



ENVIRONMENTAL ENTREPRENEURS®

The *Independent* Business Voice for the Environment

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March 4, 2015

Washington Department of Ecology
Air Quality Program
Stuart Clark, Air Quality Program Manager
PO Box 47600
Olympia, WA 98504-7600

Dear Mr. Clark:

On behalf of Environmental Entrepreneurs (E2) and our community of business leaders, we appreciate the opportunity to provide comment on the Discussion Draft of the Clean Fuel Standard.

E2 applauds and supports Washington's leadership on this standard, as it leverages market innovation and rewards the greatest environmental benefit in a way that other fuel standards or carbon fees cannot.

E2 works with business leaders to advocate for policies that are good for the economy as well as the environment. From this perspective, a Clean Fuel Standard (CFS) is a model policy. It has the potential to create thousands of high-paying local jobs. These workers will help create American-made fuel, keeping more of our dollars in the country and in the region.

It is also market-based and will spur investment and innovation in the clean technology sector. E2 studies investments in the clean fuels market, and estimates that \$4 billion in private funding has been invested into the sector's most advanced fuels. If a CFS is established in Washington, we will be well set up to receive more of these investment dollars.

This \$4 billion is in addition to the economic benefits of enhanced energy security, fewer climate change impacts, reduced pollution, and improved public health. In an ICF International study of California, which established their similar LCFS in 2007, these types of benefits were found to add up to as much as \$4.8 billion dollars.

After reviewing the Washington CFS, our main comments are as follows:

Opt-in Parties

Providing opt-in opportunities for the fuels that are currently exempt from the program may provide opportunities for additional greenhouse gas reduction, participation in, and support of the CFS. Specifically, Washington's aviation fuels sector may wish to participate in this market, since it has demonstrated its worldwide leadership in technology innovation.

Program Harmonization

The harmonization efforts made by Department of Ecology are appropriate and welcomed, as California Air Resources Board has dedicated significant resources to developing a Low Carbon Fuel Standard that is replicable in other states. Efforts to harmonize carbon accounting, reporting, and more will result in lower costs to obligated parties, low carbon fuel providers, and regulatory agencies.

CALIFORNIA, PACIFIC NORTHWEST
& ROCKY MOUNTAINS
111 Sutter Street, Fl 20
San Francisco, CA 94104
TEL 415 875-6100

NEW YORK & NEW ENGLAND
40 West 20th Street
New York, NY 10011
TEL 212 727-2700

MID-ATLANTIC
1152 15th Street NW, Suite 300
Washington, DC 20005
TEL 202 289-6868

MIDWEST
20 N Wacker Drive, Suite 1600
Chicago, IL 60606
TEL 312-663-9900

Two Baselines

E2 agrees with the recommendation to use two separate baselines for diesel and gasoline, thereby avoiding fuel substitutions. Two baselines provide greater incentive for innovation in both gasoline and diesel fuels, and greater carbon benefits.

Cost Containment Mechanism

The proposed cost containment mechanism will provide market certainty in the event of credit shortages or price spikes. When investors understand how government will react to such market outcomes, they are more likely to invest in clean fuel technologies, and the program is better able to achieve its goals. E2 is supportive of a cost containment mechanism. Based on the cost of technologies we understand will play a role in the CFS, we believe \$250/ton is an appropriate starting price in 2016. In addition to the annual inflation adjustment, E2 suggests that a market-based interest apply to any credit deficits that are carried over from one year to the next, so that future investment in projects is competitive with carrying any debt.

Feasibility

The targets outlined in the proposed standard are reasonable and feasible. E2 tracks the progress of advanced biofuels towards commercialization, and finds that in 2017 there will be between 1.0 – 1.7 billion gallons of domestic fuels that reduce emissions by 50 percent or more. Recently, the International Council on Clean Transportation, along with E4 Tech and UC Davis considered the availability of all alternative fuels throughout the country, and whether there would be sufficient fuels to meet the low carbon demands of California, Oregon and Washington combined. In summary, the study found that if all three states act together, this aggregate demand for new technologies can compound the growth rate of alternative fuels. Regional adoption of clean fuel standards can reduce petroleum use by 25 percent. This results in emission reductions of 14-21 percent.

Other studies have shown that we need to enact a Clean Fuel Standard now in order to drastically reduce spending on climate change mitigation in the future. For every \$1 of investment in cleaner technology that does not occur *before* 2020, an additional \$4.30 would need to be spent *after* 2020 to compensate for the impact increased emissions will have in our not-so-distant future. Because of this, we urge you to continue your work and proceed to a formal rulemaking process without delay.

Our business leaders represent a broad cross sector of Washington's economy. Nationally, they have been involved in the financing, founding, or development of more than 1,700 companies that have created more than 570,000 jobs. They see immense value in diversifying the state's fuels, and strongly support the CFS as a commonsense approach that will reduce our dependency on foreign markets.

Thank you for hearing our comments.

Sincerely,



Rebecca Deehr
Pacific Northwest Advocate
Environmental Entrepreneurs