

# Geographic Expansion of LCFS Programs

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# Today's Agenda

- Past, Present and Future of Existing LCFS Programs
  - California
    - 2030 and beyond
    - The future of electrification
  - Oregon
    - Clean Fuels 2.0 / Post 2025 Standards
    - Integration with the Climate Protection Program
- “Known Unknowns”
  - Washington: how, what and when
- “Unknown Unknowns”
  - Minnesota
  - New York
  - Other state and regional efforts
  - Challenges to future expansion

# California LCFS Program 2030 and Beyond

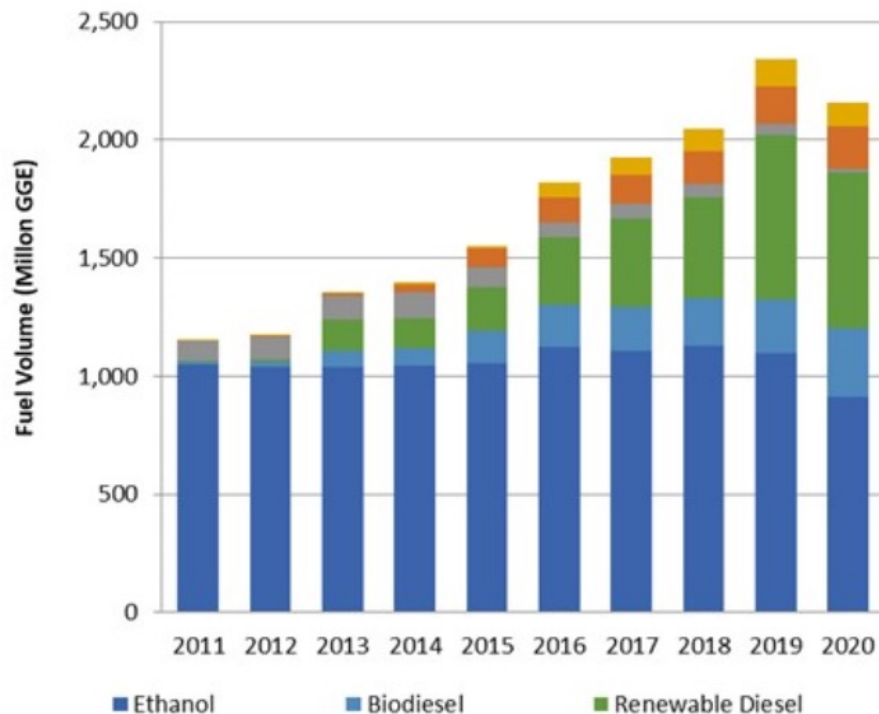
- ▶ LCFS Objectives:
  - » 2010 program: reduce carbon intensity of the California fuel pool by 10% by 2020
  - » 2019 amendments: reduce carbon intensity of the California fuel pool by 20% by 2030
  - » No sunset

Year	Gas	Diesel	Jet
2021	90.74	91.66	89.37
2022	89.50	90.41	89.37
2023	88.25	89.15	89.15
2024	87.01	87.89	87.89
2025	85.77	86.64	86.64
2026	84.52	85.38	85.38
2027	83.28	84.13	84.13
2028	82.04	82.87	82.87
2029	80.80	81.62	81.62
<b>2030+</b>	<b>79.55</b>	<b>80.36</b>	<b>80.36</b>

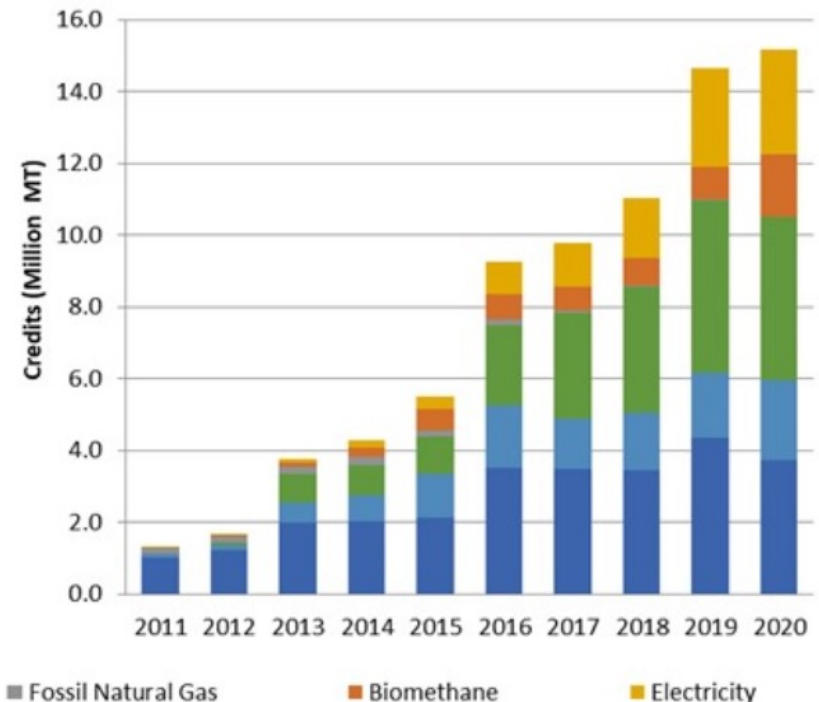
# LCFS Credit Sources

## Alternative Fuel Volumes and Credit Generation

### VOLUMES



### CREDITS



Source: CARB LCFS Data Dashboard, as of August 25, 2021  
(<http://www.arb.ca.gov/fuels/lcfs/dashboard/dashboard.htm>)

# Future of Electrification

- ▶ Electrification's structural advantages under the CA LCFS
  - ▶ Fast Charging Infrastructure (FCI): Credits for charging capacity
  - ▶ Higher Energy Economy Ratio (EER): More credits per unit energy
  - ▶ Wide range of applications beyond cars: mobile refrigeration; forklifts; shore power to vessels; fixed railway; cargo handling
- ▶ Executive Order N-79-20: New vehicle sales after 2035 must be Zero Emission Vehicles
- ▶ Opportunities for growth currently handcuffed by revenue limits:
  - ▶ Total FCI credits may not exceed 2.5% total deficits
  - ▶ Individual's FCI credit value limited at capex
  - ▶ Proceeds for credits for electricity dispensed must be reinvested



# Oregon Clean Fuels Program: Approaching Major Milestones



## ► CFP Objectives:

- » 2016 program: reduce carbon intensity of the Oregon fuel pool by 10% by 2025
- » Post 2025 Goals:
  - » 20% reduction by 2030
  - » 25% reduction by 2035

Year	Gas	Diesel	Jet
2021	94.63	95.29	90.80
2022	93.15	93.81	90.80
2023	91.68	92.32	90.80
2024	90.21	90.84	90.80
<b>2025+</b>	<b>88.25</b>	<b>88.87</b>	<b>88.87</b>

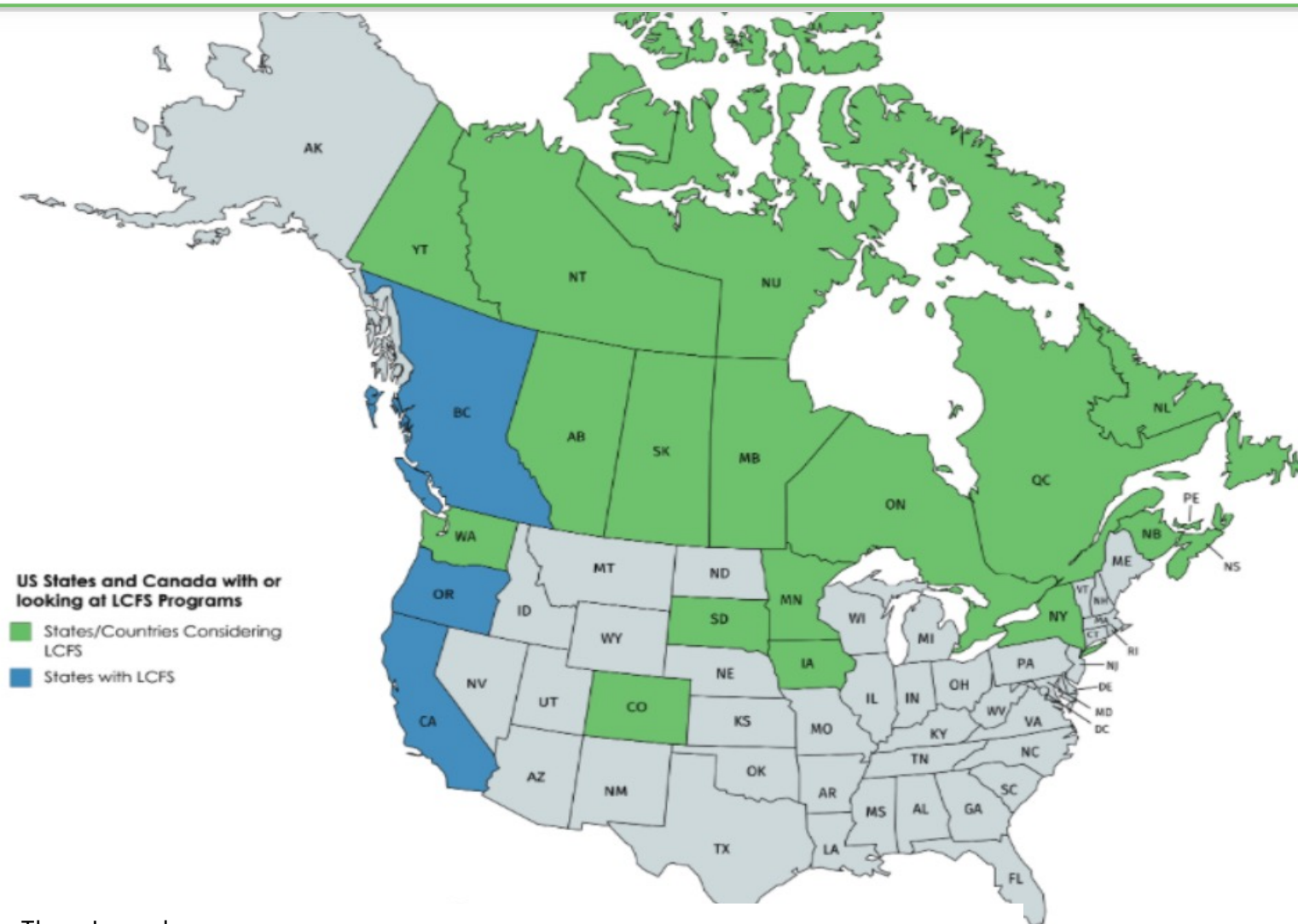
## ► Integration with the Climate Protection Program:

- » Rulemaking proposed August 5th
- » Multi-industry cap on GHG emissions, including transportation fuel suppliers
  - » Will result in a double-obligation (CFP + CPP) similar to current LCFS + Cap-and-Trade in California

## **HB1091 Enacted in May 2021:**

- ▶ Directs the Department of Ecology to establish a Clean Fuels Program no later than January 1, 2023
- ▶ Initial target: 10% reduction in transportation pool CI (below 2017 levels) by 2028
- ▶ Follow-on targets: 20% reduction by 2035, if certain milestones are met related to expansion of in-state biofuels
  - By 2031, the department must establish standards through 2050 consistent with the state's goal of a 95% reduction in GHG emissions (below 1990 levels)
- Aims to harmonize regulatory framework with existing LCFS programs (point of obligation; cost containment; additional credit generation opportunities)

# Where do we stand now?





# What's Next? Opportunities and Challenges



# Which is the next state/region to adopt an LCFS Program?

- Minnesota - Future Fuels Act:
  - Would require 20% CI reduction (below 2018 levels) by 2035
  - Failed to advance this year but likely will be revised next legislative session
- New York – Clean Fuels Standard Act of 2021:
  - Would require 20% CI reduction by 2030
  - Would recognize/align with structure of California LCFS
  - Failed to advance out of committee
- New Mexico – Clean Fuel Standard:
  - Would require 10% CI reduction (below 2018 levels) by 2030
  - Failed to advance out of committee
- Transportation Climate Initiative
  - Framework for a cap-and-trade type program for transportation emissions released March 2021
  - TCI covers 12 Northeast and Mid-Atlantic states and D.C.
  - Massachusetts, Rhode Island, Connecticut, and D.C. have endorsed the framework
- Midwest LCFS Initiative
  - Development spearheaded by the Great Plains Institute
  - White paper outlining principles released early 2020

# Expansion of LCFS Programs – What Could Go Wrong?

- Legal Challenges
  - *Rocky Mountain Farmers Union*: 2013 decision by the U.S. 9<sup>th</sup> Circuit ruled that California's LCFS did not violate the U.S. Constitution's "Commerce Clause"
  - This is settled law only in the 9<sup>th</sup> Circuit's jurisdiction
  - Adoption elsewhere risks a circuit split, invites attention from the U.S. Supreme Court
- Third Party Verification
  - We are just completing the first round of annual verifications under California's program
  - Adjustments / corrections to CIs will be applied retrospectively
  - Disruption in credit expectations could erode market/political confidence
- "Balkanization" – multiple competing state programs adds complexity and could inspire federalization

# Questions?

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