

## Kill Oregon's low-carbon fuel standard

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The low-carbon fuel standard will weigh the greenhouse gases generated during the production, storage, transportation and combustion of various fuels, including biofuels. Above is the Imperium biodiesel plant in Hoquiam, Wash., seen here in 2007.

AP Photo/Ted S. Warren

Note to the Oregon Legislature: Applying the keep it simple, stupid (KISS) principle in state government is not a form of sexual harassment. We thought that was worth mentioning given the fact that Oregon's dauntingly complex low carbon fuel standard is slouching toward implementation. It's time to KISS this thing goodbye.

The standard, adopted by the 2009 Legislature in a highly partisan green frenzy, mandates a 10 percent carbon reduction in Oregon fuels over the course of a decade. This may sound simple, but making the requirement workable has been a slow and difficult process, owing to the enormity of the undertaking and to a requirement that the standard not boost fuel prices, which is about as likely as Superman donning kryptonite BVDs.

The process has involved dozens of **advisory committee** members, multiple contracted private firms and abundant Department of Environmental Quality staff time. It has taken so long that Richard Whitman, Gov. Kitzhaber's natural resources policy director, **warned earlier this year** that the Legislature would have to adjust the original bill's 2015 sunset date if the program is to get off the ground.

But rule-making would go forward.

Thus, the Department of Environmental Quality will ask the Environmental Quality Commission in December to adopt administrative rules implementing the first part of the fuel program, a two-year reporting phase to begin in 2013. Assuming the Legislature adjusts the sunset date, the second phase -- the carbon-reduction bit -- would

begin in 2015. The EQC in December will be asked to adopt a loose set of rules for that phase, too, and they'll be refined at a later date.

All of which means Oregonians should hold onto their wallets and prepare for an eco-friendly train wreck. This program is nuts.

The Portland Business Alliance said as much, only politely, in an Oct. 9 letter to the DEQ. The standard, the PBA wrote, would "increase costs and impose a competitive disadvantage for Oregon businesses," as of course it would. The letter also notes that efforts to reduce greenhouse gas emissions are best left to the federal government, which has not been what you'd call inactive in this area.

For a more blunt assessment, consider a letter to DEQ written in 2010 by Frank Holmes of the **Western States Petroleum Association**, which represents wholesalers. Holmes, one of the program's many advisory committee members, argued that the "multitude of complex issues" wrapped up in the standard would make its administration and implementation "almost incomprehensible."

He couldn't be more correct.

The program, for instance, won't target merely the carbon in the fuel itself. Rather, it assigns "carbon intensities" to various fuels based on a "lifecycle assessment" that considers greenhouse gas emissions from their production, storage, transportation and combustion. In a **2011 report** explaining the program's design, which exceeds 170 pages without appendices, DEQ even proposes to update the carbon intensity of Oregon's diesel and gas imports periodically to account for the larger share likely to come from Canada's tar sands, which require lots of energy to process. And because the carbon intensities of various fuels vary widely, the required carbon reductions would be achieved, in part, by buying and selling credits.

Should the Environmental Quality Commission adopt the rules in December, the first phase of the program will require distributors and others to report how much of each kind of fuel they handle. Because somebody at the DEQ would have to process all of that information, the agency will ask the Legislature next year to sign off on the addition of two new employees to do the work and, naturally, to approve fees.

And the second phase, should it come to pass, would drive up the use of alternative fuels, which means it's certain to boost prices at the pump. The program does provide a safety net for consumers, as required by law, but it's still a work in progress, says DEQ head Dick Pedersen. As laid out in the 2011 report, though, the basics are far from reassuring. Here's how it would work: The state would track prices using a rolling 12-month weighted average in Oregon, which it would compare with a similar average in neighboring states. If Oregon prices were 5 percent higher than those elsewhere, the DEQ would investigate whether the fuel standard is the culprit, then make a recommendation to the EQC. In order to relax the standard, the commission would have to determine that other factors aren't to blame for price hikes, and even then it would have to determine that relaxing the standard was necessary to mitigate the increase.

In the meantime, consumers would be paying through the nose.

Even if the EQC decided to suspend the fuel requirement, the decision would probably create great difficulties for the people who sell fuel. Wholesalers have long-term contracts with ethanol providers, for instance, as well as standing fuel supplies, says Brian Doherty, who represents the Western States Petroleum Association. "It sounds like we can just stop and let prices come down," he says, but – like so many other aspects of the fuel program – the reality is complex.

Fortunately, the solution to the innumerable problems posed by the low-carbon fuel standard is simple. First, the EQC should decline to adopt the new rules in December. Second, the Legislature should kill the standard in 2013. From PERS costs to high unemployment, Oregonians have more than enough complicated problems to worry about these days without shouldering voluntary burdens like this one.

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