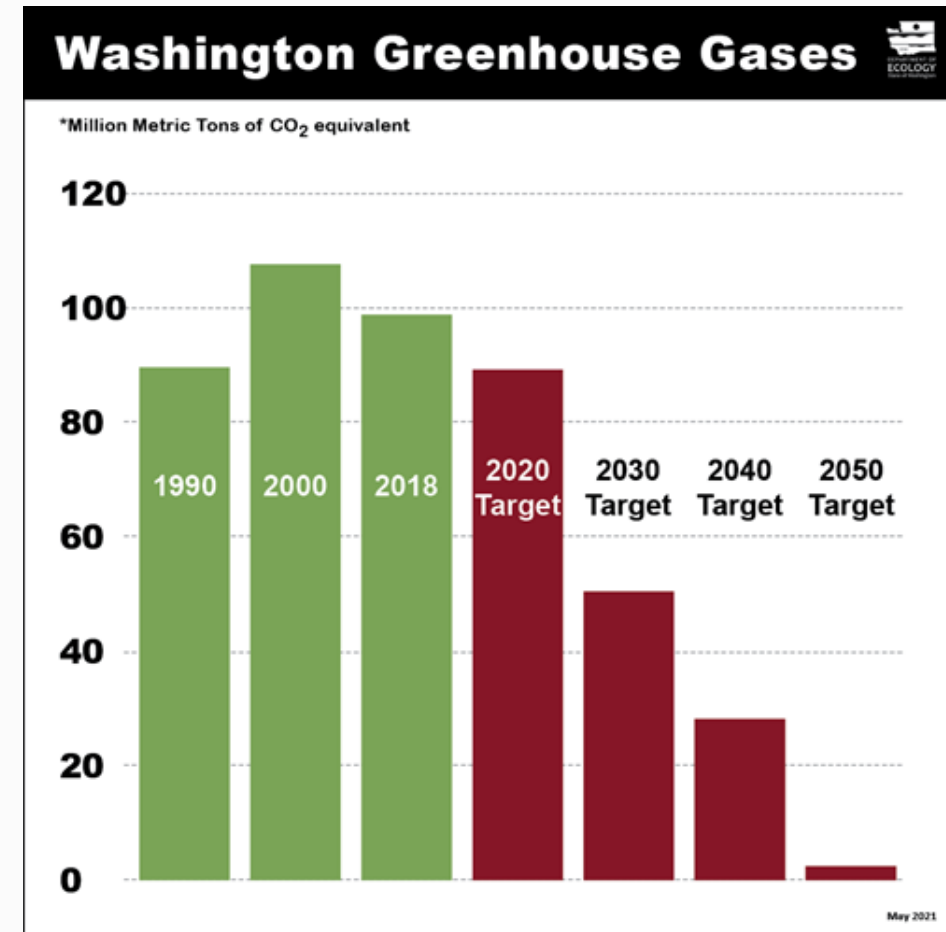
Abbey Brown



# Washington's Greenhouse Gas Emission Limits

Washington has science-based statewide GHG limits in statute:

**95% below 1990 levels  
by 2050**



# Why a Clean Fuel Standard?

Transportation is Washington's greatest single source of greenhouse gas emissions.

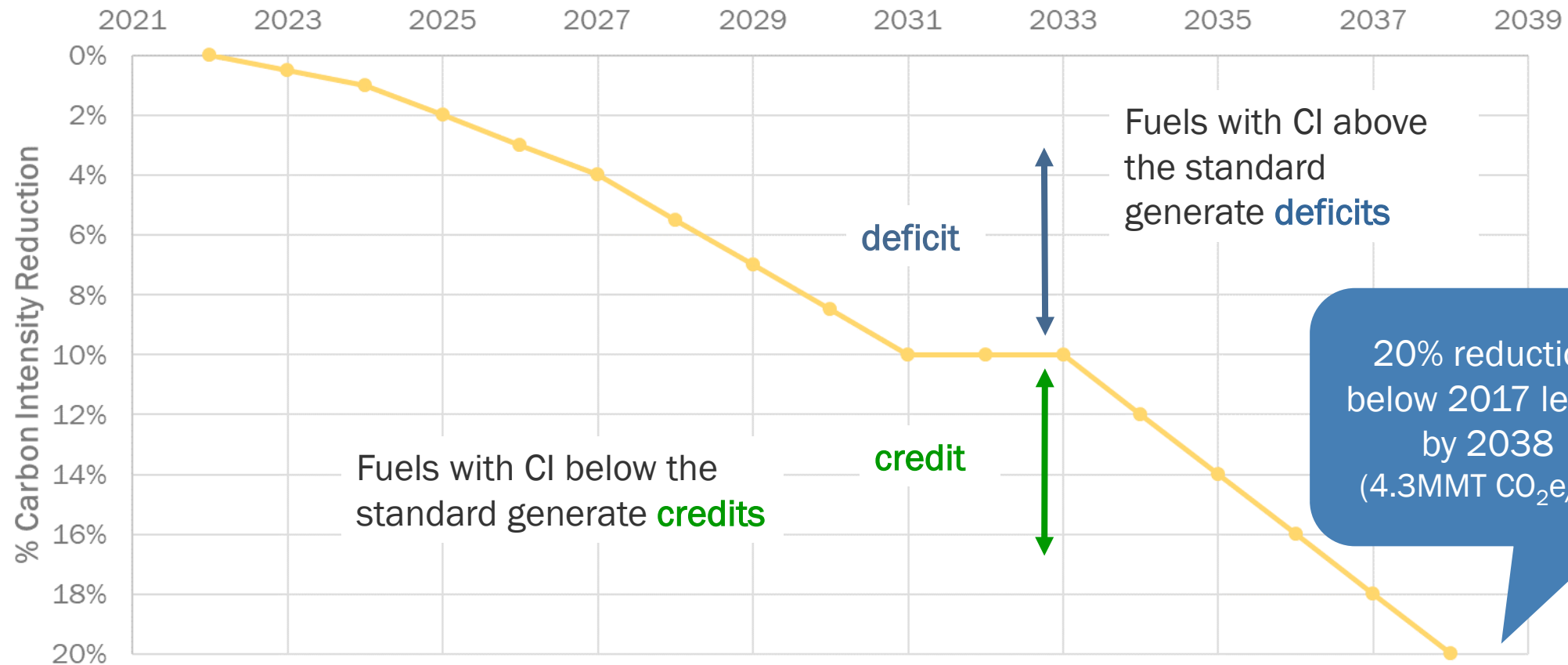
- Transportation also a major source of air pollutants.
- Washington will join California, Oregon, and British Columbia in having clean fuel standards.



The Clean Fuel Standard will spur economic development, and will increase availability and affordability of low carbon fuels.



# What is a Clean Fuel Standard?



\*Example compliance curve

# In-State Biofuel Requirements

By 2028, law requires at least:



60M gallon/year of in-state biofuel facilities be permitted, with at least one new 10M gallon/year facility



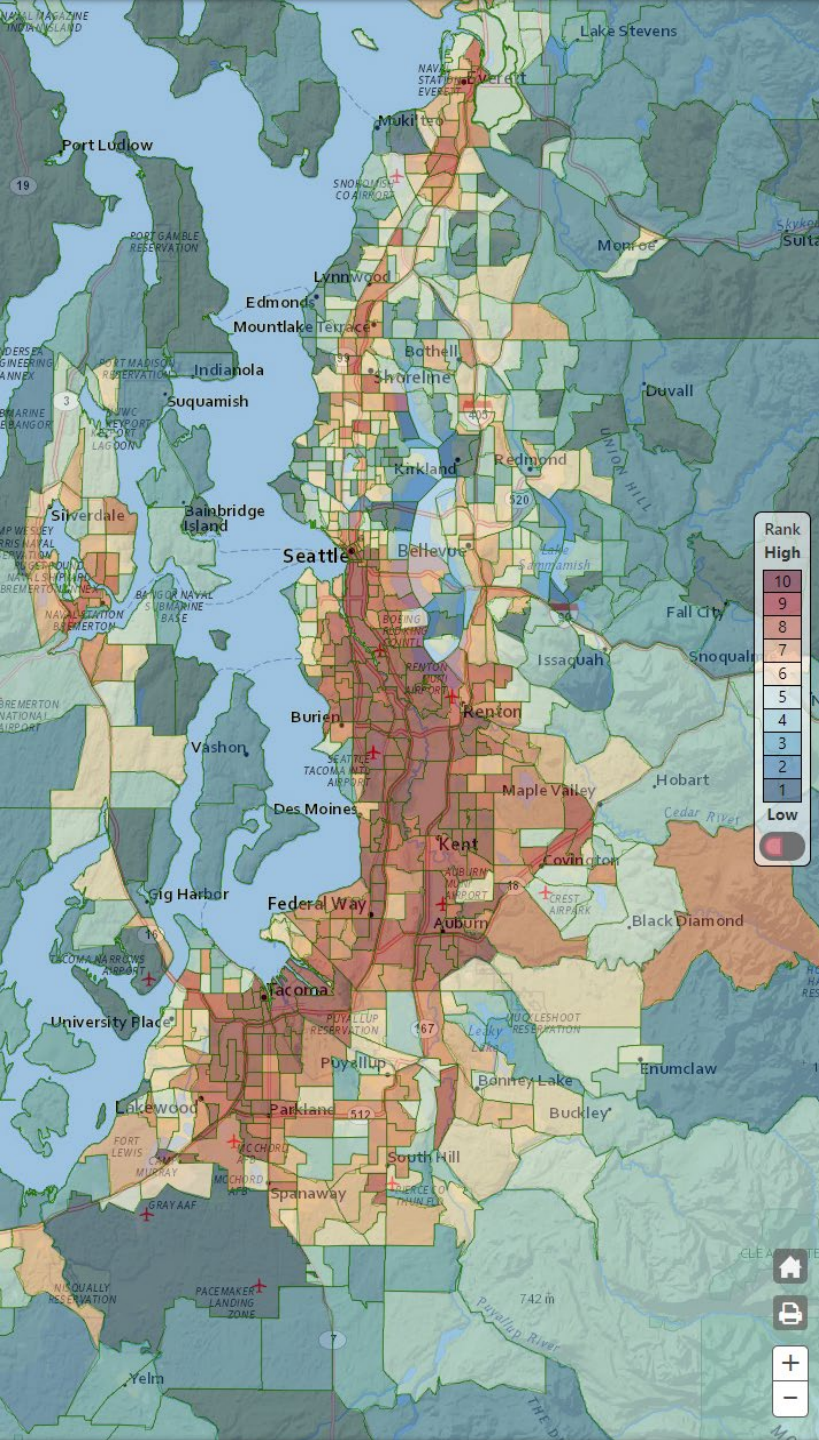
15% increase in biofuel production using Washington feedstocks





# Equity Provisions

- Electric utilities **must** invest **30%** of their credit revenues in transportation electrification in disproportionately-impacted communities.
- Utilities are **encouraged** to invest **50%** of credit revenue in expanding access to zero emissions transportation for low- and moderate-income customers.
- Utilities will report annually to Ecology about how they spend this revenue.







# Major Rule Elements and Rule Timeline

Debebe Dererie and Rachel Assink



# Rule Framework

- Part 1 – Overview
- Part 2 – Designation of regulated parties and credit generators
- Part 3 – Registration
- Part 4 – Recordkeeping and reporting
- Part 5 – Demonstrating compliance
- Part 6 – Obtaining carbon intensity values for fuel pathways
- Part 7 – Enforcement, public disclosure, and deferrals
- Part 8 – Validation and Verification
- Part 9 – Tables

# Part 1 – Overview

- Applicability – transportation fuels
- Fuel types – regulated or opt-in
- Exemptions – fuels and uses
- Entities – regulated, opt-in, or aggregator
- Main requirements:
  - Registration
  - Record keeping
  - Reporting – quarterly and annually
  - Compliance with CI standard for gasoline or diesel



## Part 2 – Designation of regulated parties and credit generators – Liquid fuels

- Applicability – liquid fossil fuels and liquid alternative fuels
- First fuel reporting entities and credit/deficit generation
  - Producer or importer of each fuel component
- Transfer of ownership including credit generation right
- Transfer of ownership without credit generation right
- Reporting exports

# Gaseous Fuels - fuel reporting entities

- Bio-CNG, bio-LNG, bio-L-CNG
  - Biomethane producer or importer
- Renewable propane – producer or importer
- Fossil CNG, LNG, L-CNG, propane, and hydrogen
  - Motor vehicle – fueling equipment owner
  - Forklift – forklift owner

# Electricity – charging – fuel reporting entities

- Applicability and general requirements
- Non-residential electric vehicles – owner of charger
- Fixed guideway systems – transit agency
- Forklifts and cargo handling equipment (eCHE)
  - forklift and eCHE owner must notify operator
- Transport refrigeration units (eTRU) – fleet owner
- Ocean-going vessels (eOGV) – power supplying equipment owner
- Residential electric vehicles
  - Base credit: electric utility, backstop aggregator, EV OEM
  - Incremental credit: Metered – electric utility, EV OEM, any other
- Ground support equipment (eGSE) – owner of charger



# Backstop Aggregator - electricity

- Generates credits from unclaimed credits
  - Criteria for being backstop aggregator
  - Application content
    - Plan for promoting transportation electrification
- Timeline for application and designating aggregator
- Written agreement
  - Annual activity reporting
  - Record keeping
- Service period

## Part 3 – Registration

- Registration in Washington Fuels Reporting System (WFRS) and Alternative Fuels Portal (AFP)
  - Eligibility
  - Required information
  - Account approval – AFP
  - Establishing an account
  - Account management roles
- Registration of fueling supply equipment

## Part 4 – Recordkeeping

- Types of records and retention period
- Documenting fuel transfer
- Documenting credit transaction
- Making records available for review
- Monitoring plan for entities required to verify



# Part 4 - Reporting

- Quarterly reports
  - Deadlines
  - General – where, how, and when
- Fuel specific requirements
- Annual compliance reports
  - Deadline
  - General
    - Minimum – quarterly and fuel specific
    - Total credits and deficits – compliance
  - Correcting previously-submitted report

# Part 5 – Demonstrating Compliance

- Basics of credit and deficit
- Calculation of compliance obligation and credit balance
- Small deficits – carry over without penalty
- Fuels to include in credit and deficit calculation
- Transacting credits:
  - Sellers and buyers requirements
  - Voiding credits
  - Aggregators as credit seller or buyer – designation
  - Illegitimate credits
  - Prohibited credit transfer

# Calculating Credits and Deficits

- General credit or deficit calculation method
- Fixed guideway vehicles and electric forklifts with MY < 2023
- Residential electric vehicle charging
  - Direct metering
  - Non-metered: Ecology – twice a year
- Incremental credits
  - Non-residential charging – RECs
  - Residential – RECs

# Advance Crediting

- Eligibility
  - Public entities
- Applications
- Approval
- Issuance of credit
  - After put into useful service
- Payback period  $\leq$  nine years
- Reporting
- Overall limitation  $\leq$  five percent





# ZEV Fueling Infrastructure Pathways

- Hydrogen refueling infrastructure (HRI)
- DC fast charging infrastructure

# Credit Clearance Market

- General – more than small deficit
- Maximum credit price
- Acquisition of credits in the credit clearance market
- Selling credits in the clearance market
- Operation of the credit clearance market

# Part 6 – Obtaining CI Values for Fuel Pathways

- Carbon intensities
  - Model – WA-GREET
  - Ecology approved model
- A. Established carbon intensities
  - Table 6
  - Electricity – utility specific – Table 10
- B. CARB or OR DEQ approved fuel pathways
- C. Primary alternative fuel pathways
  - Tier 1
  - Tier 2 – July 2025
- Process of obtaining CI
- Energy economy ratio-adjusted CI applications
- Determining CI of electricity

## Part 7 – Others

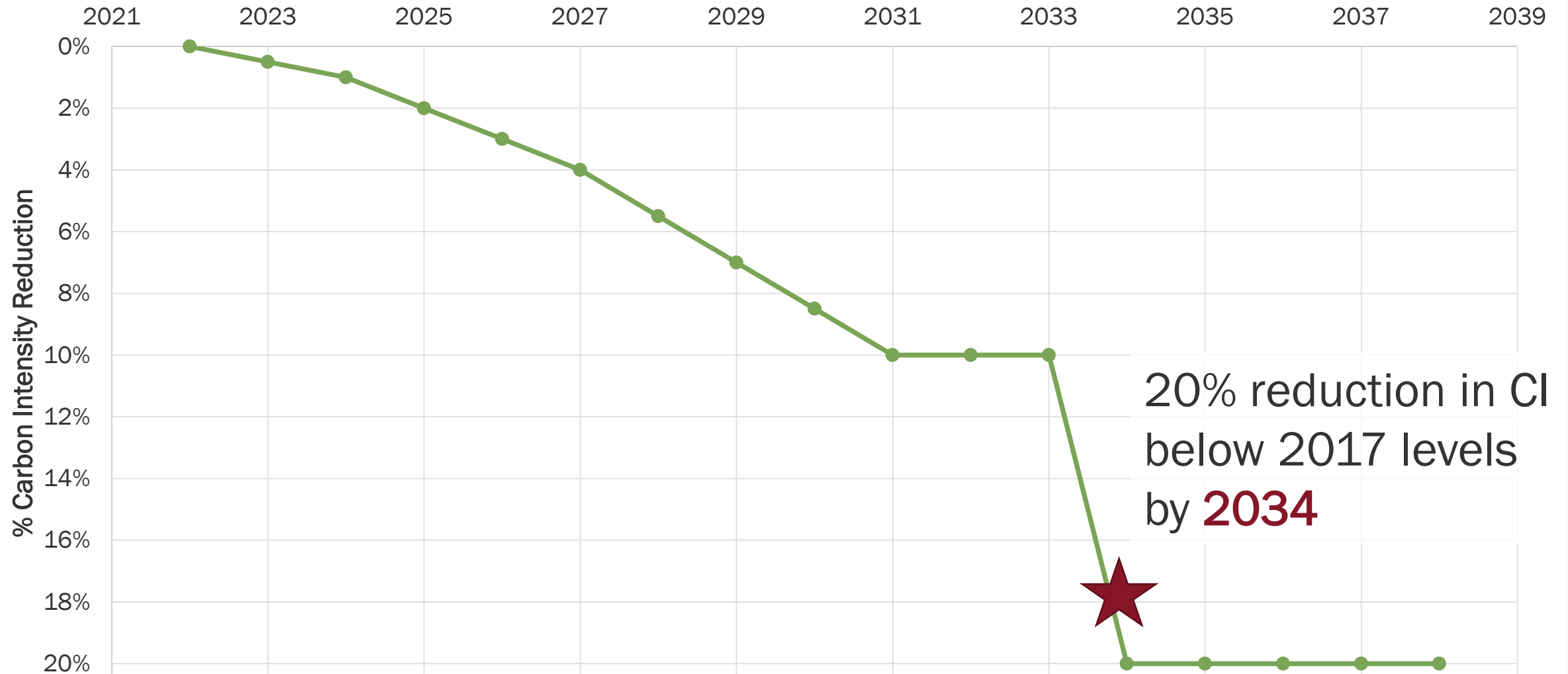
- Authority to suspend, revoke, or modify
- Public disclosure
- Emergency deferral
- Forecast deferral



# Part 8 – Validation and Verification

- Verification report – CARB and OR DEQ approved pathways
- If necessary, consistent with
  - ISO 14067 or
  - CARB requirement

# Part 9 – Compliance Curve (proposed)



## Part 9 – Tables

1. Standards for Gasoline and Gasoline Substitutes
2. Standards for Diesel and Diesel Substitutes
3. Energy Densities and Conversion Factors for Fuels and Blendstocks
4. Energy Economy Ratio Values for Fuels in Vehicles
5. Land Use Change CI Values for Biofuels
6. Carbon Intensity Lookup Fuel Pathway
7. Substitute Fuel Pathway Codes
8. Temporary Fuel Pathway Codes
9. Summary Checklist of Quarterly and Annual Reporting
10. Utility Specific Carbon Intensity of Electricity

# Chapter 173-455 WAC, Air Quality Fee Rule

- Rule contains majority of fees relating to the Air Quality Program
- Adding a new section to the rule to cover fees for the Clean Fuels Program





# Program Fees – 2023

- Participation fee only (all program participants)
  - 80% of annual program cost paid by deficit generators
  - 20% of annual program cost paid by credit generators
- Fees collected in Q2, 2023

# Program Fees – 2024

- Flat participation fee + deficit generation fee
- Participation fee (20% of annual budget) – same for credit and deficit generators
- Deficit generation fee (80% of annual budget) – based on deficits generated in 2023 from quarterly reports
  - 4 categories of deficit generation fee amounts based on number of deficits generated

# Program Fees – 2024

- Timeline
  - Feb. 2024 – Post draft budget, fee amounts, and deficit generator list
  - Feb.-March 2024 – 30-day public comment period
  - April 2024 – Send invoices



# Program Fees – 2025 Onward

- Flat participation fee + deficit generation fee
- Participation fee (20% of annual budget) – same for both credit and deficit generators
- Deficit generation fee (80% of annual budget) – based on deficits generated for the entire previous year from annual report
  - 4 categories of deficit generation fee amounts based on number of deficits generated



# Program Fees – 2025 Onward

- Timeline
  - March 31 – Annual compliance reports submitted
  - April – Post draft budget, fee amounts, and deficit generator list
  - April-May – 30-day public comment period
  - June – Send invoices



# Rulemaking Timeline



Q&A  
(30 minutes)



# Contacts

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# Break

5 minutes







# Public Hearing



# Public Hearing



Please use the raised hand feature if you would like to make an oral comment.

Press \*9 if calling in



## Making Comments

- Limit background noise.
- Mute yourself when not speaking.
- Respect others.
- Limit your comment to 3 minutes.

# Start Recording

We will begin recording at this time.



00 : 04 : 00

Change Clock Type

Digital

Duration: 00 04 00

TimeUp Reminder (Optional): -- -- --

Choose Sound Effect None

Choose TimeUp Sound None

Enable Count Up  Combine With Bar  
Clock

Start

Pause

Stop

Reset



# Submit Written Comments

- Online: <https://aq.ecology.commentinput.com/?id=KTPeV>
- By mail: Department of Ecology  
Air Quality Program  
Attn: Rachel Assink  
P.O. Box 47600  
Olympia, WA 98504-7600
- Due by: August 31, 2022

# For More Information

## Learn More

- **Visit the rulemaking web page:**  
<https://ecology.wa.gov/Regulations-Permits/Laws-rules-rulemaking/Rulemaking/WAC-173-424-455>

## Stay Informed

- **Join the email list:**  
[https://public.govdelivery.com/accounts/WAECY/subscriber/new?topic\\_id=WAECY\\_142](https://public.govdelivery.com/accounts/WAECY/subscriber/new?topic_id=WAECY_142)

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# Thank you

- Formal comments due August 31, 2022
- Submit your comments here:  
<https://aq.ecology.commentinput.com/?id=KTPeV>