Clean Fuels Program Rule
Chapter 173-424 WAC
Stakeholder Meeting

November 16, 2021
Welcome to the Clean Fuels Program Rule
Chapter 173-424 WAC
Rulemaking Stakeholder Meeting

We will start at 2 p.m. PST

We will check sound 10 and 5 minutes before start.
Sound Check

No sound? Connect your audio and listen for a sound check before we start.
All attendees are muted.

To change your audio connection:

1. Click on the ‘More Options’ button at the bottom of your screen.

2. Select “Connect Audio” button.

3. If you select “Call in,” the system will provide you with a phone number and entry information.
How To Use the “Chat” Function
Chat with the host for technical problems

If you are using the WebEx application:

If you are using the WebEx browser:
How To Use the “Raise Hand” Function

**Joined by Browser**

- **Raise Hand** button
- Feedback
- Audio connection
- Speaker and microphone
- Switch to desktop app

**Joined by Application**

- Participants

**Joined by Phone**

- *3 DEF*
Joined by Phone or Tablet

Click on your participant icon

Chat and Raise Hand options below
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 *3 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.
Start Recording

We will begin recording at this time.
Ecology Staff

• Laura Westfall – Host
• Tina Maurer – Co-Host
• Jason Alberich – Rules and Planning Unit Supervisor
• Abbey Brown – Technical Lead
• Joel Creswell – Climate Policy Section
• Debebe Dererie – Rulemaking Lead
Agenda

1. Stakeholders’ comments received
2. Draft rule overview
3. Stakeholders’ comments
4. Next steps and wrap up
Comments Received

Abbey Brown
Comments Received From

- FlexCharging
- bp America
- NW Alliance for Clean Transportation
- Charm Industrial
- Coltura
- Climate Solutions
- ChargePoint
- Puget Sound Energy
- multiple organizations
Comments Received

• Carbon Intensity (CI) standard scenarios
  • 0.5% CI reduction in 2023, with compliance obligation in 2024 ★
  • Make 2023 a reporting-only year
  • 10% CI in 2034 and 0% CI in 2035-2038

• Calculating CI
  • Develop defensible CI score for each fuel
  • Adopt a statewide, annual average CI for electricity

★ Support from more than one stakeholder/group
**Comments Received (cont’d.)**

- **Credit generating activities**
  - Include in the 2023 rule: Credit generation for EVs by non-electric utilities, smart charging, and DCFC
  - Use network charging data for residential EV charging, not averages/estimates
  - Use the EVSE ID (electric vehicle supply equipment) number registered to charging stations instead of serial number
  - Award non-residential charging credits to charging station owner/operators
  - Adopt smart charging pathways to encourage charging at times when electric grid CI is low ★
  - Prioritize battery fueling by non-electric utilities

- **Alternative credit generation**
  - Allow alternative credit generation from worldwide direct-air-capture projects
  - Adopt a reasonable cap on alternative credit generation ★
  - Adopt project-based refinery crediting

★ Support from more than one stakeholder/group
Comments Received (cont’d.)

- **Base and incremental credits**
  - Include incremental crediting pathway to this rulemaking

- **First right to credit generation**
  - Allow utilities to have first right to generate credits
  - Allow whatever entity is closest to fuel use and delivery first right to credits
  - Do now allow vehicle manufacturers to claim credits from EV fuel use

- **Capacity-based credit generation**
  - Analyze the benefits of offering capacity credits (must reduce emissions and not dilute the program) ★
  - Set a cap on capacity-based credit generation ★
  - Phase out as use increases
  - Allow capacity-based crediting pathways for DCFC

- **Advance credits**
  - Prioritize transit agencies, public or non-profit fleets, and tribes

★ Support from more than one stakeholder/group
Comments Received (cont’d.)

• **Book and claim accounting**
  • Allow refueling infrastructure owners to designate third party book-and-claim accounting management

• **Carbon sequestration and removal**
  • Harmonize with California LCFS for current technologies
  • Allow all forms of measurable and verifiable carbon sequestration technologies to participate in the Clean Fuels Program ★
  • Do not allow credit generation in this rulemaking

• **Electric vehicles**
  • Revise EV incentives to prioritize transitioning biggest gasoline users to EVs

• **Exemptions**
  • Adopt the small volume threshold of 360,000 gal/year ★

★ Support from more than one stakeholder/group
Comments Received (cont’d.)

• Opt-in fuels
  • Create a clear process for non-covered entities to opt in to the CFS
  • Allow Sustainable Aviation Fuel (SAF) as an opt-in fuel pathway ★
  • Allow for clean fuels used in exempted categories (e.g., off-road special fuels for log transport, agriculture, mining, and timber harvest) to earn credits before the compliance obligation begins on January 1, 2028

• Investment of credit revenue
  • Spending revenue
    • Follow the guidelines of the Healthy Environment for All (HEAL) Act when investing credit revenue generated by utilities
    • Community members should guide decisions on spending credit revenue on transportation electrification projects
    • Adopt strong rules to ensure benefit to disproportionately-impacted communities
  • Do not limit revenue spending all entities beyond a baseline requirement
  • Allow revenue reinvestment for non-residential charging, especially non-residential credits generated by non-utilities

★ Support from more than one stakeholder/group
Comments Received (cont’d.)

- **Technology neutral**
  - Washington’s CFS should be technology agnostic

- **Fee**
  - Do not charge fees to small business participants

- **Biofuel capacity**
  - Require progress updates on in-state production and feedstock in the quarterly credit generation report

- **Language clarification**
  - Clarify meaning of “investment in production of gaseous and liquid fuels from non-fossil feedstocks” – Does this mean crediting biofuel production?
  - “Export” – Does this include fuel sold on tribal land?
## Transportation Fuels Subject to Regulation

<table>
<thead>
<tr>
<th>Fuels Subject to the Rule</th>
<th>Opt-in Fuels (CI less than standard through 2038)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>Bio-CNG, bio-LNG, or bio-L-CNG</td>
</tr>
<tr>
<td>Diesel or diesel fuel</td>
<td>Electricity</td>
</tr>
<tr>
<td>Ethanol and blend 10 to 100</td>
<td>Alternative Jet Fuel</td>
</tr>
<tr>
<td>Fossil CNG, LNG, L-CNG</td>
<td></td>
</tr>
<tr>
<td>Biomass-based diesel and blend</td>
<td></td>
</tr>
<tr>
<td>Propane/LPG</td>
<td></td>
</tr>
<tr>
<td>Compressed or liquefied hydrogen</td>
<td></td>
</tr>
<tr>
<td>Bio-CNG, bio-LNG, or bio-L-CNG</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
</tr>
<tr>
<td>Alternative Jet Fuel</td>
<td></td>
</tr>
<tr>
<td>Any other liquid or non-liquid fuel</td>
<td></td>
</tr>
</tbody>
</table>
Exemptions – Fuels and Uses

• Fuels used at low volumes
  • Proposed threshold of 360,000 gallons/year

• Fuels exported from Washington

• Fuels for aircraft, watercraft, and locomotives

• Fuels for military tactical vehicles and support equipment

• Through January 1, 2028
  • Off-road dyed special fuels for timber operations, agriculture, and mining
  • Dyed special fuel used for agricultural purposes exempt from chapter 82.38 RCW

Ecology may adopt rules to specify the standards for persons to qualify for the exemptions provided in this section.
Part II.
Designation of Fuel Reporting Status

• Identify first fuel reporting entity – initial credit or deficit generator
• Identify subsequent fuel reporting entities, and credit or deficit generators
• Prescribes how these status transfers with fuel ownership

Objectives: to meet legislative intent of carefully-designed program that reduces carbon intensity of transportation fuels
• Reduce GHG and conventional air pollutant emissions, and
• Spur economic development and create jobs
First Fuel Reporting Entity for Liquid Fuels

- Liquid fuels refers to:
  - Fossil fuels: gasoline, diesel, and conventional jet fuels
  - Liquid alternative fuels: ethanol, biomass-based fuels, and alternative jet fuels
  - Blend of the above
- First fuel reporting entity for:
  - Liquid fuels is the producer or importer of the fuel.
  - A blend of alternative and a fossil fuel is:
    - A. The producer or importer of alternative fuels for the alternative fuel component
    - B. The producer or importer of liquid fossil fuels for the fossil fuel component, except conventional jet fuel
## Liquid Fuel Reporting, and Credit or Deficit Generating Status, and Conditions for Transfer

- An entity transferring ownership of fuel is the “transferor”
- An entity acquiring ownership of fuel is the “recipient”

<table>
<thead>
<tr>
<th>Fuel Reporting Entity</th>
<th>Transferred status for credit or deficit generation</th>
<th>Transferor retained status as credit or deficit generator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient, but transferor is subject to reporting requirement</td>
<td>Recipient and transferor</td>
<td></td>
</tr>
</tbody>
</table>

| Product transfer document specifies | Recipient accepts the responsibility of FRE and credit/deficit generating status | Recipient accepts the responsibility of FRE status, and transferor retains credit or deficit generating status |

- Contractual agreement specifies the status by the time the fuel ownership is transferred
  - Recipient accepts responsibilities of FRE, and credit or deficit generator
  - Responsible party for accounting base and incremental deficit, as required
  - Recipient accepts responsibilities of FRE, and transferor retains the responsibilities as a FRE and credit generator
## Credit Generators for Gaseous Fuels

<table>
<thead>
<tr>
<th>Fuel</th>
<th>Equipment</th>
<th>(A) Fossil</th>
<th>(B) Bio-based/Renewable</th>
<th>(C) Blend of fossil &amp; Bio-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNG, LNG, LCNG</td>
<td>Motor vehicles</td>
<td>Fuel supplying equipment owner</td>
<td>Fuel producer or importer</td>
<td>Split between (A) and (B)</td>
</tr>
<tr>
<td>LPG (Propane)</td>
<td>Motor vehicles</td>
<td>Fuel supplying equipment owner</td>
<td>Fuel producer or importer</td>
<td>Split between (A) and (B)</td>
</tr>
<tr>
<td></td>
<td>Forklift</td>
<td>Forklift owner or operator</td>
<td>Fuel producer or importer</td>
<td>Split between (A) and (B)</td>
</tr>
</tbody>
</table>
| Hydrogen              | Motor vehicles  | Owner of finished hydrogen fuel (ODEQ)  
                       |                               | Owner of fueling equipment (CARB)  
                       | Forklift            | Forklift owner or operator |                                              |
## Credit Generators for Electricity

<table>
<thead>
<tr>
<th>Transportation units</th>
<th>Agency</th>
<th>Priority 1</th>
<th>Priority 2</th>
<th>Priority 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Residential EV</td>
<td>CARB</td>
<td>Charging eqpt. owner</td>
<td>Designated aggregator</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ODEQ</td>
<td>Charging eqpt. owner or service provider</td>
<td>Electric Utility or aggregator</td>
<td>Backstop/Increm. aggregators</td>
</tr>
<tr>
<td>Fixed Guideway System</td>
<td>CARB</td>
<td>Transit agency</td>
<td>Electric Utility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ODEQ</td>
<td>Transit agency</td>
<td>Designated aggregator</td>
<td></td>
</tr>
<tr>
<td>Electric Forklift</td>
<td>CARB</td>
<td>Fleet owner</td>
<td>Designated entity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ODEQ</td>
<td>Fleet owner or operator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation Refrigeration Unit, eTRU</td>
<td>CARB</td>
<td>Charging eqpt. owner</td>
<td>Designated entity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ODEQ</td>
<td>eTRU fleet owner or service provider</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cargo Handling Eqpt., Ocean-Going Vessel Powering</td>
<td>CARB</td>
<td>Charging eqpt. owner</td>
<td>Designated entity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ODEQ</td>
<td>Charging eqpt. owner</td>
<td>Designated entity</td>
<td></td>
</tr>
</tbody>
</table>
## Credit Generators for Residential EV

<table>
<thead>
<tr>
<th></th>
<th>Oregon</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base credits</strong></td>
<td>Electric utility or its designee</td>
<td>Electric Distribution Utility or its designee</td>
</tr>
<tr>
<td></td>
<td>Unclaimed base credit – Backstop aggregator</td>
<td>Not eligible base credits – Clean Fuel Reward program</td>
</tr>
<tr>
<td><strong>Incremental</strong></td>
<td>Electric utility or its designee</td>
<td>Any entity, including EDU – precedence: LSE supplying electricity, OEM-EV, others</td>
</tr>
<tr>
<td><strong>credit</strong></td>
<td></td>
<td>1. Metered EV</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low-CI electricity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Smart charging</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Non-metered EV – EDU</td>
</tr>
<tr>
<td></td>
<td>Unclaimed incremental credit – Incremental aggregator</td>
<td></td>
</tr>
</tbody>
</table>

- Base credits – electric utility or its designee
- Incremental credits – metered – shared – utility and OEM-EV? 
- Unclaimed credits: backstop and incremental aggregators
Stakeholders’ Comments

Be brief, so everyone has a chance to comment.
Next Steps – Wrap up

Debebe Dererie
## Rulemaking Timeline

**Announce Rulemaking CR-101**

**Develop Rule**

**Stakeholder meetings**

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 6, 2021</td>
</tr>
<tr>
<td>Nov. 16, 2021</td>
</tr>
<tr>
<td>Jan. 27, 2022</td>
</tr>
<tr>
<td>Feb. 23, 2022</td>
</tr>
</tbody>
</table>

**Propose Rule CR-102**

| July 20, 2021 |
| Aug. 2021 – Apr. 2022 |
| July – Aug. 2022 |
| Sept. – Nov. 2022 |

**Evaluate Comments and Respond**

**Adopt Rule CR-103**
Stakeholder Meetings and Comments

• Next stakeholder meetings
  • January 27, 2022 (1:30 p.m. – 4:30 p.m.)
    • Second draft rule language
  • February 23, 2022 (1:30 p.m. – 4:30 p.m.)
    • Carbon intensity calculation
    • Third draft rule language

• Summary of stakeholder meeting will be posted on the Clean Fuels Program rulemaking web page

• Provide comments and read others’ comments:
  https://aq.ecology.commentinput.com/?id=DpgZ3

More Information

• Rulemaking web page:

• Join the email notification list:
Contacts

• Rulemaking Lead (process, meetings, documents, and timeline):
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