



August 31, 2022

VIA ELECTRONIC FILING

Rachel Assink
Rulemaking Lead
Washington Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Re: Neste Comments on the Proposed Clean Fuels Program Rule Language

Dear Ms. Assink:

Neste appreciates the opportunity to provide these comments on the Washington Department of Ecology's (Ecology's) proposed Clean Fuels Program (CFP) Rule published on July 18, 2022. Neste is the world's largest producer of renewable diesel and alternative jet fuel (known as "sustainable aviation fuel" or "SAF") refined from waste and residues. During the past ten years, Neste's transformation journey has taken it from a local oil refining and service company to a global leader in renewable and circular solutions. Neste's goal is to achieve carbon neutral production by 2035 and supply Washington with products that will enable the state to be carbon neutral by 2050.

Neste was one of the first major suppliers of renewable diesel into the state of California when it implemented the nation's first Low Carbon Fuels Standard (LCFS). As an early participant in California's LCFS program, as well as Oregon's Clean Fuels Program (CFP), we have extensive knowledge complying with low carbon fuel standards. We also have extensive experience supplying renewable diesel and SAF that are significantly less carbon intensive than conventional transportation diesel and aviation fuels.

The comments below pertain to materials provided by Ecology in the July 18, 2022 CFP rulemaking package and includes several comments that we already highlighted to Ecology during the stakeholder meetings. We look forward to continuing to work with Ecology on this rulemaking.

CI Standards Post-2033:

Neste applauds Ecology's proposal to establish the CFP standard at 20% below 2017 levels by 2034 as presented in the July 18, 2022 package. Compliance with this proposal is made possible by the "pause" in the program starting in 2031 and ending in 2033, allowing obligated parties to build a credit bank to comply with the CI reduction proposed for 2034. The wide range of low-carbon technologies projected to be available post-2030 will further increase the ability for obligated parties to comply. This proposal is also more aligned with California, Oregon and British Columbia proposed CI standards, making Washington an attractive market for low carbon fuels. Deviating too much from the rest of the West Coast low carbon fuel standard regime could cause Washington to be a default market for second tier renewable fuels, potentially missing out on top tier, lower carbon intensive fuels. Ecology's decision to adopt this proposal sends the appropriate market signal to renewable fuel producers and marketers that Washington intends to be a regional leader in low carbon fuels policy implementation and market development.

Neste encourages Washington to maintain a technology neutral policy and its science-based approach when setting CI standards. This will instill in Washington consumers the confidence that available fuels have accurate CI values, and that the all advanced renewable fuels are made available faster and at the lowest cost possible.

Alternative Jet Fuel (SAF) and Tier 2 Pathway Delays:

Neste continues to be concerned by Ecology's proposal to delay implementation of the original Tier 2 pathway applications until July 1st, 2025. Tier 2 fuels include alternative jet fuel, also known as SAF. Neste recognizes that many SAF pathways will be able to leverage the California LCFS or Oregon CFP pathway approvals to supply SAF to Washington as allowed by WAC 173-424-600 Part 4. However, under Ecology's current proposal, any SAF not already approved by California or Oregon will not flow to Washington until pathways are evaluated beginning in 2025. This will delay sale of SAF into Washington, or worse, prevent a unique low CI SAF from entering the state. Neste requests that Ecology consider establishing adequate fees payable by industry stakeholders to cover expenses associated with Ecology's pathway review services and allow sales of all available low carbon fuels in Washington at the onset of the CFP program on January 1, 2023. The federal government's Grand Challenge to produce 3 billion gallons of SAF by 2030 would be imperiled by state programs postponing introduction of drop-in fuels that can achieve immediate GHG emissions reductions in the hard to decarbonize aviation sector. As the U.S. center for aviation innovation and manufacturing, Washington should be leading in the decarbonization of commercial aviation by making all SAF available for the aviation industry starting on January 1, 2023.

Alternative Jet Fuel CI Standard:

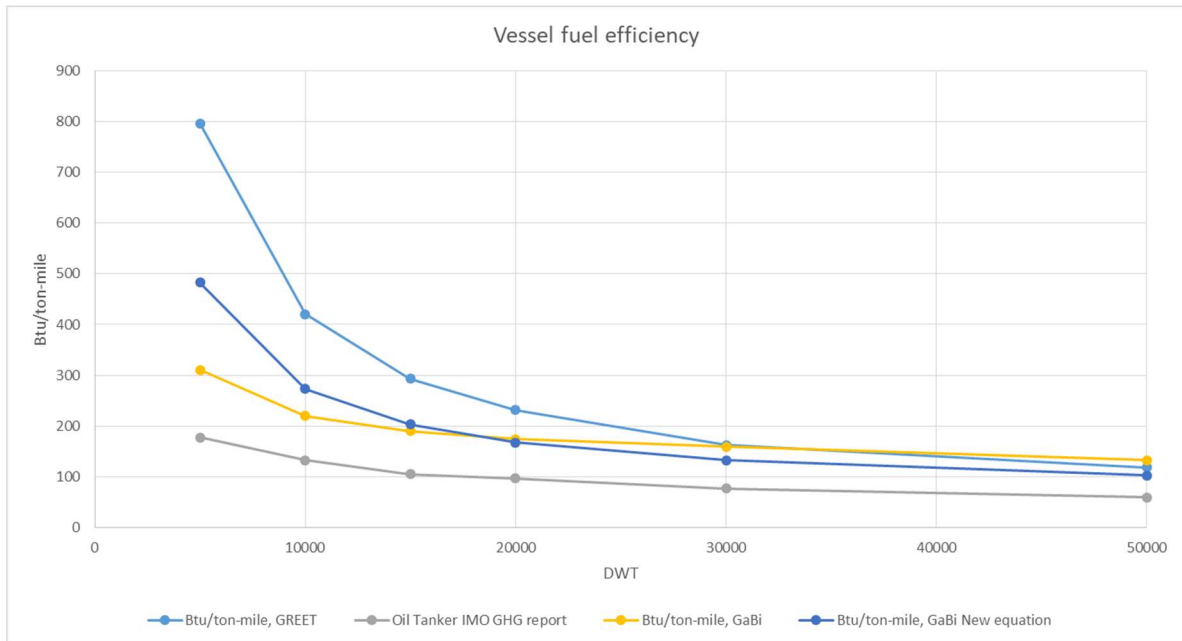
Neste appreciates that Ecology linked the alternative jet standard to the diesel CI standard as part of this latest version of the CFP regulation. However, in light of the newly proposed CI reduction targets for California, we would like for Ecology to consider a SAF multiplier to ensure that SAF in Washington can generate similar credit value as in California. SAF consumption has grown at a slower rate than renewable diesel primarily due to the aviation industry being preempted by the Commerce Clause from participating in state fuels mandates, making SAF less financially competitive than renewable diesel. As a result, SAF customers require all possible incentives to make the switch to SAF, and having parity between the California LCFS and Washington CFP is of the utmost importance to drive SAF consumption in Washington. This parity can only be achieved via a multiplier for SAF in the CFP program.

Washington GREET Model:

Neste would like to encourage Ecology to use the most up to date GREET model developed by Argonne National Laboratory (ANL) and other best available data to establish the Washington GREET (WA-GREET) model. Argonne's GREET model has improved over time and is seen as a valuable independent tool to determine CI values of renewable fuels. Therefore, the new WA-GREET should use the most up-to-date ANL GREET model and associated GHG data.

One major improvement opportunity in the WA-GREET is how the vessel transport emissions for renewable diesel and associated feedstocks are calculated. The current calculation approach does not reflect the reality of vessel transport emissions when considering chemical product tankers with sizes of 30,000 deadweight tonnage (DWT) and under. The model over-estimates emissions for vessel transport and this issue worsens as vessel size decreases. This over-estimation is primarily due to two factors: (1) the vessel fuel efficiency curve and (2) the assumption of a return trip with an empty vessel (back-haul). Assuming an empty return trip results in overall vessel payload capacity utilization of 50% at best. In practice the type of chemical product tankers used to transport both feedstock and final products for renewable fuels have a much higher capacity utilization ratio than what is assumed in the WA-GREET. In most cases, these vessels do not return empty as they have flexibility in terms of the type of goods that they can transport. This is in contrast to crude oil vessels that may return empty because they are not able to load other cargo types.

To illustrate the scenario above, Neste compared IMO (International Maritime Organization)¹ and GaBi LCA software data to GREET model values of fuel efficiency. The graph clearly shows a significant difference between GREET and the other fuel efficiency curves for vessels between 5,000 – 30,000 DWT.



The CI difference between data based on international studies and LCA databases, and current GREET model calculations can be several points higher, depending on the transport distance and vessel size. The difference can be as high as a 15-20% increase in the total CI score of a pathway. This gap should be addressed by Ecology by adjusting the WA-GREET to take into account this discrepancy when calculating the actual transportation CI scores for renewable diesel and other renewable fuels that rely on smaller vessel sizes.

Stationary Generators and Rail Opt-In Use of Renewable Diesel:

Washington, along with several states, experienced significant growth in the installation of stationary backup generators. These stationary sources provide emergency backup power for the data center industry or provide essential power for critical infrastructure like hospitals, factories, and public safety. Since renewable diesel is a drop-in fuel that can decarbonize this growing emissions source, operators of stationary generators expressed strong interest in creating incentives to replace conventional diesel with renewable diesel. Ecology should add stationary generators as an opt-in use of renewable diesel. Adding this unique use of renewable diesel is no different than current proposals that allow forklifts and other non-road equipment to use lower CI fuels.

The rail sector similarly indicated to Neste an interest in using renewable diesel if incentivized under the CFP. As a direct drop-in replacement of fossil diesel, renewable diesel could play an important role in decarbonizing the rail sector in Washington if allowed as an opt-in fuel under the CFP.

Incentivizing use of renewable diesel by stationary generators and rail will likely provide significant environmental and health benefits to nearby communities by reducing criteria and toxic air pollutant

¹
<https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Third%20Greenhouse%20Gas%20Study/GHG3%20Executive%20Summary%20and%20Report.pdf>

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emissions, and these benefit are unique to renewable diesel use. For more information, see the discussion in CARB's Alternative Diesel Fuels Regulation.²

Administrative Streamlining:

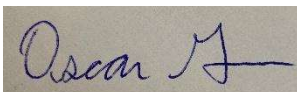
Neste greatly appreciates being able to use fuel pathways approved by CARB or OR-DEQ as proposed in WAC 173-424-600 Part 4 and presented in the July 18, 2022 package. This will streamline administration of Washington's CFP, and ensure a successful launch on January 1st, 2023. This approach has been very successful in Oregon and we support its application by Ecology. We also appreciate that CARB and OR-DEQ approved pathways do not also require verification in Washington. This will prevent redundant auditing, and simplify the verification process of Washington low carbon fuel producers.

We also have a few suggestions to further optimize the administration of the CFP:

- Optional Expedited Application Fee: Allow regulated parties to pay an optional expedited application fee for fuel pathways that require a more urgent approval. This will ensure faster delivery of the most advanced renewable fuels, and could make Washington the top destination for new lower CI fuels that do not have a CARB or OR-DEQ pathway approval.
- Establish Pathway Processing Time: Ecology should consider adding to WAC 173-424-610 "Obtaining a Carbon Intensity" the time required for Ecology to process and approve a complete pathway application. This commitment gives renewable fuel producers certainty on when pathways CIs will be finalized. This is common regulatory language, especially in the air permitting sector, and Neste would like to request that this be added to the CFP regulation. Neste believes that six (6) months is sufficient time to process a complete pathway application and therefore this timing should be added into the regulation.
- Guidance for Reporting/Compliance During Program Inception: To ensure a smooth rollout of the new CFP and consistency across all CFP reports, Ecology should consider creating a guidance document that outlines the following:
 - Reporting deadlines and applicable report content requirements;
 - Direction on how to report fuel CI while fuel pathway applications are being processed by Ecology, e.g.,
 - How will Ecology issue approvals for use of temporary fuel pathways
 - What temporary fuel pathway should be used for SAF, if any, and;
 - Guidance on how to report the initial 2023 inventory.

Please feel free to contact me if you want additional information or have questions regarding our submission.

We appreciate your consideration.



Oscar Garcia

West Coast Regulatory Affairs Manager
Neste US, Inc.

² <https://ww2.arb.ca.gov/our-work/programs/alternative-diesel-fuels>