

February 10, 2022

Co-Chair Lee Beyer
Co-Chair Susan McLain
Co-Vice Chairs and Members of the Joint Transportation Committee

Re: HB 4141 ignores renewable diesel supply and storage challenges

Co-Chairs Beyer and McLain:

The undersigned organizations urge you to OPPOSE HB 4141 that would ban nearly all diesel in the state.

Oregon's economy relies on the use and availability of diesel fuel. Renewable Diesel (RD) is an emerging alternative fuel. By most accounts, RD is a good product that many Oregonians and business would like more of. Our opposition is not a reflection on RD, but rather an ill-advised mandate that would ban a vast majority of diesel and put our members' businesses and Oregon's economic future at risk.

Oregon already provides incentives and regulations to drive more renewable transportation energy sources into Oregon. In 2015, the Oregon Legislature passed the Clean Fuels Program that, through a regulatory framework, incentivizes the sale of renewable diesel. On top of that, pursuant to the Governor's Executive Order 20-04, the Department of Environmental Quality is already considering a rule that would more than double the clean fuels standard and make fuels like RD even more valuable. Additionally, the Environmental Quality Commission adopted the Climate Protection Program that creates a preference for fuels like RD. These are just a few examples the state has implemented that are facilitating the adoption of renewable energy.

While we agree that RD plays an important role as part of the suite of viable alternative fuels, RD currently (and likely into the future) faces significant cost competitiveness and supply challenges that have not been addressed by bill proponents. There is a disconnect between the available supply and Oregon's demand, and we encourage further study and analysis of this phenomenon. While it has been suggested on the record that there were "upcoming projects," no specific projects have been identified. Moreover, there are significant hurdles to permitting new projects in Oregon.

It is noteworthy that the majority of fuel supplied into the Portland area is transported through the Olympic (Oly) pipeline from Washington with additional fuel supply delivered by ships and barges into Portland area terminals. RD is not transported on Oly, so all of the RD in the Portland area is brought in by rail or barge. Unless Oly begins to allow RD in the pipeline, larger volumes of rail and barge shipments will be required. Even if Oly allows batches of both RD and conventional ultra-low sulfur diesel (ULSD), these would need to be kept segregated in the pipeline and at Portland terminals to allow ULSD to be supplied elsewhere. This scenario would increase the need for storage tanks. The Portland terminals will therefore need to expand to handle and segregate the different types of diesel fuels being distributed. The legislature is

considering legislation this session that could make those expansions more difficult. If these expansions are not permitted, supply could become much more difficult and less reliable.

Today, not everyone can purchase RD due to the supply and storage constraints. Based on existing data, there is almost no way to know whether those realities will change. For purposes of a reference point, in 2019, Oregonians used over 719 million gallons of diesel. By comparison, less than 17 million gallons of RD and 60 million gallons of biodiesel were brought into the state. Meaning, RD amounted to less than 3% of the fuel used in diesel engines. We simply do not have the RD supply and infrastructure for a fuel transition of this size and magnitude.

Before Oregon takes this risky step in removing critical fuels from the market, we must better understand Oregon's opportunity for new and emerging fuels and technologies that can ensure Oregon remains economically competitive.

We urge you to OPPOSE HB 4141.



