



# Oregon Clean Fuels Program Phase 2 Rulemaking CNG/LNG/RNG Opt-in Workgroup Meeting Summary

July 9, 2014

9:00 am – 10:00 am

Contact: Cory-Ann Wind

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## **Participants:**

Chuck White, Waste Management  
Darren Engle, Blue Star Gas  
Jana Gastellum, Oregon Environmental Council  
Todd Campbell, Clean Energy Fuels  
Matt Tracy, Metro  
Chris Galati, NW Natural  
Shanna Brownstein, NW Natural  
Mark Shaffner, Avista  
Harrison Clay, Clean Energy Renewable Fuels  
Teresa Hagins, Williams NW Pipeline  
Bruce Condon, Clean Water Services  
Jim Abrahamson, Cascade

## **“Opt-in” Terminology**

The current proposed rule language is:

“Opt-in party” means a person who is not a regulated party and who elects to register with DEQ under OAR 340-253-0100(4).

(4) Registration.

(a) Beginning on July 1, 2013, each regulated party must submit a complete application under OAR 340-253-0500 to register with DEQ for each fuel type, on or before the date when it begins to import or produce in Oregon such fuel.

(b) To become an opt-in party a person must submit a complete application under OAR 340-253-0500 to register with DEQ.

While not present in our current proposed rule language, the California program routinely uses the terminology “opt-in to be a regulated party”. This creates a potential barrier to participation by producers and investors in low carbon fuels not wanting to be “regulated” under the Clean Fuels Program or any other DEQ regulation.

The workgroup provided DEQ with three possible suggestions:

- Credit generators

- Providers of low carbon fuels
- Credit aggregators

DEQ will take these suggestions into consideration by seeing how they fit into the current proposed rule structure. Other suggestions are welcome.

### **2012 draft rule language**

These are suggested edits to the current draft rules:

“Importer” means the person who imports a blendstock or a finished fuel from outside Oregon into Oregon:

- With respect to any biogas, it means the person who owns the biogas when it is trucked or injected into a pipeline used to deliver the biogas for use in Oregon.

“Oregon production facility” means a facility located in Oregon that:

- With respect to biogas, it means a facility that refines, treats or otherwise processes biogas into biomethane that is ready for use as a transportation fuel in a motor vehicle as LNG or CNG without further physical or chemical processing .

DEQ will propose updated rule language based on the workgroup discussions.

### **Sub-categories for credit generation**

The goal for the draft rule language is to be able to place the point of credit generation closest to the entity that has the largest capital investment or can ensure that the fuel is being used in a motor vehicle. That varies between CNG, LNG and biogas. The workgroup discussed options that make the most sense for each of these fuels and the proposals are stated below.

Opt-in for fossil CNG: The point of credit generation should be the owner of the compressor at the facility where the fossil CNG is dispensed for use in a motor vehicle.

Opt-in for fossil LNG: The point of credit generation should be the owner of the fuel when it is delivered to the LNG fueling station for use in a motor vehicle.

Opt-in for biogas: The point of credit generation for CNG or LNG that is derived from biogas should be the Oregon producer or importer of the biogas.

### **Summary and Next Steps**

- ❖ DEQ needs to be more familiar with the OPUC tariff.
- ❖ There is a need for more education in natural gas and biogas as a low carbon fuel and the benefits of participating in the CFP. DEQ to work with ODOE and Clean Cities.
- ❖ There needs to be a definition for biomethane, separate from biogas.  
Proposal: “Biomethane” means biogas that has been refined to pipeline specifications or that can be combusted directly in a vehicle.

- ❖ CNG and LNG isn't called out in the definition of "importer" because the opt-in party focuses on the point when the fuel is put into a motor vehicle.
- ❖ As long as the rule language is clear, then the market can figure out how to transfer the value of the credits downstream.
- ❖ DEQ might consider changing the definition of "electricity bundled services supplier" to something fuel agnostic like "bundled services provider" or "credit aggregator" in order to be used with the other opt-in fuel markets if needed.
- ❖ The potential addition of a third party will require additional thinking to address concerns about hoarding credits, manipulating credit prices, etc. that were originally raised in the 2010 advisory committee.
- ❖ If there is consensus amongst the stakeholders, DEQ will proceed with drafting rule language that reflects the understanding contained in this summary.