

## Low Carbon Fuel Standard: A Costly, Regressive and Unworkable Fuel Policy for Washington

This ineffective and unsustainable proposal would increase fuel costs<sup>1</sup> without providing transportation infrastructure improvements or significant emissions reductions.

### What is an LCFS?

An LCFS requires a reduction in the carbon content of gasoline and diesel fuels, which is achieved by blending them with increasing amounts of biofuels. Fuel suppliers who do not meet the requirement must purchase compliance “credits” from suppliers of lower carbon transportation fuels. Only two states have this fuel policy – California and more recently Oregon. In each of the last few years, the Washington State Legislature has debated but not passed LCFS legislation. It is also being proposed for implementation on a regional basis in a four-county jurisdiction by the Puget Sound Clean Air Agency.

### The California experience provides worrisome insights:

- As of November 2019, the LCFS is adding about 19 cents per gallon to the cost of gasoline in California.<sup>2</sup> To date, the California LCFS is only partially implemented.<sup>3</sup>
- Projections by the California Legislative Analyst’s Office<sup>1</sup> and transportation fuel experts from Stillwater Associates<sup>4</sup> estimate the LCFS could add 46 to 63 cents per gallon to the cost of gasoline in California by 2030.
- The California Legislative Analyst’s Office also found the California LCFS to be about 10 times more costly than alternative carbon reduction policies – and that the higher costs have real adverse effects on households.<sup>1</sup>
- Annual greenhouse gas emission reductions in California from the LCFS have been minimal. Data for 2016 shows reductions of less than 1% of total state emissions.<sup>1</sup> Reductions in pollutants that impact air quality have also been minimal.<sup>1</sup>

### LCFS is the wrong policy for Washington

- A study conducted for the Puget Sound Clean Air Agency found that an LCFS under various scenarios could be costly to consumers, businesses, families and the economy.<sup>5</sup> While limited to the Puget Sound region, the results provide an indication of potential negative impacts if implemented on a state-wide basis. The study found a regional LCFS could:
  - Cost consumers, business and industry \$1-2 Billion for new vehicles, fuel supplies and infrastructure.<sup>5</sup>
  - Add up to 57 cents/gallon to the cost of gasoline and 63 cents/gallon to diesel by 2030 (under worst case).<sup>5</sup>
  - Negatively impact GRP and job growth due to assumed pass-through of compliance costs to consumers and businesses and the higher cost of electric and alternative-fueled vehicles.<sup>5</sup>
- Washington voters have consistently re-affirmed that increased gasoline prices should be tied to transportation infrastructure improvements, not flawed policies with damaging economic and uncertain environmental impacts.
- Higher fuel costs mean increased costs to the region’s businesses that manufacture and transport consumer products, which could be passed on to consumers in the form of higher prices. The consumers who ultimately get hurt the most are those that can least afford to pay more. The LCFS is a harmful, costly and regressive approach to carbon reduction policy.

1 California Legislative Analyst’s Office, “Assessing California’s Climate Policies – Transportation,” December 2018.

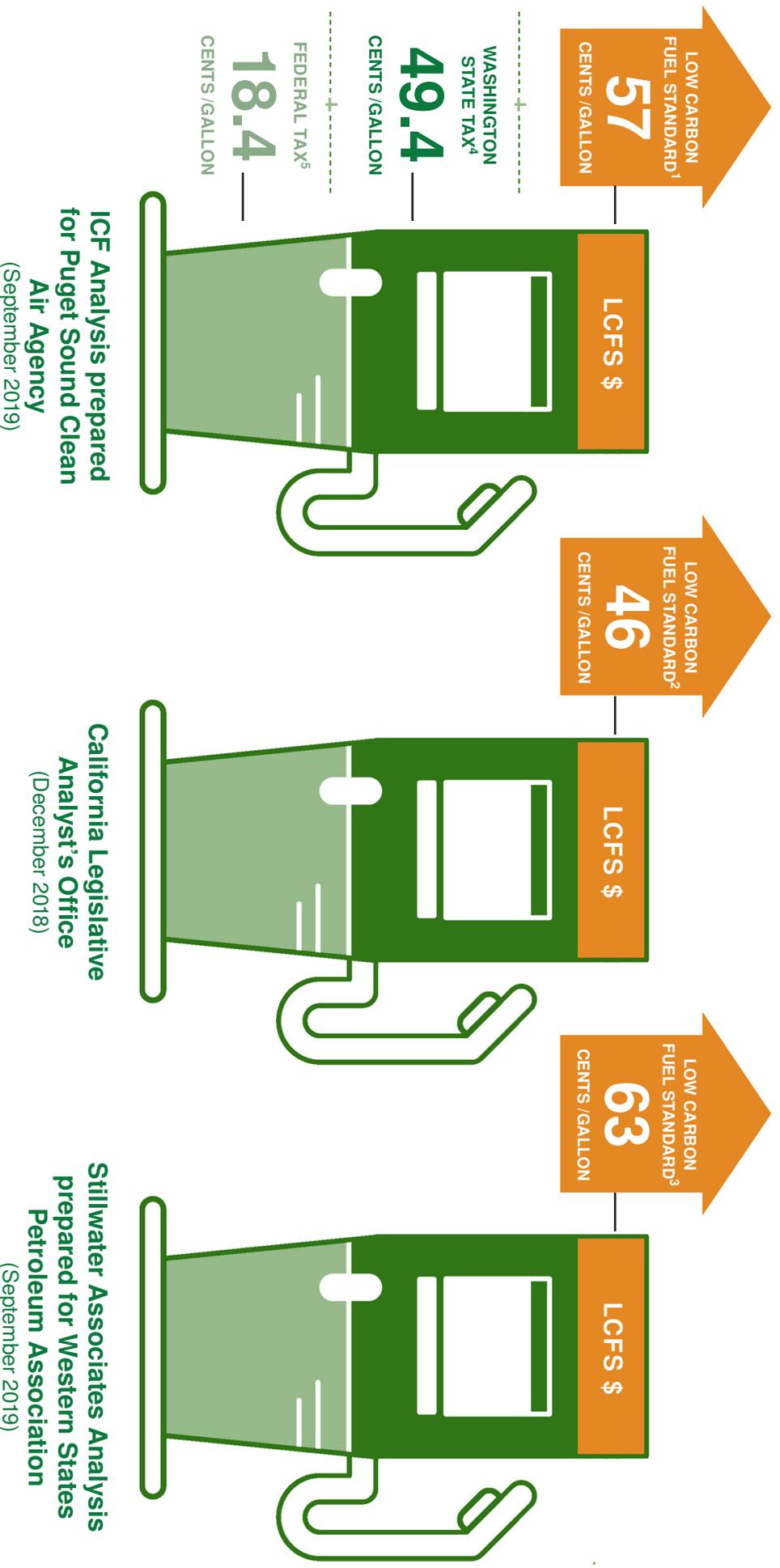
2 Stillwater Associates, “CFP and LCFS Updates,” December 6, 2019 (prepared for Western States Petroleum Association).

3 California Air Resources Board, LCFS Data Dashboard, <https://ww3.arb.ca.gov/fuels/lcfs/dashboard/dashboard.htm>. Targeted carbon intensity (CI) reduction for 2019 is 6.25% below 2010 levels. CA LCFS program calls for a target of 20% CI reduction by 2030.

4 Stillwater Associates, “The Potential Cost of LCFS in Consumer Gasoline,” September 16, 2019 (prepared for Western States Petroleum Association).

5 ICF, “Puget Sound Regional Transportation Fuels Analysis,” Final Report, September 2019 (prepared for the Puget Sound Clean Air Agency).

# Multiple Independent Research Sources Show Significant Estimated Cost Impacts From Proposed LCFS



Sources:

- 1 ICF, "Puget Sound Regional Transportation Fuels Analysis," Final Report, September 2019 (prepared for the Puget Sound Clean Air Agency)
- 2 California Legislative Analyst's Office, "Assessing California's Climate Policies – Transportation," December 2018.
- 3 Stillwater Associates, "Potential Cost of LCFS in Consumer Gasoline," September 2019 (prepared for Western States Petroleum Association)
- 4 Washington State Department of Revenue: <https://dor.wa.gov/motor-vehicle-fuel-tax-rates>
- 5 U.S. Energy Information Administration: [eia.gov/tools/faqs/faq.php?id=10&t=10](http://eia.gov/tools/faqs/faq.php?id=10&t=10)

Illustrations show estimated added costs of LCFS by 2030. State and federal taxes reflect 2019 tax rates.

This infographic shall not be construed as a forecast of fuel prices. The basic rules of supply and demand have a predictable impact on the price of gas. Additionally, inflation and taxes also account for the cost of gas to consumers.