

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

This ineffective and costly 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. The LCFS “effectively taxes high carbon fuels and subsidizes lower carbon fuels” through a system of tradeable credits.<sup>2</sup> Fuel suppliers who do not meet the mandate 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 has not passed LCFS legislation. It has also been proposed for implementation on a regional basis in a four-county jurisdiction by the Puget Sound Clean Air Agency (PSCAA).

### The California LCFS: Costly and Ineffective

- In 2020, the LCFS added about 19 cents per gallon to the cost of gasoline in California.<sup>3</sup> To date, the California LCFS is only partially implemented.<sup>4</sup>
- Projections by the California Legislative Analyst’s Office<sup>1</sup> and transportation fuel experts from Stillwater Associates<sup>5</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 California LCFS “costs are more than 10 times higher than the state’s cap-and-trade program” – 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>2</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>6</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>6</sup>
  - Add up to 57 cents/gallon to the cost of gasoline and 63 cents/gallon to diesel by 2030 (under worst case).<sup>6</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>6</sup>
- The devastating economic impacts of Covid-19 have placed even more Washington families at economic risk. Studies have shown that an LCFS could increase household fuel costs by \$900 per year<sup>7</sup>. This is the worst possible time to place additional cost burdens on Washington families.
- While an LCFS would increase fuel costs, it would provide NO FUNDING for badly needed transportation infrastructure improvements and repairs.
- Analysis shows that over 70% of the financial value of LCFS compliance costs would likely leave Washington state as Washington fuel suppliers would have to purchase a majority of compliance fuels from out-of-state producers in order to comply with an LCFS.<sup>8</sup> Washington families cannot afford this costly, ineffective and damaging policy.

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

2 California Legislative Analyst’s Office, “Assessing California’s Climate Policies – Transportation,” March 4, 2020.

3 Stillwater Associates LLC, “CFP and LCFS Updates,” September 25, 2020 (prepared for Western States Petroleum Association).

4 California Air Resources Board, LCFS Data Dashboard, <https://ww3.arb.ca.gov/fuels/lcfs/dashboard/dashboard.htm>. Targeted carbon intensity (CI) reduction for 2019 was 6.25% below 2010 levels, a goal which was not met. CA LCFS program calls for a target of 20% CI reduction by 2030.

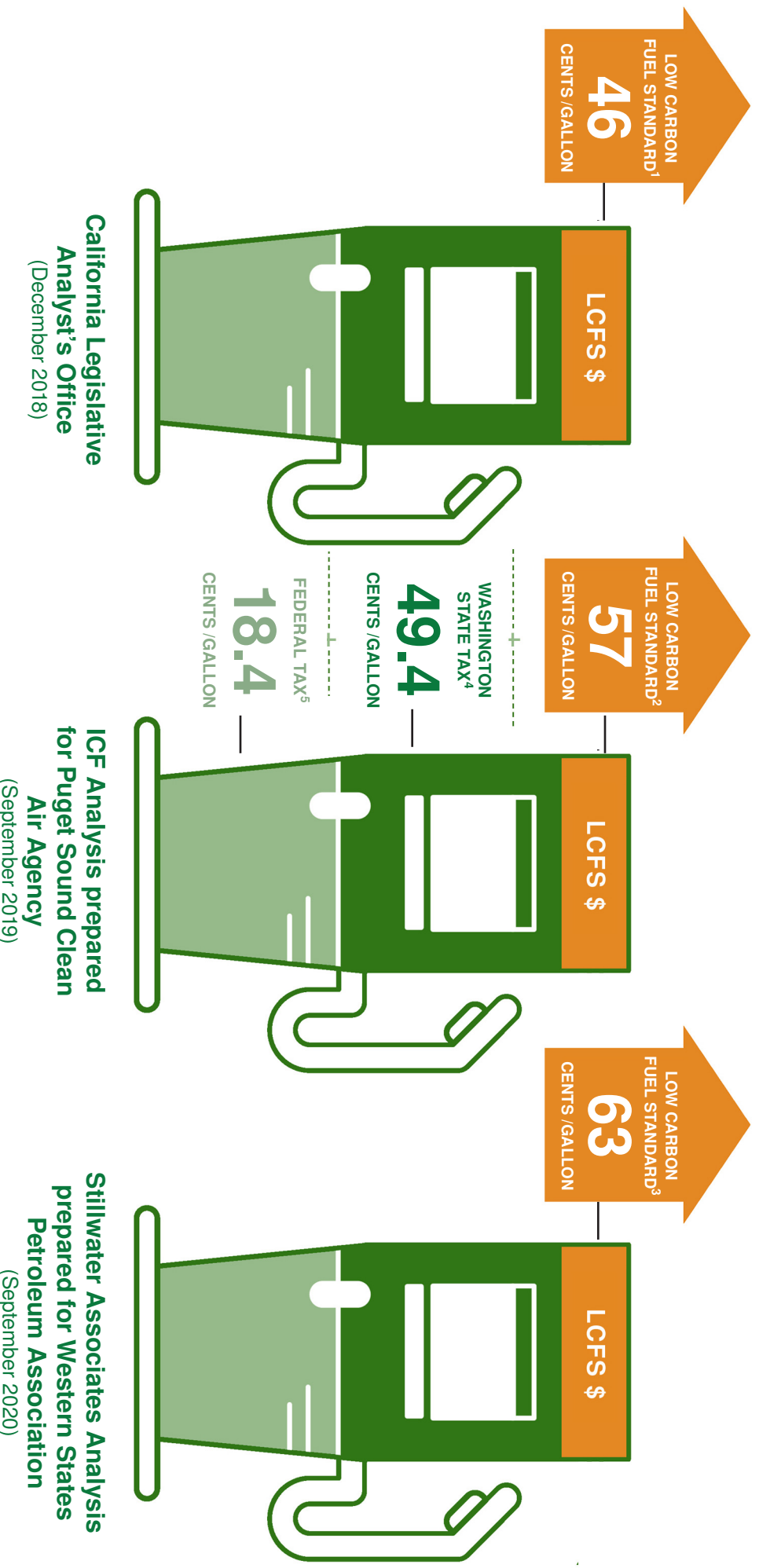
5 Stillwater Associates LLC, “The Potential Cost of LCFS in Consumer Gasoline,” October 21, 2020 (prepared for Western States Petroleum Association).

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

7 Stillwater Associates LLC, “Comments on the ICF Report and PSCAA Clean Fuel Standard,” November 13, 2019 (prepared for Western States Petroleum Association).

8 Stillwater Associates, LLC, “Update: How many credits would go out-of-state if Washington implemented an LCFS?,” December 18, 2020

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



Sources:

- California Legislative Analyst's Office, "Assessing California's Climate Policies – Transportation," December 2018.
- ICF, "Puget Sound Regional Transportation Fuels Analysis," Final Report, September 2019 (prepared for the Puget Sound Clean Air Agency)
- Stillwater Associates, "Potential Cost of LCFS in Consumer Gasoline", October 21, 2020 (prepared for Western States Petroleum Association)
- Washington State Department of Revenue: <https://dor.wa.gov/motor-vehicle-fuel-tax-rates>
- U.S. Energy Information Administration: [eia.gov/coal/faq/faq.php?id=10&t=10](https://eia.gov/coal/faq/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.