

## A Low Carbon Fuel Standard Would Primarily Benefit Out-of-State Fuel Producers, not Washington's Economy

Studies have shown that an LCFS is a costly approach to greenhouse gas (GHG) emissions reduction relative to other strategies and that most or all of the compliance costs of an LCFS are likely passed on to fuel consumers in the form of higher retail prices.<sup>1</sup> In fact, an analysis of one study prepared for LCFS proponents found that an LCFS would place enormous cost burdens on Washington families totaling up to \$1.6 billion in additional fuel costs in the Puget Sound region alone by 2030.<sup>2</sup>

However, analysis shows that over 70% of the financial value of LCFS costs would likely leave Washington state in the form of compliance credits purchased from out-of-state fuel producers – thereby sending Washington dollars from an LCFS to other states or countries.<sup>3</sup>

Similar to California and Oregon, a Washington LCFS would require local fuel suppliers to import the majority of fuels required for LCFS compliance. LCFS compliance data from 2019 shows that nearly 75% of credits generated in California and Oregon were attributed to fuels imported from other states or countries.<sup>3</sup>

### In 2019, California fuel suppliers spent \$2.2 billion on out-of-state LCFS credits, Oregon \$137 million<sup>3</sup>

- In California, after almost a decade of policy implementation, most of the fuels required for LCFS compliance are still imported from other states or countries. In 2019, 86% of ethanol, 90% of renewable diesel, 78% of biodiesel, 80% of renewable natural gas and 30% of electricity was produced out-of-state, totaling about \$2.2 billion in credits.<sup>3</sup>
- In Oregon, 100% of renewable diesel, 80% of ethanol and 75% of biodiesel consumed in 2019 was imported from out-of-state producers, totaling nearly \$140 million in credits.<sup>3</sup>

### Washington fuel suppliers would also have to purchase a majority of compliance fuels from out-of-state producers in order to comply with an LCFS

- Washington has one renewable diesel production facility and two biodiesel plants. The fuels from these facilities are currently exported to California and Oregon, a scenario which would likely continue for several years until Washington LCFS credit prices reach parity with those states.
- The state has no ethanol production. Studies show that potential credit generation from electric, compressed natural gas (CNG), liquified natural gas (LNG) and liquified petroleum gas (LPG) vehicles would be minimal.<sup>3</sup>
- Importing fuels for LCFS compliance in Washington could potentially total up to \$432 million per year.<sup>4</sup>

1 California Legislative Analyst's Office, "Assessing California's Climate Policies – Transportation," December 2018

2 Stillwater Associates LLC, "Comments on the ICF Report and PSCAA Clean Fuel Standard," prepared for WSPA, November 13, 2019

3 Stillwater Associates LLC, "West Coast LCFS Credits Generated by Fuels Produced Out-of-State, October 20, 2020  
<https://stillwaterassociates.com/west-coast-lcfs-credits-generated-by-fuels-produced-out-of-state/>

4 Stillwater Associates, LLC, "Update: How many credits would go out-of-state if Washington implemented an LCFS?", December 18, 2020  
<https://stillwaterassociates.com/updated-washington-low-carbon-fuel-standard-analysis/>

## An LCFS would not likely spur the growth of an expansive alternative fuel industry in Washington

- Despite claims to the contrary, studies show that a Washington LCFS would be unlikely to foster the growth of a meaningful biofuel and alternative fuel industry in the state.<sup>5,7</sup>
- The most efficient places to produce biofuels and alternative fuels for LCFS compliance have not typically been on the West Coast. A study conducted for the Puget Sound Clean Air Agency on a proposed regional LCFS found that an LCFS would be unlikely to generate significant benefits to Washington's economy. The study conducted by ICF for PSCAA found that "the potential for new facilities is limited given the upfront capital cost for fuel production and competition from existing producers".<sup>5</sup>
- A planned renewable diesel plant in Ferndale Washington was recently cancelled due to permitting uncertainties leading to delays and higher costs.<sup>6</sup>
- A Washington State University study conducted for the Port of Seattle on the production of sustainable aviation fuels found there is an inadequate supply of lipids (oils as feedstock) in the Northwest to support biofuel production. The study found ample supplies of forest residuals and municipal solid waste; however, processing them into biofuels would be cost-prohibitive (costing 3-5 times more than conventional fuels). In addition, the technology to convert these feedstocks into biofuels is still commercially unproven.<sup>7</sup>

As demonstrated by proponents' own analysis, an LCFS would place substantial cost burdens on Washington families and businesses totaling up to \$1.6 billion in additional fuel costs in the Puget Sound region alone by 2030.<sup>2</sup> This would represent more than \$900 per household in additional fuel costs each year.<sup>2</sup> Yet as much as 71% of the financial value from these LCFS compliance costs would likely leave Washington state and go to fuel producers in other states and countries.<sup>4</sup> Washington families cannot afford this costly, ineffective and damaging policy.

5 ICF, "Puget Sound Regional Transportation Fuels Analysis," Submitted to PSCAA, September 2019

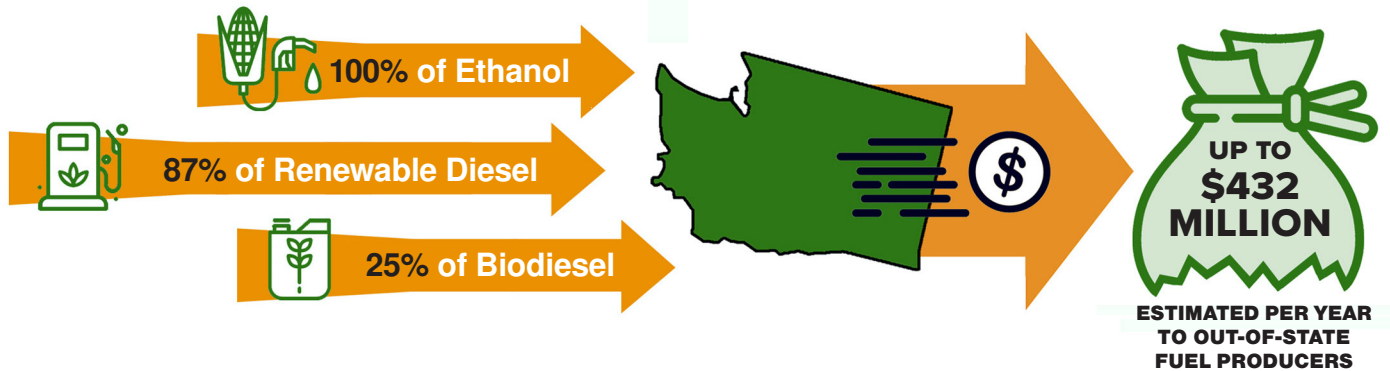
6 "Phillips 66 Partner to Cancel Renewable Diesel Plant in Washington," Reuters, January 21, 2020

7 Washington State University, "Potential Northwest Regional Feedstock and Production of Sustainable Aviation Fuel," February 2020

# Majority of LCFS Compliance Dollars Would be Sent Out-of-State

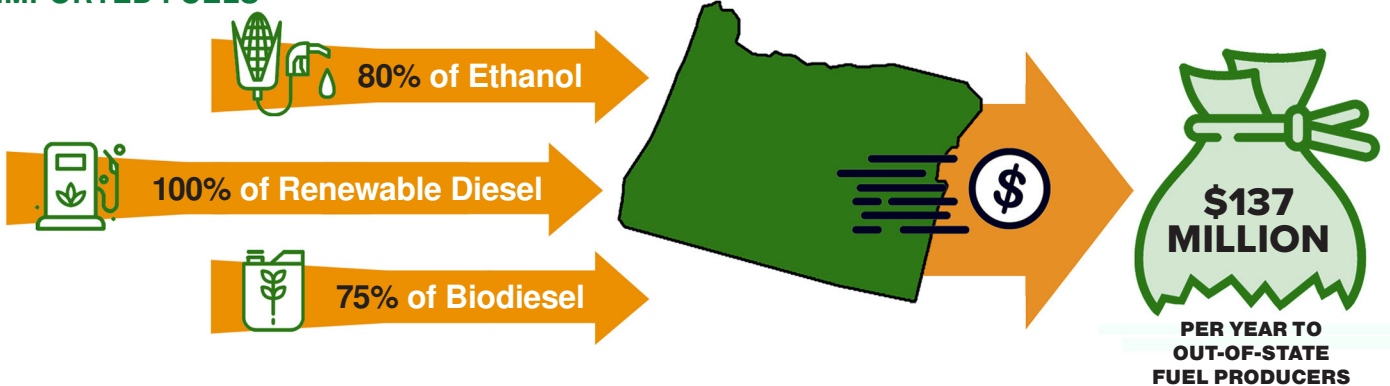
## WASHINGTON

### ESTIMATED IMPORTED FUELS REQUIRED FOR COMPLIANCE



## OREGON

### IMPORTED FUELS



## CALIFORNIA

### IMPORTED FUELS

