



April 17, 2012

JOHN A. KITZHABER, MD  
Governor

Dick Pedersen  
Oregon Department of Environmental Quality  
811 SW 6<sup>th</sup> Avenue  
Portland, OR 97204

Dear Director Pedersen:

In 2009, the Oregon legislature adopted HB 2186, authorizing the Environmental Quality Commission (EQC) to adopt a low carbon fuel standard to reduce greenhouse gas emissions from transportation fuels. Since then, the Department of Environmental Quality (DEQ) has conducted an extensive technical and economic analysis of the policy, and you have also listened carefully to the views of stakeholders and the public. At this time, I would like you to take the next step in investigating a clean fuel standard by developing rules to implement it in two phases.

Reducing greenhouse gas emissions is among the most important challenges of our time. This is important not only to begin addressing the threat of global warming, but also to reduce our nation's dependence on imported petroleum, stimulate jobs throughout the nation to produce clean energy and save consumers money. Because transportation accounts for a third of Oregon's greenhouse gas emissions, we must tackle emissions from this sector in order to reach our goals. To address these emissions effectively, we must begin the process of transforming our transportation infrastructure to support a diversity of low carbon fuels. The clean fuels standard is a key step in this transformation, by allowing producers of all types of low carbon fuels to compete to meet our transportation fuel needs.

As urgent as this need is, we must continue to move deliberately to ensure that the clean fuel standard is implemented in a way that ensures adequate fuel supplies, and that does not cause increases in fuel prices. For this reason, I suggest you develop the standard in two phases. During Phase 1, fuel suppliers would begin to track and report the carbon intensity of transportation fuels over a two year period. During Phase 2, which would be triggered by the

EQC only after a successful conclusion of Phase 1, fuel suppliers would be required to meet the standard. This two phase approach will allow DEQ to assess the availability of low carbon fuels, adjust the program as needed to meet legal requirements, prepare for full implementation, and continue to seek public input before fuel suppliers are required to meet the standard.

As you know, Oregon is separately developing a ten-year energy action plan to:

- Reduce our dependence on carbon-intensive fuels and foreign oil;
- Develop home-grown renewable energy resources;
- Mitigate greenhouse gas emissions;

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- Improve energy efficiency and create rewarding local jobs; and
- Boost Oregon's economy through investment and innovation.

The clean fuels standard supports these goals and will be important to the success of this plan. It is also a central component of our statewide greenhouse gas reduction strategy for transportation being developed in response to SB 1059 adopted in 2010 and HB 2001 adopted in 2009.

For all of these reasons, I am asking you to propose the clean fuels standard for consideration by the Environmental Quality Commission, with a decision to be made by the end of this year. I ask you to work closely with legislators, both to keep them informed about this proposed course of action, and to request the legislative action necessary to implement the program fully.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Kitzhaber".

John A. Kitzhaber, M.D.  
Governor

cc: Bill Blosser, Chair, Environmental Quality Commission  
Richard Whitman, Senior Natural Resource Policy Advisor to Governor Kitzhaber