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VIA ELECTRONIC FILING

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Washington Department of Ecology (Ecology)
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P.O. Box 47600
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Re: Clean Fuels Standard (CFS) 2026 Rulemaking

Dear Ms. Brown:

Neste appreciates the opportunity to provide these comments on the proposed Clean Fuels Standard (CFS) 2026 Rulemaking proposed by Ecology on January 20, 2026. Neste is the world's largest producer of renewable diesel (RD) and sustainable aviation fuel (SAF), over 90% of which are produced from waste and residues. During the past 15 years, Neste's transformation journey has taken it from a local oil refiner to a global leader in renewable and circular solutions. Neste's goal is to supply Washington with products that will enable the state to reach the climate goals outlined in House Bill (HB) 1409. We are in the business of combating climate change by producing effective climate solutions.

Neste would like to congratulate Washington with the leadership it is showing via updates to the CFS proposed by HB 1409. The goal of reducing the carbon intensity (CI) of fuels by up to 55% by 2038 has the potential to not only continue making Washington competitive with nearby states/provinces but also make up for reduced investments in renewable energy at the US federal level. California and British Columbia recently strengthened and/or extended their low carbon fuel standards, and it is important that Washington continue following suit so it can continue attracting renewable energy. Many federal renewable energy incentives have also been eliminated and/or severely cut, and the proposed strengthening of the CFS from 2028 through 2038 could help make up the difference to continue driving investments in renewable energy production.

The comments below are regarding the proposed CFS rule changes proposed by Ecology on February 24, 2026. We look forward to working with Ecology on this proposed rulemaking.

Ecology Should Continue to Prioritize Stable Renewable Diesel Supplies and Low Fuel Costs in Washington

Neste shares the state's concerns that more needs to be done to stabilize fuel supplies in Washington, in light of recent fossil fuel disruptions due to pipeline issues. Renewable diesel (RD) has greatly helped reduce the dependence on fossil diesel and has created many more supply options within the diesel market, all while being a drop-in solution. This was all possible due to the CFS following a technology neutral approach, an approach that delivers the lowest cost compliance options and also helps avoid energy disruptions by favoring technologies that can also deliver stable energy. As Ecology models how it should implement further CI reductions, it should closely evaluate the costs of each low-CI technology and their ability to provide stable and sufficient fuel supplies. California has consistently shown that heavily favoring certain technologies leads to higher costs and higher emissions[1] and Ecology should confirm if the

[1] https://ww2.arb.ca.gov/sites/default/files/2024-04/LCFS%20April%20Workshop%20Slides.pdf, slide 31-32

same will occur in Washington. It is important that Ecology confirm if Washington consumers will be saddled with added compliance costs should Ecology decide to deviate from technology neutrality.

Proposed strengthening of the CFS program also provides an opportunity to stabilize incentives for renewable energy. As Washington has seen, low CFS credits values in 2024 and 2025 resulted in a pullback of biodiesel and renewable diesel starting in 4th quarter 2024, with fossil diesel being the clear beneficiary. The Washington diesel pool peaked at **23%** renewable (renewable diesel plus biodiesel) in the 3rd quarter of 2024 and is now **9.5%** renewable per 3rd quarter 2025 CFS data. This has led to higher air and GHG emissions in Washington and a significant reduction in credit generation within the CFS program, resulting in substantial backtracking within Washington's climate and environmental programs.

Neste is aware that the diesel pool is now becoming more renewable since CFS credit prices stabilized, however Washington needs to urgently send the market signals to support continued investments in new low-carbon technologies and reverse the trend that has recently favored fossil fuels. This is why Neste recommends maximizing CI reductions by an additional 4% from 2028 through 2038 as allowed by HB 1409. This recommendation also accounts for the CFS being approved through 2038 while the California LCFS is approved through 2045. Long-term assurances are even more important to those investing in renewable energy today, especially to those that recently lost federal grants/tax incentives. It's therefore imperative that there are no delays in implementing these proposed CFS updates and to send the market signals that will bolster lower-emission energy sources.

Novel Vegetable Oils (NVOs) Can Drive Further Decarbonization:

Neste also believes that Ecology can further drive innovation by recognizing NVOs and their associated emissions reductions. NVOs are derived primarily from intermediate and winter annual oilseed crops, harvested between main crops on otherwise idle land or in conservation crop rotations adding feedstock volume and protein-rich meal for the Washington CFS and feed markets, respectively, without requiring additional farmland. The cultivation practices associated with NVOs often incorporate regenerative agriculture practices that lead to measurable emissions reductions. These emissions reductions are already being certified and accounted for through several sustainability certification schemes such as ISCC. In fact, the federal government is exploring incentivizing these practices by allowing crop-based feedstocks to obtain lower CI scores when regenerative practices are used. Neste believes that recognizing NVOs strikes the right balance between ensuring feedstocks are sourced sustainably and at the same time leverages available data to provide more value to those producers that are working towards decarbonizing their energy production. Neste therefore recommends that Ecology form a workgroup to make recommendations on how the CFS should account for the benefits of NVOs and to account for NVOs in the Washington GREET model.

The CFS Should Treat All Hydrogen the Same; Even When Used as a Feedstock in Renewable Diesel:

Hydrogen is a key feedstock in the production of renewable diesel (RD) and SAF, and Neste has invested in the development of hydrogen using low-CI electricity. The ability to leverage book-and-claim is essential because low-CI electricity or biomethane are not always available near production facilities to produce green hydrogen. Neste requests that Section 173-424-600 (Part 7) and Section 173-424-610 (Part 9(n)), regarding biomethane and low-CI electricity used to produce low-CI Hydrogen for RD production be treated the same as when used for SAF production. We understand the desire to incentivize SAF production in Washington but we object to penalizing low CI hydrogen used as a feedstock for RD production by subjecting it to several different pipeline and electricity CI requirements than SAF. Under the current regulation, HEFA plants, like those Neste operates, have unnecessary compliance complexity due to RD and SAF having different low-CI hydrogen requirements. It is important to note that today most SAF is produced

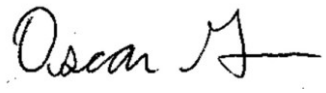
alongside RD in HEFA plants, and Washington should treat all low CI hydrogen the same, considering that low CI hydrogen used for RD will bring more innovation to the SAF industry. We therefore recommend that the requirements for low-CI hydrogen be the same for both SAF and RD.

Additional Proposals to Consider:

Neste suggests that Ecology consider the following additional opt-in sources of credit generation that are "drop-in" fuels that do not require significant infrastructure or investments to implement:

- **Ocean Going Vessels (OGVs):** Facing increasing CI reduction targets proposed by the International Maritime Organization (IMO), shipping companies are looking to renewable fuels as a way to reduce their emissions. Ecology should consider including fuel used in those ocean going vessels within the CFS to support and accelerate the decarbonization of large container ships, tankers, and other OGVs. California has already indicated that it intends to include OGVs in its LCFS program[2], and Washington should do the same.
- **Rail Opt-in:** The rail sector has indicated an interest in using lower carbon fuels if incentivized under the CFS. 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 and incentivized by the CFS. Should the rail industry use renewable diesel, nearby communities would see added co-benefits of lower criteria and toxic air pollutant emissions.
- **Stationary Generators Opt-in:** The past several years have seen significant growth in the installation of stationary backup generators in several states, including Washington. Operators of stationary generators have expressed a strong interest in creating incentives to replace fossil diesel with renewable diesel. Ecology should add stationary generators as an opt-in use of renewable diesel to help decarbonize this growing source of reliable power. Similar to rail applications, nearby communities would see reduced air emissions if renewable diesel was used in these generators.

We appreciate your consideration and are happy to answer questions or provide additional information.



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[2] https://ww2.arb.ca.gov/sites/default/files/barcu/board/books/2024/11070824/24-14prores.pdf