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.

Connect Audio and Join

Tip
Try your computer audio first.
You can test your speaker and microphone before joining.

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

Participate

Question? Need help?
Chat with us!

Turn on the Chat box and Participant list from your toolbar.
Public Hearing: Clean Fuels Program Rule
Chapter 173-424 WAC
August 23, 2022
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 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?

Fuels with CI above the standard generate deficits.

Fuels with CI below the standard generate credits.

20% reduction below 2017 levels by 2038 (4.3MMT CO₂e/yr)

*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)

20% reduction in CI below 2017 levels by 2034
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

- Announce Rulemaking CR-101
- Develop Rule
- Informal Public Comment Period
- Propose Rule CR-102
- Public Comment Period
- Evaluate Comments and Respond
- Adopt Rule CR-103

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<thead>
<tr>
<th>Event</th>
<th>Dates</th>
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<tbody>
<tr>
<td>July 20, 2021</td>
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<tr>
<td>August 2021 – July 2022</td>
<td>Propose Rule CR-102</td>
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<tr>
<td>July 18, 2022</td>
<td>Evaluate Comments</td>
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<tr>
<td>July 18, 2022 – Aug. 31, 2022</td>
<td>Respond</td>
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<td>Sept. – Nov. 2022</td>
<td>Adopt Rule CR-103</td>
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Q&A
(30 minutes)
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<th>Role</th>
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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
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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:

Stay Informed

• Join the email list:
  https://public.govdelivery.com/accounts/WAECY/subscriber/new?topic_id=WAECY_142
Thank you

• Formal comments due August 31, 2022

• Submit your comments here: https://aq.ecology.commentinput.com/?id=KTPeV