



Clean Fuel Standard Update

House Environment & Energy Committee

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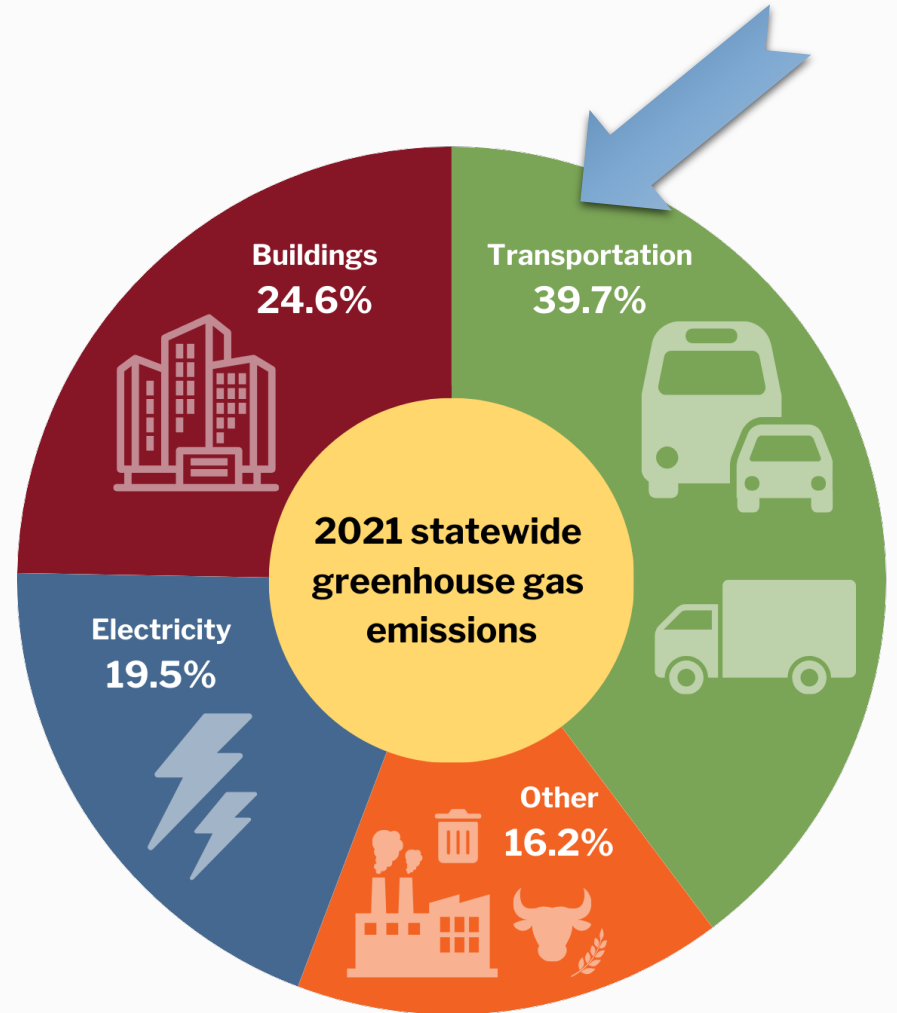
January 14, 2025

Why a Clean Fuel Standard?

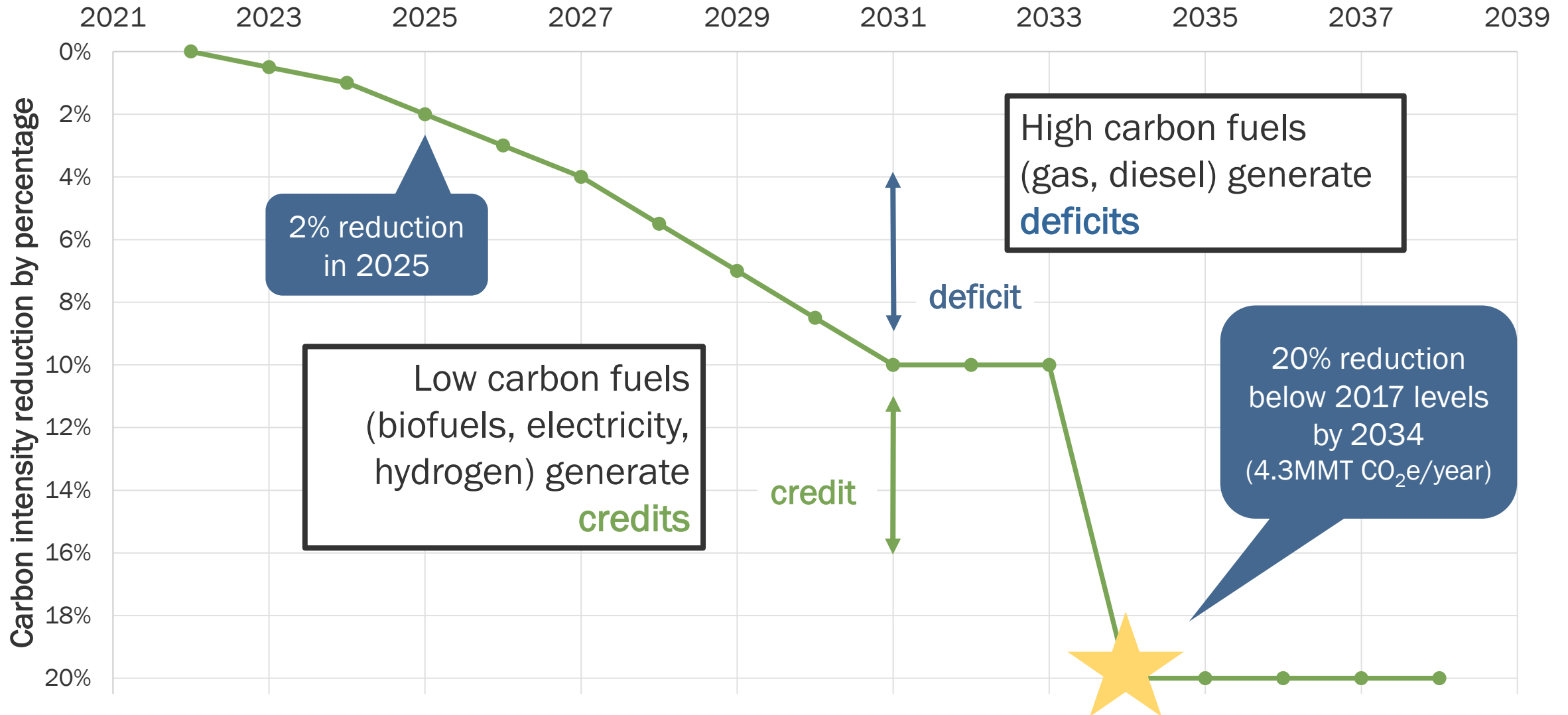
The Clean Fuel Standard is complementary to the Cap-and-Invest Program, cost effectively reducing greenhouse gas emissions from transportation.

Why transportation fuel?

Transportation is Washington's greatest single source of greenhouse gas emissions, and it's a significant source of air pollutants.



Clean Fuel Standard



Carbon intensity

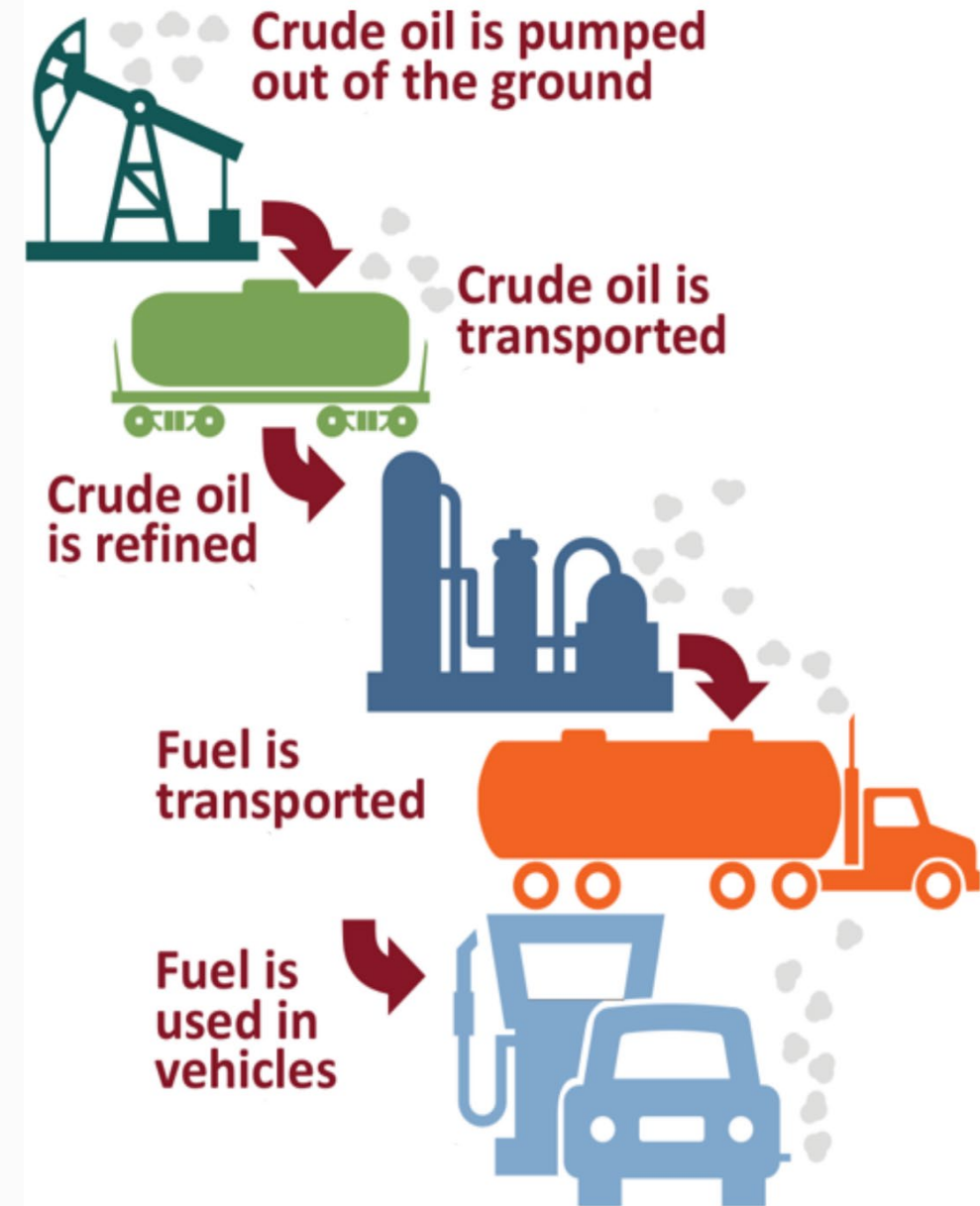
The Clean Fuel Standard accounts for greenhouse gas emissions over the full lifecycle of fuel production.



Each fuel acquires a certified **fuel pathway** specific to its unique production and supply.

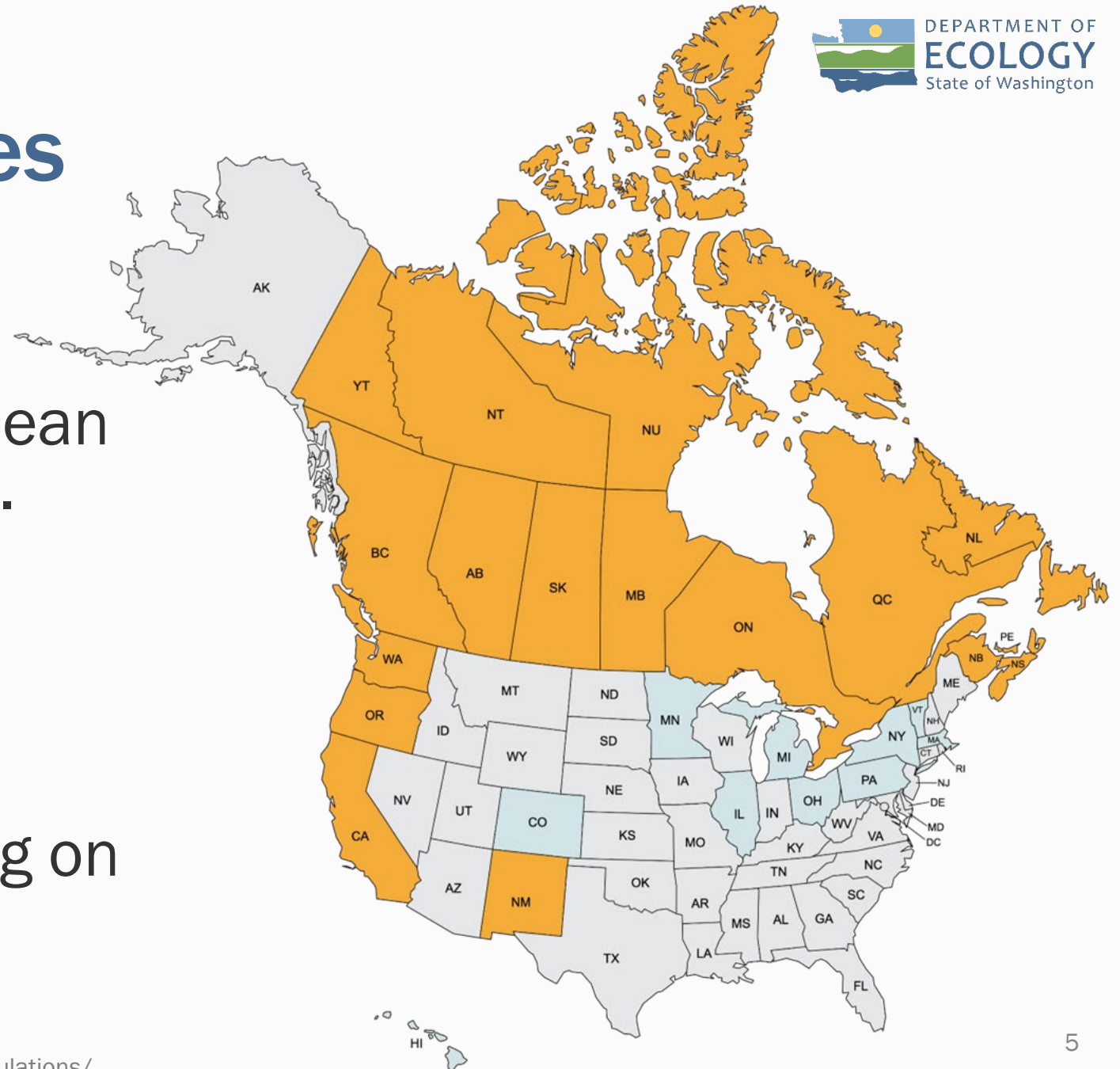


Each fuel pathway has a **carbon intensity score**.



Clean fuels policies

- California, Oregon, Washington, and New Mexico have adopted clean fuels policies in the U.S.
- Canada and British Columbia are implementing similar policies.
- Other states are working on policy adoption.



Regulated & Opt-in Fuels



Regulated fuels

Must participate

Gasoline

Diesel

Ethanol

Biomass-based diesel and blends

Fossil CNG, LNG, C-LNG

Hydrogen, compressed, or liquified



Opt-in Fuels

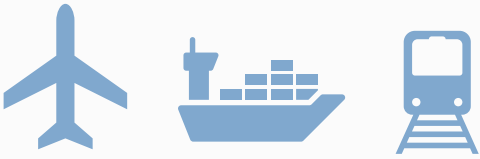
May participate

Electricity

Sustainable Aviation Fuel

Bio-CNG, bio-LNG, or bio-L-CNG

Exempt fuels



Uses permanently exempt from deficit generation

Aircraft

Watercraft

Locomotives

Military tactical vehicles



Uses exempt from deficit generation through the end of 2027

Dyed special fuel for agricultural use

Dyed special fuels for offroad construction, logging, and mining

Producers of these fuels — if using a low-carbon fuel — may opt-in and generate credits.

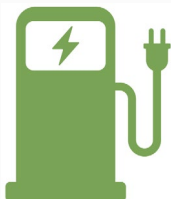
Who participates in the program?



For **liquid or gaseous fuels** – the fuel producer or importer



For **residential EV charging** – the electric utility providing the electricity



For **public, workplace, or fleet EV charging**– owners of EV charging stations dispensing electricity*

*The party responsible for compliance may vary depending on the use.
Please see WAC 173-424-200, 210, and 220.

How to participate in the Clean Fuel Standard

1. Register

Fuel suppliers register in the Washington Fuels Reporting System (WFRS) and pay a participation fee.

2. Reporting for liquid or gaseous fuels*:

- Track fuel transactions
- Report to Ecology quarterly

2. Reporting for electricity:

- Register charger
- Track kWh
- Report to Ecology quarterly

3. Generate credits

WFRS issues credits or deficits based on the carbon intensity and volume of energy used.

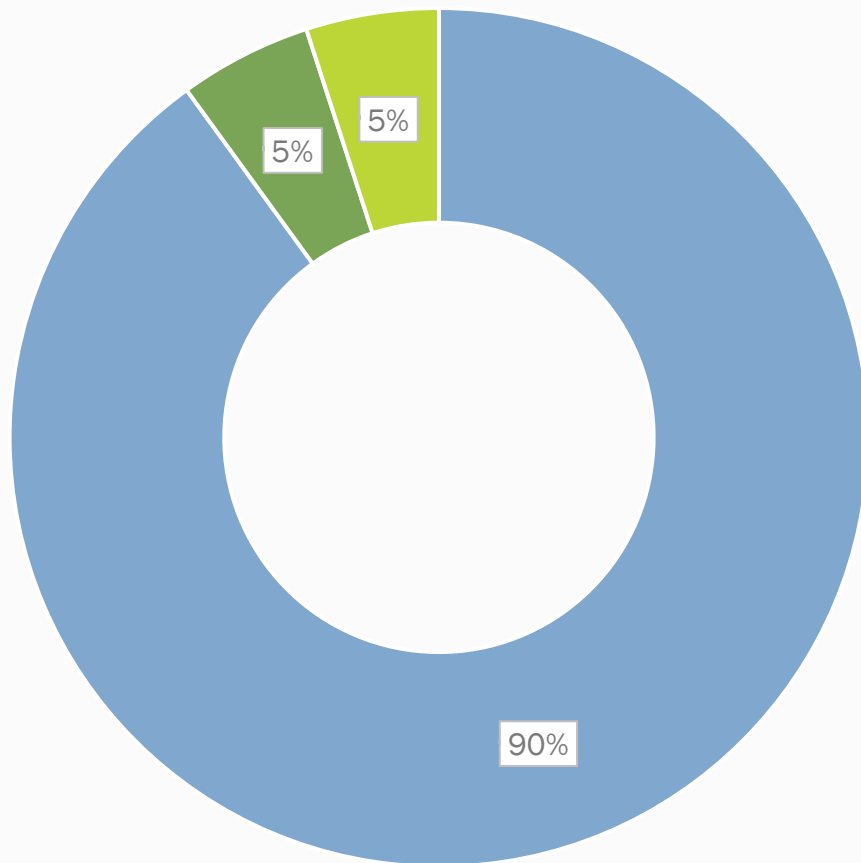
4. Sell credits

Bank or sell credits in open market.

*Requirements may be different depending on fuel application

Generating credits

- Fuel credits
- Capacity credits
- Advance credits



Credits for supplying a vehicle with low-carbon fuel will make up 90% of the credits generated in the program.

Additional credits

Capacity credits

Now open for applications for DCFC

Guaranteed return on investment for installing infrastructure:

- EV fast charging
- Hydrogen refueling

Advance credits

Public entities borrow against future credit generation to fund electric vehicle/vessel purchases.



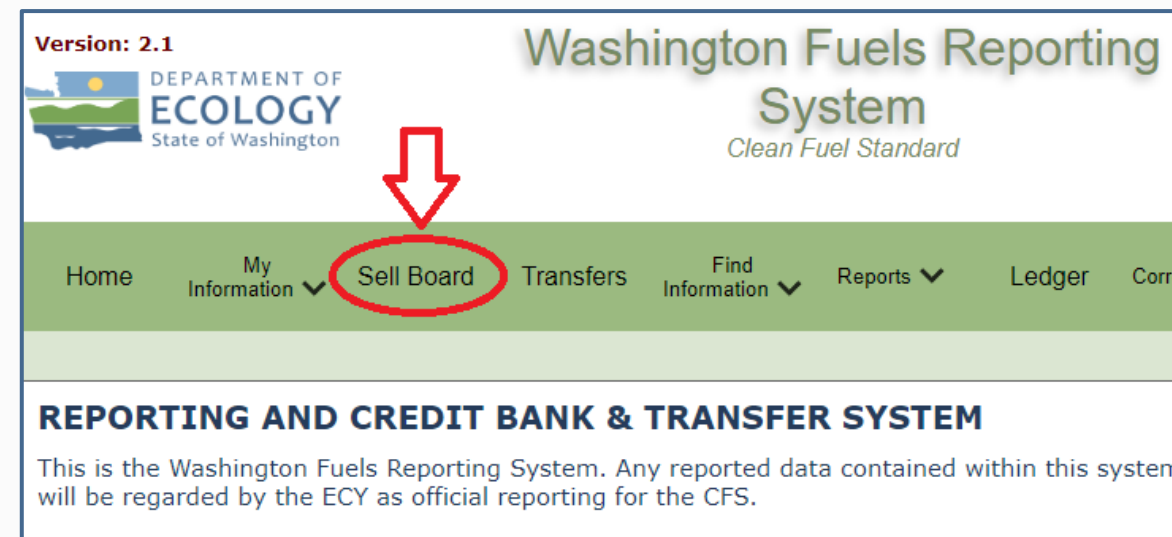
How to monetize credits

Public Sell Board

- Post credits for sale on the Washington Fuels Reporting System (WFRS)

Private transactions

- Existing business relationships
- Secondary markets



The credit price is negotiated by the buyer and seller. None of the financial transactions comes to or through Ecology. Credit transactions (number of credits, price per credit) are reported back to Ecology.

2024 participation fee

All participants pay a flat participation fee that accounts for 5% of the estimated budget. Deficit generators pay an additional, tiered fee based on the number of deficits they generate that covers 95% of the estimated cost of the program. The participation fee covers the cost of administering the program.

In 2025, Ecology will estimate its budget for the upcoming year and publish a proposed fee May 15, followed by a 30-day public comment period. The fee for each year will be finalized June 30.

In 2024, all participants paid a flat participation fee of **\$274**.

Equity provisions

Electric utilities get Clean Fuel Standard credits for residential EV charging that occurs in their service territory.

They're then required to invest that revenue into transportation electrification in their service territories to benefit overburdened communities.

Opt-in electric utilities must report their investment activities to Ecology every year.



Backstop aggregator

The backstop aggregator is a nonprofit organization appointed to:

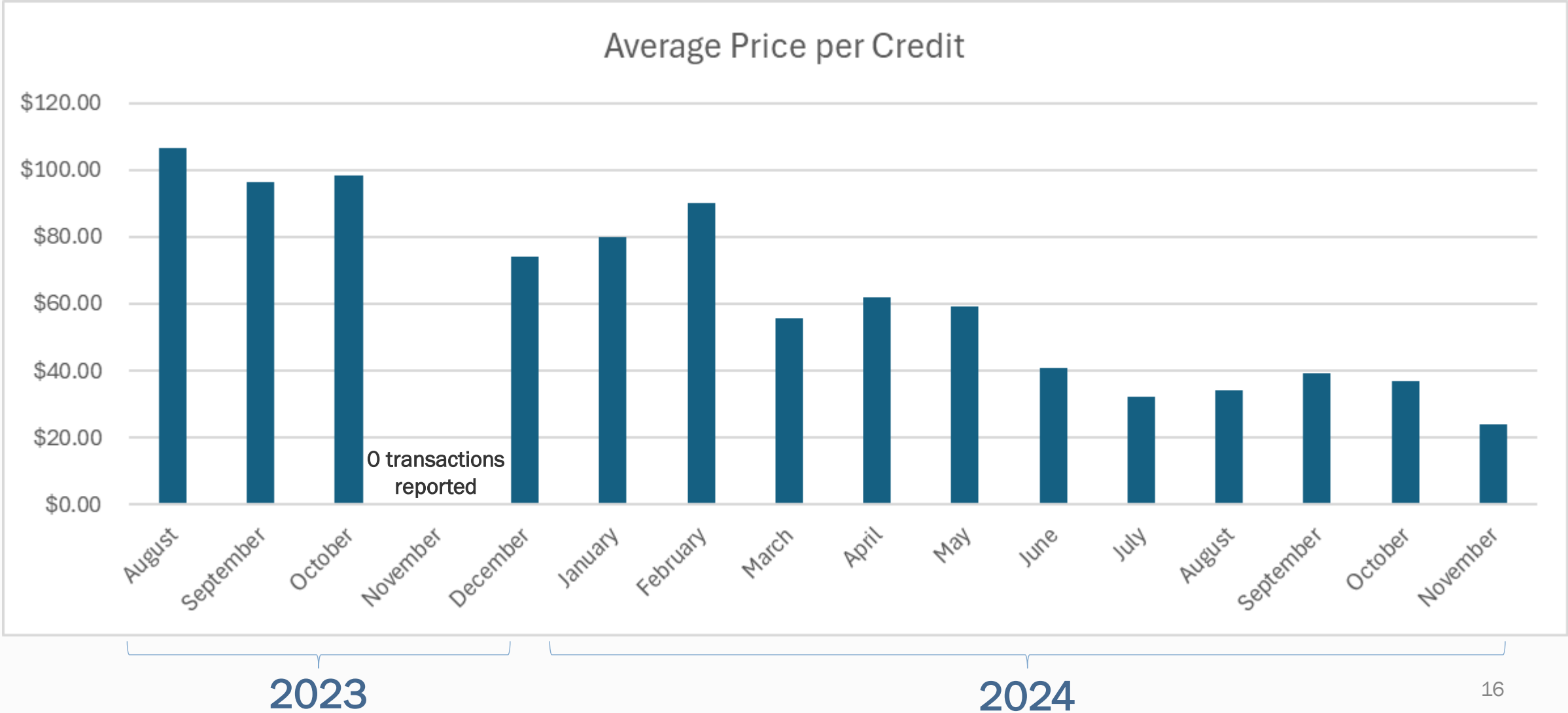
- Collect unclaimed credits from residential EV charging.
- Monetize those credits.
- Invest the revenue into transportation electrification in communities with the most air pollution.



Forth Mobility Fund is serving as Washington's backstop aggregator.

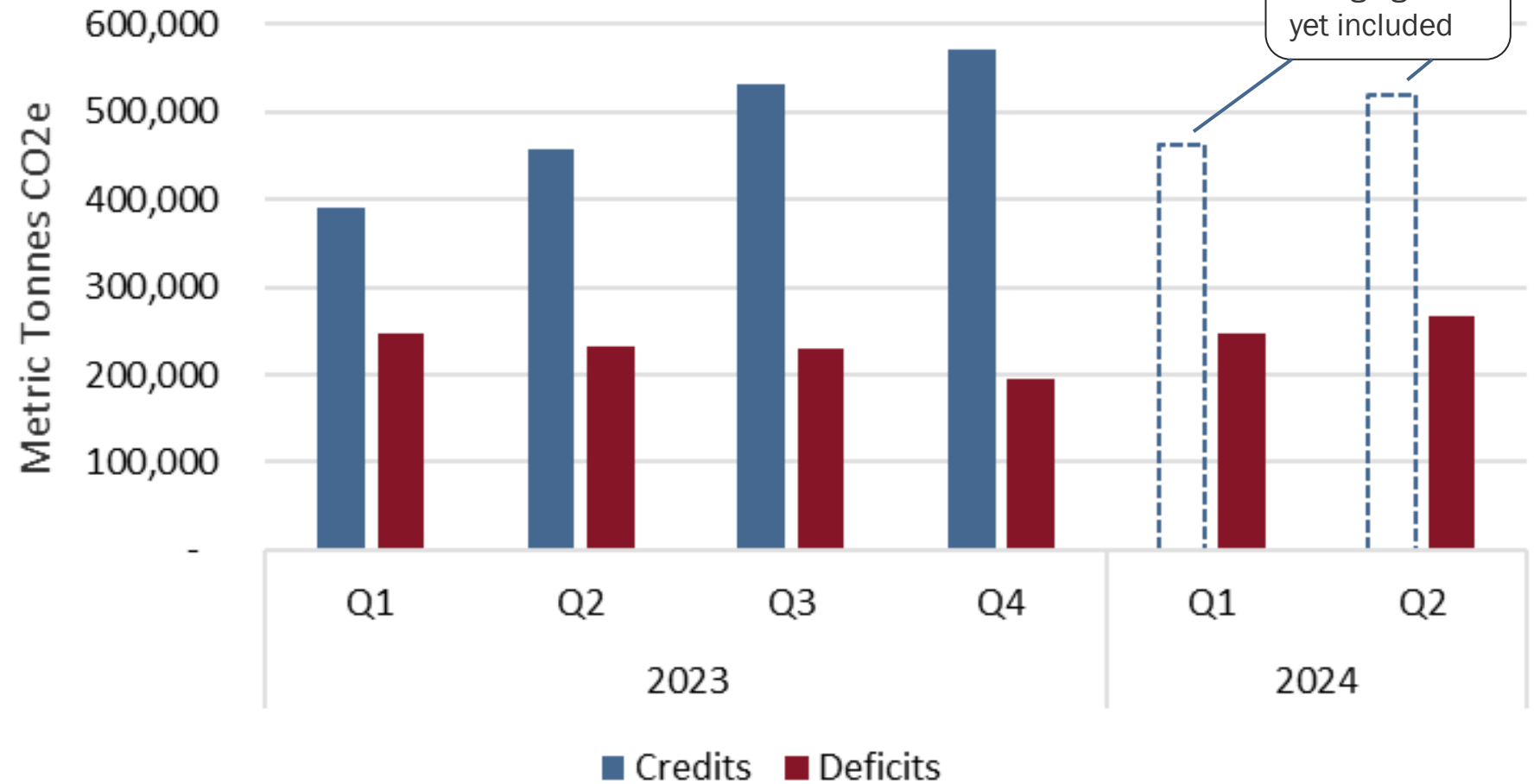


Average credit price



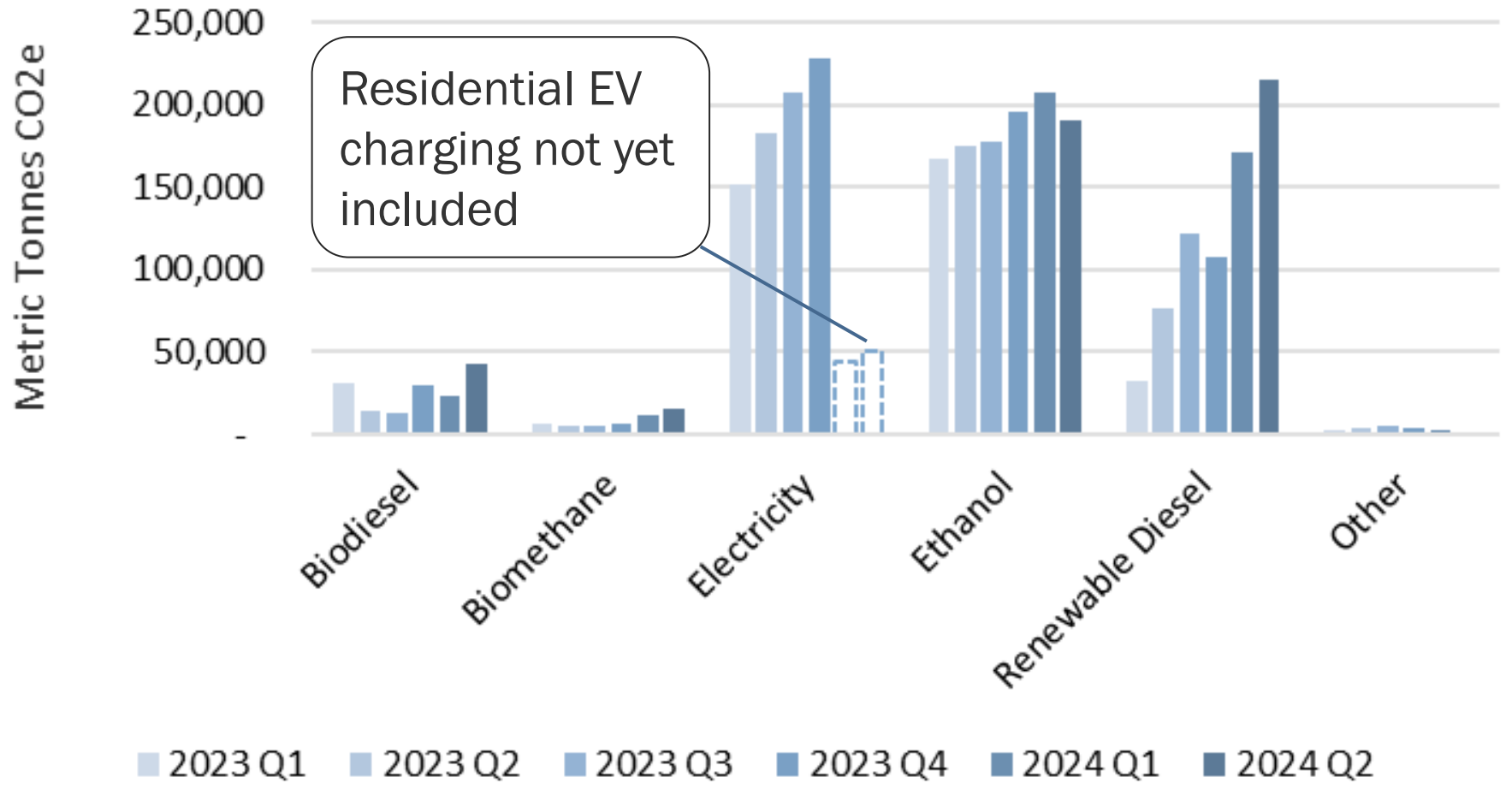
Quarterly data

1. Total Credit and Deficit Generation



Quarterly data

2. Credit Generation by Fuel Type



Rulemaking



December 2023

CR-101 released



2024

Multiple draft informal releases of language and informal comment periods for feedback

Multiple rounds of webinars for the public, for environmental justice communities and advocates, and for Tribes



2025

Late February/early March: expected release of CR-102

Summer 2025: expected release of CR-103, final rule adoption

Purpose of rulemaking

- To better align with state greenhouse gas reduction targets by reducing in-state methane emissions.
- To incentivize new and additional renewable energy projects delivered to Washington.
- To better maintain the health of the Clean Fuel Standard credit market.



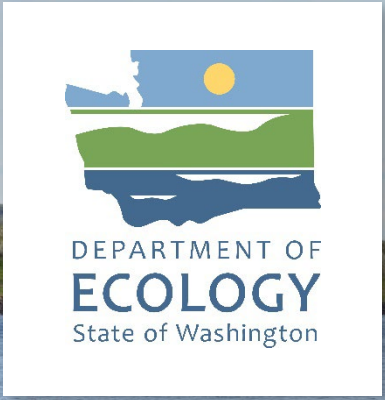
In this rulemaking

New sections

- **Third-party verification:** to better ensure the integrity of emissions reductions reported in the Clean Fuel Standard and align with Oregon and California.

Updates to existing section:

- General technical improvements for clarity and ease of compliance.
- **Avoided methane crediting:** to better incentivize new, additional capture of methane from Washington dairies for renewable natural gas production. Also expanded to organics waste diverted from landfills as an additional incentive.
- **Book-and-claim for renewable natural gas and electricity:** to better incentivize renewable investments that are delivered to Washington.



Questions?

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