



Low Carbon Fuel Advisory Committee
December 3, 2009

Low Carbon Fuel Standard
Consumer Cost Safety Net

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Oregon DEQ

Slide 1



Consumer Cost Safety Net: Purpose

1. Intended by HB 2186 to protect fuel consumers
 2. Price may go higher due to some other cause
 3. Implementation is key
- There are other exemptions and deferrals in HB 2186 (fuel supply)

Slide 2



House Bill (HB) 2186

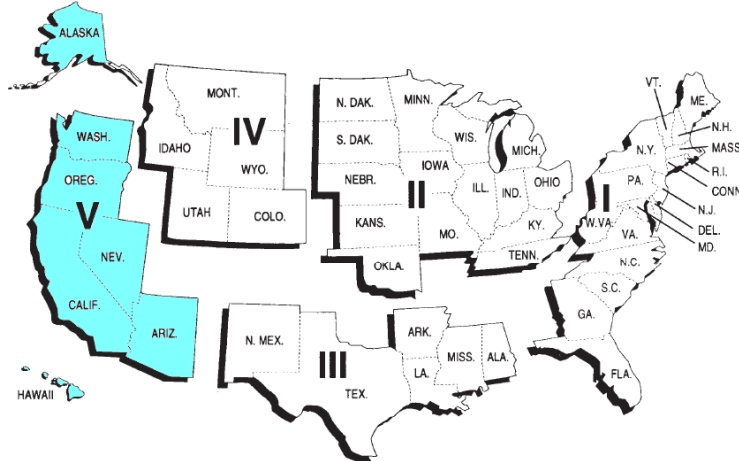
SECTION 6. (2) (d) The commission shall provide exemptions and deferrals as necessary to mitigate the costs of complying with the low carbon fuel standards upon a finding by the commission that the 12-month rolling weighted average price of gasoline or diesel in Oregon is not competitive with the 12-month rolling weighted average price in the PADD 5 region.

Slide 3



What is a PADD-5?

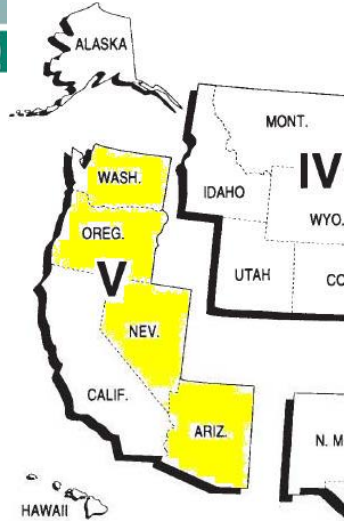
Petroleum Administration for Defense (PAD) Districts



Slide 4



House Bill (HB) 2186: Statutory PADD-5



SECTION 6. (1) (d) “PADD 5 region” means the Petroleum Administration for Defense District 5 states of:

- Arizona,
- Nevada,
- Oregon and
- Washington.

Slide 5



12-month rolling weighted average

Date	Oregon Avg Monthly Price	Oregon 12-Month Rolling Weighted Avg Price
Jan-06	\$1.77	
Feb-06	\$1.72	
Mar-06	\$1.94	
Apr-06	\$2.28	
May-06	\$2.60	
Jun-06	\$2.55	
Jul-06	\$2.52	
Aug-06	\$2.54	
Sep-06	\$2.36	
Oct-06	\$2.07	
Nov-06	\$2.06	
Dec-06	\$2.19	\$2.22
Jan-07	\$2.14	\$2.25

Slide 6



House Bill (HB) 2186

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Slide 7



House Bill (HB) 2186

Three conditions for using exemptions and deferrals:

1. Oregon 12-month rolling weighted avg. price of gasoline or diesel is not competitive
2. LCFS caused (or partially caused) the non-competitive price
3. Exemptions and deferrals are necessary to mitigate cost of compliance

Slide 8



Consumer Cost Safety Net: Advisory Committee Questions

1. How do we determine the 12-month rolling weighted average price of gasoline or diesel for:
 - a) Oregon and for PADD-5
 - b) When EIA data is not available?
2. How do we define “not competitive”?
 - a) Gasoline
 - b) Diesel

Slide 9



Consumer Cost Safety Net: Advisory Committee Questions

3. Process for exemptions and deferrals?
 - a) How will the issue be brought before the EQC?
 - b) What criteria will be used?
4. What types of exemptions and deferrals do we recommend?
5. Impact of potential Washington State LCFS
6. Unintended consequences?

Slide 10



Available data and collection methodology

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Energy Information Administration (EIA)</p> <ul style="list-style-type: none">– Public– Mandatory reporting– Weighted by volume– Does not include taxes– 3 to 4 month time lag | <p>2. Oil Price Information Service (OPIS)</p> <ul style="list-style-type: none">– Data can be purchased– Data from credit card swipes at retail– Price not weighted by volume– No time lag |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Slide 11



Available data

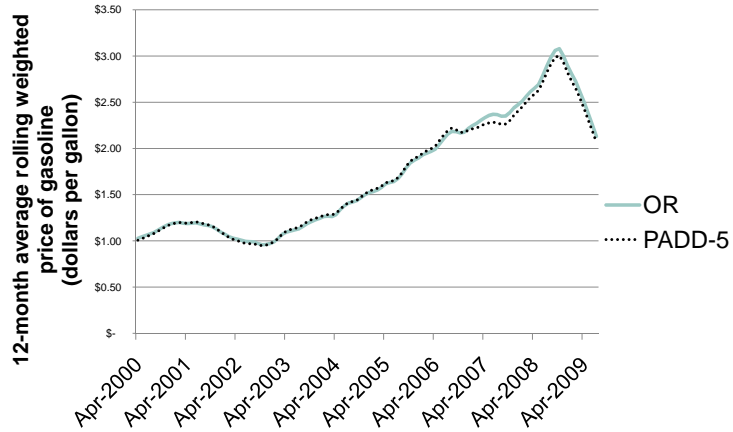
Gasoline

- Monthly average sales price for OR, WA, NV and AZ
- Sales volumes for OR, WA, NV and AZ
- Includes all gasoline (regular, midgrade, premium)

Slide 12



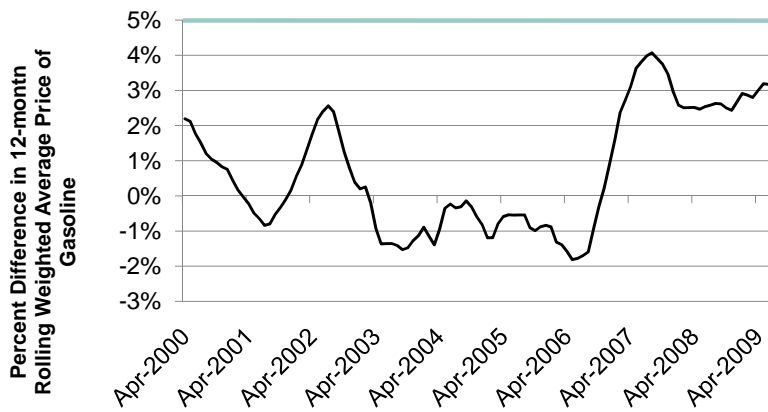
12-month rolling weighted average retail gasoline prices: Oregon and statutory PADD-5



Slide 13



Percent difference: statutory PADD-5 and Oregon 12-month rolling weighted average retail gasoline



Slide 14



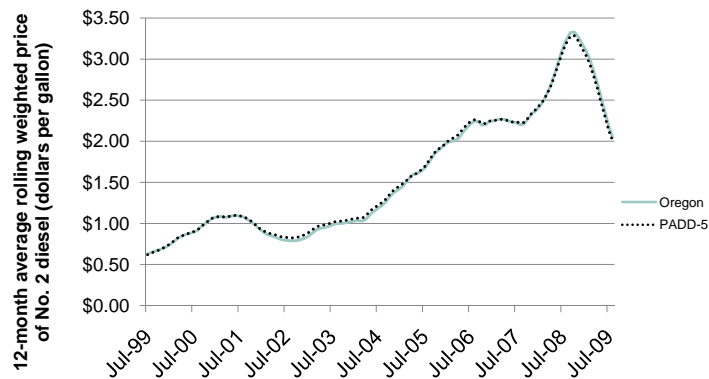
Diesel

- No. 2 Diesel (Includes High, Low and ULSD)
 - Monthly average sales price for OR, WA, and AK, or for the actual PADD-5
 - No average sales price for NV, AZ, CA or HI
 - Sales volumes for OR, WA, NV and AZ
- ULSD
 - Available for PADD-5 starting Jan 2007
 - Not available for OR, WA, NV or AZ

Slide 15



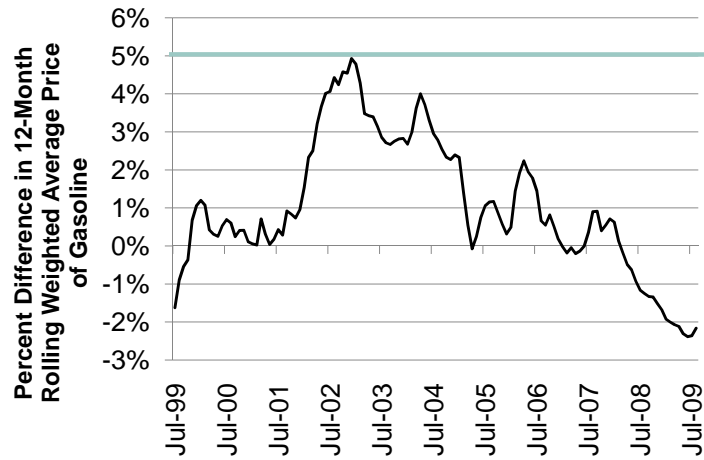
12-month rolling weighted average retail diesel prices: Oregon and PADD-5



Slide 16



Percent difference: PADD-5 and Oregon 12-month rolling weighted average retail diesel



Slide 17



Diesel data options

1. Compare No.2 diesel Oregon and actual PADD-5 data from EIA
2. Compare No. 2 Oregon and statutory PADD-5 based on estimates of price from OPIS and volume from EIA data.

Slide 18



Process

Two ways issue could be brought before the EQC

- When triggered, DEQ investigates and brings a recommendation to EQC
- An entity outside of DEQ can track information, and provide data to DEQ

Slide 19



Criteria used to determine if LCFS caused the price difference

Causal factors:

- LCFS
- Faulty or incomplete data
- Disasters affecting fuel supply to Oregon only
- Elevated crude oil prices in Alaska or Canada
- Unusual demands
- Change in environmental regs in Oregon
- Arizona discontinues reformulated gasoline

Slide 20



Criteria used to determine that exemptions and deferrals are necessary

EQC would look at:

- Cause of non-competitive price: if the LCFS did not cause it, then LCFS exemptions and deferrals will not fix it
- Current and future supply of low carbon fuels
- Phase in schedule for low carbon fuel standard

Slide 21



Proposed Exemptions and Deferrals

- Deferral of low carbon fuel standard for one year
- Exempt or provide a partial exemption for one month to a year:
 - A certain fuel or fuels
 - A certain company or companies
 - All regulated parties

Slide 22



Other issues

- Washington State
- Unintended consequences
 - Exemptions and deferrals could penalize early actors
 - Rules should provide regulatory certainty
 - Exemptions and deferrals could act as a disincentive to low carbon fuel investments

Slide 23



Consumer Cost Safety Net: Advisory Committee Questions

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Slide 24



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Slide 25



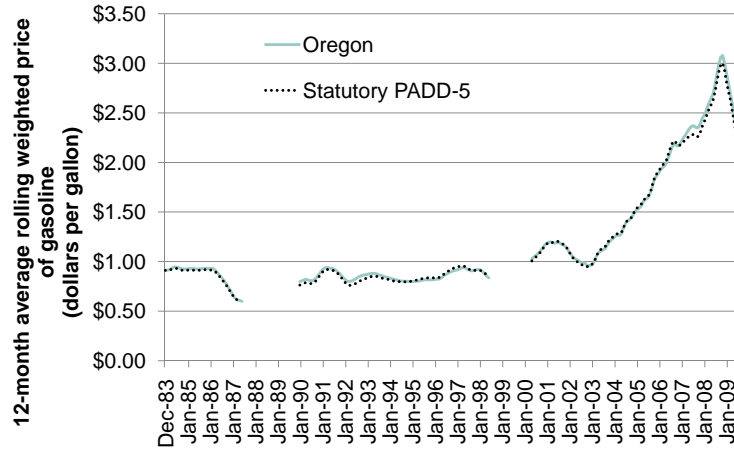
Backup Slides

Slide 26

Low Carbon Fuel Standard – Consumer Cost Safety Net



**12-Month Rolling Weighted Average Retail Gasoline Prices:
Oregon and Statutory PADD-5**

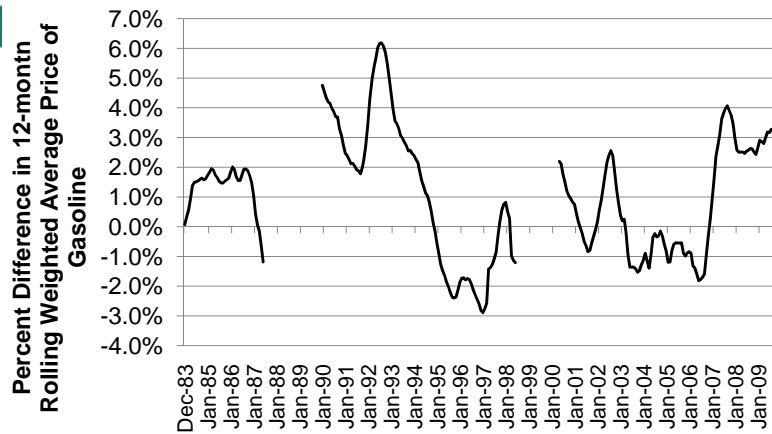


Slide 27

Low Carbon Fuel Standard – Consumer Cost Safety Net



**Percent Difference between OR and Statutory PADD-5
12-month Rolling Weighted Average Retail Price of
Gasoline**

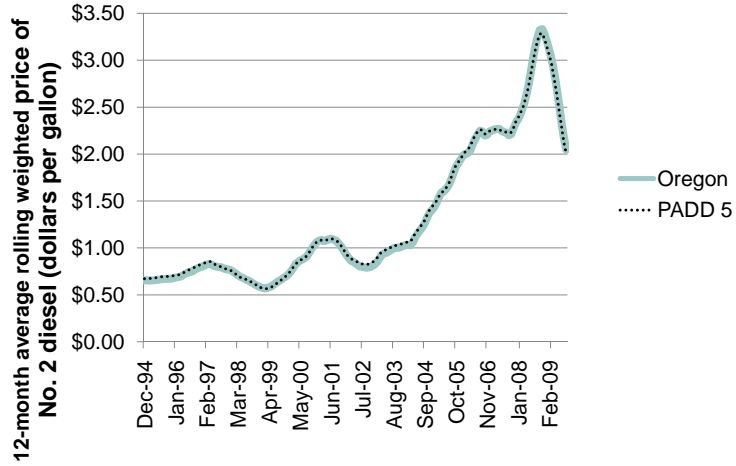


Slide 28

Low Carbon Fuel Standard – Consumer Cost Safety Net



12-Month Rolling Weighted Average Retail No. 2 Diesel Prices: Oregon and PADD-5

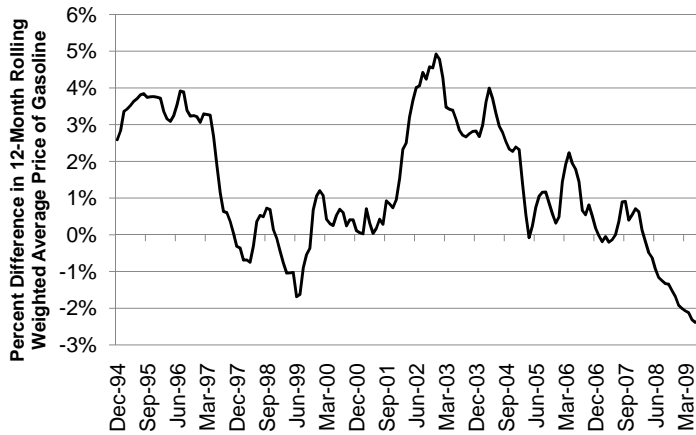


Slide 29

Low Carbon Fuel Standard – Consumer Cost Safety Net



Percent Difference: PADD-5 and Oregon 12-Month Rolling Weighted Average Retail Price of No. 2 Diesel



Slide 30