LCFS Programs Littered With Uncertainty And Risk

While it will take some time to know how much implementation of the LCFS program could impact fuel prices in Washington, the California experience provides worrisome insights:

• Producing an LCFS fuel blend means dramatically increasing the price of production, which impacts businesses and our economy.

• According to the California Energy Commission, the LCFS currently adds another 6.8 cents to the cost of California diesel fuel — and nearly 9.5 cents to the cost per gallon of California gasoline.¹

• These are estimates produced by the State of California. Studies by other experts, such as Stillwater Associates², show the LCFS cost per gallon to be much higher and rising.

• Washington drivers already pay the second-highest gas tax in the nation, a combined 67.8 cents per gallon, according to a recent survey conducted by the American Petroleum Institute (API). The LCFS cost impact, whether it is 9 cents or something more, represents a significant additional hidden tax that directly impacts the Washington State economy.

• Higher fuel costs could mean increased costs for transporting goods which may be passed on to consumers, making everything we buy more expensive. The consumers who ultimately get hurt the most are those that can least afford to pay more for the higher cost of goods and essential needs.

• The fuel stocks required for the LCFS program in California do not yet exist. A report by the University of California, Davis³ found that LCFS fuel blends do not currently exist in commercial quantities and/or cost significantly more than conventional fuels. “Because of the large degree of uncertainty regarding future compliance paths, there is concern that LCFS credit prices may become both costly and volatile,” the report states.

Little Benefit For Washington

The Low Carbon Fuel Standard is often sold as a program that would bring new jobs, innovation and industry to a state. In reality, the California experience has shown that almost all the economic benefits accrue out of state, because seventy-five percent (75%) of low carbon fuel stocks are produced elsewhere. Other states or foreign countries like Brazil are receiving significantly more economic benefit than those in the State of California.

LCFS assesses the Carbon Intensity (CI) of the lifecycle of a fuel, which means the production, movement and use of it in an engine. With no crude production in Washington, the LCFS fuel blend requirements imposed by Washington regulators would need to take into account the CI of production processes of Washington’s crude, which largely comes from Canada and states like North and South Dakota.

An LCFS program could force Washington drivers to pay for the carbon intensity of fuel production which they cannot control and send hundreds of millions of our dollars out of the state and out of the country to pay for a shrinking and uncertain supply of fuel stocks.

Studied and Rejected

The State of Washington has already studied an LCFS program as a way to meet greenhouse gas emissions targets and it was not selected as one of the five recommended actions to meet statutory limits.

This conclusion was reached by the Climate Legislative Executive Work Group (CLEW), which held hearings with more than 1,000 stakeholders, received more than 8,500 written comments and reviewed numerous technical and economic studies.⁴

All of this work proved what we know today, that an LCFS program will hurt Washington’s economy and is among the most costly and least efficient ways for the state to meet emission targets.

⁴ “A Report to the Legislature on the Work of the Climate Legislative and Executive Workgroup,” January 2014