THE CLEAN FUEL STANDARD

What is a Clean Fuel Standard?

• A Clean Fuel Standard (CFS) requires fuel providers to gradually reduce the carbon intensity of their products over time by mixing low carbon fuels into their supply or by buying credits.
• Rather than favoring particular technologies or fuels, a CFS allows fuel suppliers the flexibility to choose how they meet emissions targets through various means, such as blending biofuels into gasoline, reducing emissions in production processes, or purchasing credits from utilities supplying low carbon electricity to electric vehicles, thereby allowing the market to determine the most efficient way to reduce the carbon intensity of fuel.
• To be effective, a CFS should require that fuel suppliers reduce the lifecycle emissions of the fuels they sell. This means that all emissions associated with the extraction, refining, transport and combustion of the fuel are taken into account.

Why adopt a Clean Fuel Standard?

• Adopting a CFS will reduce our dependency on oil and expand the market for cleaner fuels. A CFS will establish the market signals needed to promote investment in cleaner fuels. We need a CFS to ensure an orderly transition to low carbon fuels that will avoid price spikes, and eventually lead to lower costs for low carbon fuels.
• A CFS is necessary in order to adequately reduce the GHG emissions of the transportation sector. The transportation sector accounts for approximately 28% of US GHG emissions, and its emissions are growing faster than any other sector.
• It is necessary to address all three drivers of GHG emissions from the transportation sector:
  (1) vehicle technology (i.e. energy efficiency),
  (2) the carbon content of fuel, and
  (3) transportation efficiency (e.g. vehicle miles traveled and infrastructure).
• A CFS provides incentives for improvements in the production process, and disincentives for the use of high-carbon fuels, by creating a market where polluting fuels (e.g. those derived from oil sands and coal to liquid) are costlier than cleaner fuels.

Who is adopting or considering a Clean Fuel Standard?

• Eleven Northeastern and Mid-Atlantic states signed a Memorandum of Understanding in December 2009, and have agreed to develop a regional
framework by the end of 2011. NESCAUM’s economic analysis revealed
direct economic benefits from a Clean Fuel Standard in this region.

• California approved a CFS in April 2009. It requires a reduction in the carbon
intensity of California’s passenger vehicle fuels by 10 percent by 2020. CARB
began implementing the CFS in January 2011. The U.S. District Court issued a
preliminary injunction in December 2011. The case was appealed to the
Ninth Circuit, which stayed the injunction in April 2012.

• Oregon has released draft rules on phase I (reporting) of its CFS program and
is expected to adopt them in December 2012.

• The EU Commission has voted on a CFS; EU’s Fuel Quality Directive (FQD)
would require a 6% reduction in GHG emissions by 2020; and recognizes
the high carbon content of fuel derived from oil sands and oil shale. The
initial vote in February 2012 ended in a stalemate and a second vote on the
FQD will be held by early 2013.

• British Columbia has a Low Carbon and Renewable Fuel standard that has
been in place since April of 2008, and ensures renewable fuels are a growing
part of their fuel mix. The standards were improved further in 2011 moving
toward a 10% reduction in carbon intensity by 2020, and these
improvements will apply to 2012 onward.

There are clear economic benefits to adopting a Clean Fuel Standard

• NESCAUM, the association of New England state air quality agencies that
provides technical support to the states, issued an economic analysis that
finds clear economic benefits from a CFS in the participating New England
and Mid-Atlantic states.

• The economic analysis finds that a regional CFS could:
  o Reduce our dependence on imported oil by up to 29% by diversifying
    transportation fuels to include domestic alternatives such as
    advanced biofuels, electricity and natural gas;
  o Increase jobs (by up to 50,000 over BAU);
  o Increase gross regional product (up to $29 billion);
  o Increase personal income (by up to $15 billion) within the region;
  o Create direct benefits for utilities, construction, manufacturing,
    forestry and agricultural services sectors;
    • The health care and finance/insurance sectors would
      experience the most positive indirect impacts.
  o Decrease transportation costs for businesses and consumers as oil
    prices climb (cumulative net savings up to $74.7 billion).

ACTION NEEDED

The Northeast and Mid-Atlantic state policymakers need to hear from investors and
businesses in support of a regional CFS, and the LCFS needs support in CA as well. If
you are interested in supporting a strong CFS (e.g. through signing on to a comment
letter or op-eds, or meeting with policymakers), please contact Carol Lee Rawn
(rawn@ceres.org).