

Testimony of Eric Blackledge 233 SW 2nd Street Corvallis, Oregon

To the House Committee on Energy and Environment

Hearing on SB 324

02-23-15

Chairman Pederson, Members of the Committee,

I wish to speak against passage of SB 324, but not because I disagree with its stated objective of reducing greenhouse gas emissions. In fact, I just spent a week in Washington lobbying Congressional leaders to enact a Carbon Emission Adjustment Tax on all carbon based fuels, and an increase to 30 cents per gallon in the Federal gas tax, as incentives to reduce carbon based fuel use. I have attached a copy of those Federal recommendations to my testimony.

But, I urge you to reject SB 32 because it continues a less efficient process for reducing emissions, with too many non-value-added costs, and too little lasting value for Oregonians. It needs to be replaced by better approaches.

The carbon content of standard and alternative fuels is just one element of total greenhouse gas emission levels. Equally, or more, important is the total amount of fuel burned for transportation needs, and particularly the amount of fuel wasted because of congestion delays from an inadequate transportation infrastructure, and insufficient mass transit options. How many tons of greenhouse gas emissions result from drivers stuck in traffic in the metro areas every day, or from drivers who have to take longer routes because of outdated and deteriorated traffic networks?

So called "Low carbon fuels", which are not really even defined in this bill, can also be a deceptive solution to the emissions problem. The effective energy of fuels comes from their carbon content, so users may burn more lower carbon content fuel to meet the same energy needs, offsetting the fuel's advantage. Alternative fuels also often have hidden consequences. Oregon has spent money on incentives for clean looking electric fuel vehicles, but much of that electricity still comes from coal burning power plants. America's prior incentives for ethanol mixed fuels have also had significant negative side effects. When comprehensively analyzed, many alternative fuels have not shown the overall greenhouse gas benefit originally anticipated.

This bill would also continue a process toward a complex regulatory structure that would have supply side impacts on fuel availability and high non-value-added costs for Oregon citizens and businesses. Oregon is not a significant producer or refiner of fuels, and is a small percentage of the national market for fuels. Most of our vehicle fuel comes from other states, primarily Washington. If we develop a complex regulatory structure with extra costs for producers and refiners, they will either exit the Oregon market, reducing competition and increasing prices, or if they stay in our market, they will fully pass on all the added costs. Some economically viable lower carbon bio fuels are available now, but there is no assurance that adequate amounts of bio fuels can be produced at reasonable cost, and without

undesirable side effects. It is also unclear who would benefit from the regulatory costs, and the undefined process of trading “carbon credits”, other than fuel producers and large fuel users.

The Washington legislature currently appears to be taking a more logical approach with a bipartisan Senate bill package that would increase their gasoline tax by 11.7 cents over 3 years to pay for major new highway improvements, particularly in the state’s congested areas. This should both reduced wasted fuel use and provide a cost incentive to use less petroleum fuel overall. Their revenue bill also specifically rejects the concept of new low carbon fuel regulations which could compound fuel supply market issues if Oregon adopts them.

Oregon also needs to be looking at a state gas tax increase which could provide the revenue needed for transportation system repairs and improvements, and also increase the incentive for reducing overall vehicle fuel use. The Federal Highway Trust Fund, which has been a major source of funding for state highway improvements in the past, will be insolvent by mid-year, and it was clear from my recent meetings in DC that there is no consensus on any stable funding program to rebuild it. We need to use our own resources as efficiently as we can to address our state transportation needs. But, getting support for a gas tax increase will be much more difficult if it is in addition to the projected cost impacts of low carbon fuel standards.

Any efficient regulatory or tax approach to reducing carbon fuel emissions also should be done at the national level, similar to the national Carbon Adjustment Fee suggested in my attachment. This would reduce the level of regulatory cost, and prevent economic disruptions from state to state because of differing laws and regulatory burdens. It should also include all forms of domestically produced or imported carbon fuels at their point of extraction or import, to provide the best economic efficiency.

If you want to reduce Oregon’s carbon emissions with the least non-value-added cost or negative economic impacts:

1. Enact a vehicle fuel tax increase to fund a transportation package of needed highway, bridge local road, and mass transit improvements.
2. Memorialize Congress to adopt a federal gas tax increase, and a national Carbon Tax on all carbon fuels including coal and other fuels burned to produce electricity.
3. And, if you still believe complex low carbon fuel standards are really needed, then simply adopt by reference the State of California low carbon fuel standards and provide an Oregon fuel tax reduction for any fuel certified to meet their standards. Let California pay the regulatory costs, and broaden the customer base for potential producers.

But, please do not continue the current outdated, inefficient, and potentially costly, legislative approach that provides little lasting taxpayer benefit. It is time to find better solutions.

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