



October 3, 2022

**RE: Portland Bureau of Planning and Sustainability Renewable Fuel Standard Proposal**

The undersigned businesses and organizations support taking a balanced approach to reducing Oregon’s greenhouse gas emissions and transitioning to a cleaner economy, including clean fuels. A balanced solution requires an understanding of technological, infrastructure and market limitations. We urge Portland’s Bureau of Planning and Sustainability to amend the draft Renewable Fuel Standard (RFS) proposal to recognize these constraints so that we do not put our local economy and regional greenhouse gas reduction goals in jeopardy.

There is no question that Oregon has been and continues to be a leader in reducing greenhouse gas emissions from transportation fuels. Those reductions have not been easy and were not inexpensive. It’s important that to recognize those ongoing mandates and avoid standing in the way of statewide efforts to reduce greenhouse gas emissions in all Oregon communities.

Transportation fuels, especially diesel, remain critically important to people living in and traveling through Portland. Goods and services are delivered to Portlanders using clean diesel trucks throughout the city. Businesses have invested millions in newer diesel vehicles and fleets with improved emissions controls. These vehicles are important because they are capable of efficiently moving heavy freight, unlike other less reliable or less capable vehicles. As a result, diesel fuels will need to be readily available or Portland risks supply chain issues or an increase in emissions as drivers and delivery companies drive further distances outside the City to purchase available and affordable fuel.

As a threshold matter, Oregon's Clean Fuels Program (CFP) sets aggressive clean fuel blending targets. The Oregon DEQ recently adopted new regulations that both expand and increase carbon reduction targets designed to cut emissions from transportation fuels. Oregon is already on an aggressive path to decarbonizing the transportation sector. The CFP comes with significant costs and limitations of its own and will require all jurisdictions, businesses and families working together – investing together – to make it work. For that reason and the reasons set forth below, the undersigned businesses request that BPS amend the draft RFS proposal with the following changes to reflect the realities of fuel availability and price sensitivity:

### **Biodiesel Mandates Should be Capped at B20/20%**

The RFS draft calls for blending either biodiesel or renewable diesel (RD) at 20% starting in 2024. Oregon's fuel retailers are unable to sell biodiesel blends above 20% because auto and truck manufacturers will not warranty engines that use biodiesel blends above 20%. In addition, going above a 20% biodiesel blend is not compliant with existing fueling infrastructure or covered by nearly all diesel engine manufacturers. Not to mention, B20 has temperature limitations and is not always preferred to RD.

### **Renewable Diesel Mandates Must Account for Fuel Readily Available to Oregonians at a Competitive Price**

As a practical matter, the current RFS proposal is not fuel neutral and instead limits the sale of fuels to a small subset of RD. The proposal excludes nearly all of the of RD currently sold in Oregon and nearly all bio-diesel. <sup>1</sup> As explained above, bio-blends above 20% do not meet engine manufacturing standards and RD with a Carbon Intensity (CI) under Oregon's CFP program of 40 or less is not available to Oregonians. Even without a CI cap, in today's market, there is not enough RD available for Oregon retailers to satisfy Portland's market. We expect RD availability to improve in the coming years, but availability is far from guaranteed.

The practical implications of this proposal are that if compliant fuel is not available at an affordable price within Portland, diesel consumers, will find an affordable fuel outside of the city. If Portland fuel sellers cannot buy RD at a competitive price, truckers and drivers will drive to Portland's nearby suburbs (greater distance, burning more fuel) to fill their tanks. In the end, this will add to more emissions.

RD remains an exciting new product that businesses are looking forward to selling and distributing across the state. We believe the existing markets and regulatory programs offer enough incentive without a revised RFS or any other mandate. The transportation fuel sector on the west coast is changing and the larger markets are driving this change.

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<sup>1</sup> <https://www.oregon.gov/deq/FilterDocs/cfp-All-CIs.xlsx>; Accessed 9/28/2022

Just last week we learned that DEQ has denied a clean water permit for Oregon's only announced RD supplier (NEXT). According to media reports, this could stall production by at least a year. At the same time, litigious environmental groups are opposing the RD project altogether. As a result, there is no certainty that this RD facility will materialize in the timelines set out by the city's proposed RFS.

The current 2024 implementation date that would essentially mandate RD is unreasonable. There likely will not be enough RD available regionally at a competitive price to satisfy Portland's market and therefore, we would anticipate that fuel retailers would be unable to sell RD fuel to their customers. If BPS chooses to move forward, at minimum, BPA should suspend any implementation dates until after there is certainty in terms of fuel price and quantity. Following that determination, the rule must also include a reliable and understandable offramp when RD is not available. An offramp is not included in the RFS draft.

In order to ensure that RD is affordable to consumers and that retailers and distributors have access to this fuel, the city should build in an "off-ramp" that would ensure the RFS would begin at a later date. The off-ramp should focus on the following:

- Adequate supply of RD available to satisfy the Portland market and accessible via truck in Oregon by truck. RD availability that is either overseas or only available to businesses with their own railcars is not actually available to everyone.
- Prices of RD offered to distributors, including the Clean Fuels Program credit values and Climate Protection Program costs, are within 5% of B20 prices.
- Five or more RD fuel suppliers are willing to commit, in writing, that the suppliers will supply enough RD to the Portland market annually to ensure fuel distributors and retailers have access to RD.
- Truck stops will be exempt from this policy until RD is offered at the same price as B20 for 10 consecutive months.

### **Carbon Intensity (CI) Level Is Unworkable**

RD availability is critical to the success of a new RFS. The proposed CI limit of 40 gCO<sub>2</sub>e/MJ for biofuels would preclude a significant volume of biofuels to be eligible in the RFS, such as fuel produced from soybean oil and canola oil. While the Clean Fuels Program (CFP) identifies multiple fuel pathways that would meet a CI of 40 or less, those pathways do not reflect the fuel that is actually available to Oregon fuel distributors or retailers. Instead, the RD coming to Oregon today does not meet this cap. Today, DEQ regulates the CI of the fuels statewide including verification and enforcement. By imposing a separate City-specific CI standard, the City of Portland will take on a comparable significant and likely unworkable administrative burden of having to verify the CI of fuels distributed in the Portland city limits as well as enforcement. Oregon's CFP already creates a market incentive to offer lower CI fuels. As more RD becomes available, the city can then take a careful look at fuels that are actually available to fuel retailers and their customers. This unnecessary, expensive and risky requirement should be removed.

### **Renewable Diesel (RD) Storage Limitations**

Portland does not have enough available fuel storage to allow for a massive transition to RD on this short of a timeline. Without storage, there will not be enough RD to satisfy Portland's market. In order to speed up the transition to renewable diesel, the City must prioritize storage capacity for Renewable Diesel.

## **Thoughts on the Statewide Impact of a Portland Renewable Diesel Mandate**

From a statewide perspective, a Portland-only RD mandate will impact other communities hoping to purchase RD. There simply is not enough RD available to satisfy demand. And if there is a mandate to provide RD in Portland, the likelihood of Oregonians that want RD in other parts of the state substantially decreases.

In conclusion, we are excited about the benefits and attributes of RD. We support a transition to cleaner fuels, but this transition must happen based on fuel availability and affordability. The city should expand storage options and ensure domestic RD production (produced in Oregon) can come online. If the City does not adequately account for fuel availability and affordability, the proposed RFS will increase emissions and lead to the closure of Portland businesses.

Thank you for your consideration.

Associated Oregon Hazelnut Industries  
Columbia Corridor Association  
Food Northwest  
Metro Portland New Car Dealers Association  
Northwest Automotive Trades Association  
Northwest Grocery Association  
Oregon Auto Dealers Association  
Oregon Business & Industry  
Oregon Concrete & Aggregate Producers Association  
Oregon Cattlemen's Association  
Oregon Farm Bureau  
Oregonians for Food & Shelter  
Oregon Forest Industries Council  
Oregon Onsite Wastewater Association  
Oregon Power Sports Association  
Oregon Restaurant & Lodging Association  
Oregon RV Dealers Association  
Oregon Trucking Associations  
Oregon Vehicle Dealer Association  
Oregon Wheat  
Portland Business Alliance  
Plumbing-Heating-Cooling Contractors Association  
Professional Land Surveyors of Oregon  
Swan Island Business Association  
Union Pacific