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C&P – Fuel supply & midstream: biofuel & low carbon

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Oregon Department of Environment Quality

VIA Email Transmission

CFP2022@deq.state.or.us

Re: Oregon Clean Fuels Program Expansion 2022 RAC #4 Meeting, May 26, 2022

Dear Department of Environmental Quality Staff:

On behalf of BP America, Inc., thank you for the opportunity to participate in the Oregon Department of Environmental Quality's ("DEQ") rulemaking on the Clean Fuels Program ("CFP") as a member of the Rules Advisory Committee ("RAC").

bp's ambition is to become a net zero company by 2050 or sooner, and to help the world reach net zero, too. Consistent with bp's ambition, we are actively advocating for policies that address greenhouse gas ("GHG") emissions.

As we reach the end of the rulemaking development, bp wishes to recognize DEQ staff for their efforts and for proficiently managing stakeholder engagement. We look forward to working with DEQ as the final rule is promulgated.

With respect to the overall rulemaking, we suggest that DEQ consider the following comments.

Program Targets

The expansion of the Carbon Intensity ("CI") targets to 20% below 2015 levels by 2030 and 37% below 2015 levels by 2035 is predicated upon ICF's March 2022 report¹ that recommends diversifying and expanding the opportunities for credit generation outside of Zero Emission

¹ <https://www.oregon.gov/deq/rulemaking/Documents/cfp2022m3CreditGeneration.pdf>

Vehicles (“ZEVs”) and other traditional biofuel options. In the Draft Fiscal Impact Statement² (“FIS”) for the rulemaking under the “Expansion of the targets” section, it states that:

These targets are: achievable with multiple paths to compliance from different combinations of low-carbon fuels and set at a level that balances the need to incentivize continued improvements in all fuels while supporting the deployment of mandated zero emission vehicles.

It is difficult to plan for investment in non-ZEV decarbonization opportunities if “the level of balance” is calibrated against ZEV progression. Capital investment in non-ZEV major projects (such as upstream improvements for ethanol, carbon capture and storage, refinery investment projects and refinery hydrogen projects, as identified in the ICF March 2022 report) is unlikely without the supporting regulatory framework in place.

Under the “Fiscal and Economic Impact” section of the proposed updates to the FIS, it states that:

The program’s long-term targets provide transportation fuel market participants a better understanding of the future regulatory environment, the economic incentives created by the program, and the opportunity to better plan for the transition that is ahead.

While DEQ has done a thorough job of providing certainty through 2035 for the CI targets, regulatory uncertainty remains regarding additional credit generating opportunities. bp supports DEQ’s approach to CI target setting, and also seeks additional options for credit generation, as was highlighted in our previous comment letters.³

We urge DEQ to provide the regulated community with certainty about the potential timing and content for updates to the rule for additional credit generating opportunities so that the market has “the opportunity to better plan for the transition that is ahead.”

Aviation Sector Decarbonization

This sector will continue to struggle with access to biofuels production without transitional regulatory design features to enable it to compete with the ground transportation decarbonization sector. There are numerous potential opportunities for DEQ’s consideration that should warrant a future workshop on this topic. To date, Air bp has supplied Sustainable Aviation Fuel (“SAF”) at over 20 locations across three continents. Across the globe we are working to create more demand in the short-term which will lead to more SAF production and hopefully lower costs in the future. We welcome the opportunity to further engage with DEQ and key stakeholders on how regulations can be designed to support aviation sector decarbonization in Oregon.

² <https://www.oregon.gov/deq/rulemaking/Documents/cfp2022m4FIS.pdf>

³ s. <https://www.oregon.gov/deq/rulemaking/Documents/cfp2022m3Com.pdf>

Thank you for the opportunity to comment on these important topics. We look forward to working with DEQ and key stakeholders through this rulemaking process. In the meantime, do not hesitate to contact me at mark.bunch@bp.com or 708-228-6093 if you have any questions or need additional context.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Bunch".

Mark Bunch