March 29, 2022

Chair Jamie Long
Climate and Energy Finance and Policy
517 State Office Building
St. Paul, MN 55155

Rep. Todd Lippert
523 State Office Building
St. Paul, MN 55155

Re: HF2083

Dear Chair Long and Representative Lippert:

The Minnesota Trucking Association (MTA) has prepared the following comments in response to H 2083 regarding establishing a clean fuel standard for Minnesota. On behalf of the more than 21,000 trucking companies located in Minnesota and the 1 in 18 workers in the state who are employed in trucking industry jobs, we welcome this opportunity to provide input and discussion.

As background, MTA would like to emphasize that the state's only non-attainment area is Dakota County, which failed to meet the 2008 federal air quality standard for lead. Based on its current design value, the measurement used to determine its status, the county now meets the federal standard.[1] As a result, all counties in Minnesota achieve the federal definition of clean air. With respect to climate change, emissions in Minnesota represented less than 2% of the nation's greenhouse gas (GHG) emissions in 2018 with transportation-related emissions accounting for roughly 1/3 of the state's total.[2]

The state's success in meeting clean air standards and reducing GHG emissions has been supported by decades of work by the truck and engine manufacturers and fuel providers that supply the state's trucking industry. These efforts include removing sulfur from diesel fuel in 2006 and introducing new technology diesel trucks in 2010 which reduced tailpipe emissions by as much as 90%. Technology advances in new trucks have resulted in nearly 25% better fuel economy and a corresponding reduction in GHG emissions. An additional 25% improvement in fuel economy is being phased in over the next five years. To realize these achievements, the trucking industry has invested billions of dollars to deploy this new equipment.

Trucking companies in Minnesota have further reduced GHG emissions through the U.S. EPA's SmartWay Partnership. This Partnership has saved 336 million barrels of oil and avoided emitting 143 million metric tons of CO2, 2.7 million short tons of NOx, and 112,000 short tons of PM.[3] Nearly 2,450 trucking companies participate in the SmartWay program including 56 companies based in Minnesota.

[1] U.S. Environmental Protection Agency (EPA), Lead (2008) Designated Area/State Information with Design Values (December 31, 2021).
[2] U.S. Energy Information Administration (EIA), Energy-Related CO2 Emission Data Tables (March 2, 2021)
[3] U.S. EPA, SmartWay Program Successes (accessed January 2022).

Given our experience with new technologies and fuels, the trucking industry is supportive of continuing to further reduce emissions. However, programs that disproportionally impact trucking companies in Minnesota should be discouraged. We believe the proposed CFS represents such as program for the reasons discussed below and should not be advanced. Instead, the state should work with the trucking industry to deploy the new generation of lower emitting, more fuel efficient trucks, including emerging technologies such as electric trucks and the fueling networks needed to support and expand the operation of these trucks. We hope these types of cooperative partnerships can be developed in order to bring the newest, cleanest truck technologies to Minnesota while preserving a level playing field for the state's trucking companies. We strongly favor the use of incentives rather than mandates.

With respect to the proposed CFS, we offer the following considerations.

1. **A firm understanding of the environmental and economic impacts of the state's existing fuel policies and other carbon reducing program is needed.**

   Minnesota has already achieved significant reductions in the carbon intensity of its diesel fuel pool through the state's biodiesel mandate which is currently at 20% during the warmest months and at 5% during the coldest months. In 2019, Minnesota is estimated to have consumed nearly 3.6 million barrels of biodiesel. When blended with the estimated 22.3 million barrels of diesel fuel consumed by the state's transportation sector, the annual blend level is more than 16%.[4] In comparison, California is estimated to have consumed 5.0 million barrels of biodiesel in 2019. This volume represented an annual blend level of roughly 6% when blended with the estimated 83.1 million barrels of diesel fuel consumed by that state's transportation sector.[5]

   Minnesota is estimated to have consumed nearly 7.5 million barrels of ethanol in 2019. When blended with the estimated 59.5 million barrels of gasoline consumed by the state's transportation sector, the annual blend level is nearly 13%.[6] In comparison, California is estimated to have consumed 36.1 million barrels of ethanol in 2019. This volume represented an annual blend level of roughly 11% when blended with the estimated 343.7 million barrels of gasoline consumed by that state's transportation sector.[7]

2. **A CFS will increase fuel prices, creating an economic disadvantage for trucking companies, especially small trucking companies, domiciled in the state.**

   In Minnesota, the price difference of the blended biodiesel product from No. 2 diesel fuel has been as high as a 10-cent difference (in 2011) and as low as 0.006 cents in 2017.[8] In comparison, California's Low Carbon Fuel Standard, which is comparable to the proposed CFS, is estimated to add roughly $0.20 to $0.22 per gallon to the price of gasoline and diesel fuel purchased in that state, respectively.[9, 10] While a CFS does incentive alternative fuels by generating credits, it is not practical for many companies to obtain these credits. As recently stated by California Air Resources Board Vice-Chair Sandra Berg:[11]

---

[4] U.S. EIA, State Energy Data System (2019).

[5] Ibid.

[6] Ibid.

[7] Ibid.

[8] Minnesota Department of Agriculture, *Report to the Legislature, Annual Report of Biodiesel* (January 15, 2020).

[9] California Energy Commission, Petroleum Market Advisory Committee Final Report (September 2017).

[10] Noda, Leigh, Taxes and fees drive California's high diesel prices, Stillwater Associates (May 10, 2021).

[11] California Air Resources Board (CARB), Public Hearing to Consider Proposed Amendments to the Airborne Toxic Control Measure for In-Use Diesel-Fueled Transport Refrigeration Units (TRU) and TRU Generator Sets, and Facilities Where TRUs Operate (September 23, 2021).

"To believe that a single owner-operator is going to be able to take credit for LCSF credits, it's disingenuous. First of all, getting a few credits, trading them on the open market, understanding that whole process, it's not going to work that way. So those credits are great for medium, possibly medium, sized companies but definitely the larger companies which bring out another dis-benefit for the single owner-operator."

3. An understanding of the potential sources and locations of alternative fuel production and the financial impacts on state businesses of utilizing this production is needed.

Under California's LCFS, the annual volume of imported biofuels (non-California and international) has ranged from 85% to 91% over the program's initial 10 years.[12] Similarly, Oregon's CFS estimates that nearly all of the alternative fuels will be supplied from outside the state - 98% of the potentially available supply of ethanol, 96% of the potentially available supply of biodiesel, and 100% of the potentially available supply of renewable diesel and renewable natural gas.[13]

Under California's Low Carbon Fuel Standard (LCFS), renewable diesel is the largest volume and credit generator in the diesel fuel pool and provides roughly 2 to 3 times the volume and credits derived from biodiesel.[14] Oregon's CFS estimates that the largest potential supplies of some fuels will rely on international suppliers - nearly 38% of the potentially available supply of renewable diesel is projected to be from Singapore while nearly 57% of the potentially available supply of renewable natural gas is projected to be from Canada.

In 2020, U.S. renewable diesel production capacity totaled nearly 0.6 billion gallons per year. This volume closely mirrors the more than 0.6 billion gallons of renewable diesel consumed in California in 2020.[15, 16] Thus, it appears that nearly all of the renewable diesel produced in the U.S. is currently being delivered to California.

4. The CFS will create a costly new administrative process that modifies existing programs without adding an appreciable level of benefit.

Under California's LCFS, there are nearly 1,200 different fuel pathways or applications.[17] The primary fuel sources which have been used include ethanol, renewable diesel, biodiesel, biomethane, electricity and natural gas.[18] Because current carbon intensity values represent California specific attributes, Minnesota will need to establish a process to develop new values specific to the state.

Roughly 475 parties are registered to participate in California's LCFS with approximately 90 additional parties registered as brokers. Between 1,600 and 2,400 credit transfers occur annually under California's LCFS. In addition, enforcement activities have resulted in LCFS participants agreeing to several settlement agreements and a number of account balance adjustments. Overall, CARB employs a total of more than 1,700 staff.

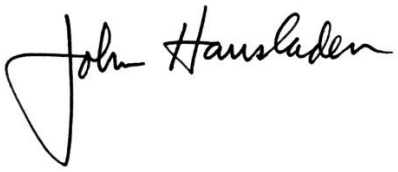
Given these concerns, we believe the CFS will result in an overly complex administrative process that will fall short of its emission reduction goals while adding considerable expenses to

[12] CARB, Low Carbon Fuel Standard, Data Dashboard (Accessed January 2022).
[13] Oregon Office of Economic Analysis, 2022 Clean Fuels Forecast (October 1, 2021).
[14] CARB, Ibid.
[15] Ibid.
[16] U.S. EIA, State Energy Data System (2019).
[17] CARB, Ibid.
[18] Ibid.

the state's fuel prices. Based on our experience deploying new technologies and fuels, we ask the state to reconsider this direction and instead work to provide incentives to help the state's trucking companies acquire and operate cleaner and emerging technologies. For example, while many view electric trucks as an end goal, only about 1,000 of these trucks exist in the U.S. today.[19] Most trucking companies do not have experience with this technology and, given its considerable cost which is more than double the cost of a conventional trucks, need assistance in order to deploy and evaluate this emerging technology. We ask for your support in identifying incentive opportunities that will cooperatively help us deploy cleaner equipment rather than develop a fuels program that will divert limited financial resources away from this objective.

Thank you for providing the opportunity to comment.

Sincerely,



John Hausladen
President
Minnesota Trucking Association

[19] Transport Topics, The Electrification Journey (January 4, 2022).