

Altura Capital Partners (Tanner Probst)

Dear Clean Fuel Standard team,

Altura Capital Partners (ACP) is an institutional investment firm focused on environmental and carbon markets, including the California Low Carbon Fuel Standard, Oregon's Clean Fuels Program, Washington's cap-and-invest program and Washington's Clean Fuel Standard. We build our own supply, demand, and price models of these programs from the agencies' published data. Our feedback reflects the view of the capital that finances compliance supply: the terminals, tankage, rail and marine receipt capacity and low-carbon fuel production that Washington needs to meet the 2038 standard.

We urge Ecology to adopt Scenario A, the least gradual schedule and the tightest one the statute allows.

Ecology's own data describe a program that generated far more credits than its standard required:

1. From 2023 through 2025 the program generated 7.6 million credits against 3.3 million deficits, 2.3 credits for every deficit.
2. The credit bank reached 4.2 million credits at the end of 2025, about three years of 2025 deficits.
3. The volume-weighted credit price fell from \$100 in the third quarter of 2023 to \$23 in the first quarter of 2025, and averaged \$27 across 2025.
4. About 2 million of the banked credits, nearly half the bank, sit with electric utilities. Utilities reported earning 2.15 million credits in 2023-2025 and selling 0.21 million, under 10%.

The market responds to the standard only when the standard binds. The 5% step in 2026 roughly doubled quarterly deficits, from 0.33 million in the fourth quarter of 2025 to 0.63 million in the first quarter of 2026, and the credit price rose from \$30 to \$45 by the second quarter and to about \$80 in the latest reported month. Supply follows the same signal: renewable diesel deliveries into Washington more than doubled in 2024, from 60 to 135 million gallons, while credits averaged \$46, then fell to 80 million gallons in 2025 when credits averaged \$27 and the federal biofuel tax credit changed. Renewable diesel was 11% of Washington's diesel pool in 2025.

A program that banked three years of compliance in its first three years can absorb the tightest schedule the Legislature permits.

Recommendation: adopt Scenario A

Scenario A delivers more reduction at no cost to the endpoint. On our projection of 2028 fuel volumes, each percentage point of the standard is worth about 380,000 tonnes of CO₂e. Scenario A requires about 190,000 tonnes more reduction than Scenario B and about 570,000 tonnes more than Scenario C over 2028-2031, and all three end at 45%. Ecology's paper notes that the scenarios differ in their "near-term emissions reductions"; Scenario A is the one that maximizes them.

The cost to drivers is small and bounded. Each percentage point of the 2028 standard adds 1.2 cents to a gallon of gasoline at a \$100 credit price. Scenario A's extra half point over Scenario B is 0.6 cents a gallon for one year at \$100 a credit, and 1.6 cents at the credit clearance market price of \$259. For comparison, every \$10 per tonne on a cap-and-invest allowance adds about 9 cents a gallon. The credit clearance market, the forecast deferral, and the 2-point discretionary adjustment in RCW 70A.535.025 already cap what drivers can pay; a gradual schedule is not needed as a cost

safeguard.

A tighter 2028 does not materially raise the risk of a forecast deferral. In our modeling of the deferral test, Scenario A and Scenario B differ by less than one percent in projected credit coverage for 2029, because the two schedules converge at 18% that year.

Supply needs the signal early. We estimate that new renewable diesel receipt channels into Washington start breaking even at credit prices of \$91. Washington's renewable diesel supply is limited by logistics: in-state refining, limits on renewable diesel in pipeline shipments, and rail and marine receipt capacity. Those assets take years to permit and build and are financed against expected credit demand. A firm 2028 step is the clearest signal Ecology can send in this rulemaking, and it arrives in time for those decisions.

On question 2: we prefer the less gradual schedule, for the same reasons.

Alternatives (question 3)

We ask Ecology to take the following steps, which will decide whether the schedule holds.

First, base the deferral test on the most recent data. The fuel supply forecast behind the mandatory deferral in RCW 70A.535.110 projects a full compliance year on Ecology data that ends 21 months before that year closes. The draft 2027 forecast Commerce presented on August 28, 2026 uses Ecology data through March 2026 and projects the rest of 2026 and all of 2027 from it. The record shows the error that implies. The forecast published in September 2025 put 2025 credit generation 37% above what the program produced, and 2025 renewable diesel at 165 million gallons against the 80 million delivered, with three months of the year left. Forecasts of the same year also move between editions: the 2026 edition put the bank at 5.9 million credits at the end of 2026, and the 2027 draft puts it at 4.5 million. A mandatory switch on a forecast with that error band can pause a schedule the market would have met, or miss a real shortfall. Ecology publishes each quarter about four months after it closes, so second-quarter 2026 data should be public before the December 1 order date. We ask Ecology and Commerce to update the forecast with the latest published quarter before each December order, and to publish the forecast's inputs and its coverage calculation with it.

Second, settle how consecutive deferrals work, and use the least disruptive method first. RCW 70A.535.110(2)(c)(ii) allows an order to require compliance with "the clean fuels program standard applicable during the compliance period prior to the forecast compliance period." If that means the standard parties actually complied with in the prior year, back-to-back deferrals would freeze the standard for several years. On our modeling, a deferral triggered at the 2029 test under that reading would leave the standard 3, 6 and 9 points looser in 2030, 2031 and 2032. We ask Ecology to state in rule that it means the prior year's scheduled standard, so compliance runs at most one year behind the schedule. We also ask Ecology to state that it will use the 2-point discretionary adjustment and a deferral sized to the forecast gap (method (i)) before the broader methods. Third, publish the 55% contingency now. RCW 70A.535.025(5)(b) allows Ecology to move to 55% by 2038 and to adjust the 2032-2037 targets if the stated conditions are met, with a determination possible in 2030. Because every compliant schedule reaches 24% by 2031, a 55% path would need reductions averaging about 4.4 points a year from 2032, against 3 points under the 45% path. We ask Ecology to publish, in this rulemaking, the metrics it will use for the 2030 determination and the contingent 2032-2038 schedule, so that supply investment can plan for it.

Fourth, publish the data the market needs to function. Utilities hold about 2 million credits, nearly

half the bank, and have sold under 10% of what they earned. RCW 70A.535.080 directs that revenue to transportation electrification, so credits held unsold are electrification funding not yet raised, and credits the market cannot count on. We ask Ecology to publish utility credit balances and sales each quarter, to publish the independent market-impact analysis under RCW 70A.535.190 with its inputs (supply by pathway, renewable diesel receipt capacity, the projected bank) before the CR-102, and to allow comment on them.

Washington's standard has outperformed its first years, and the credit price has shown what an oversupplied standard does to the investment the program needs. Scenario A is the only schedule that spends Ecology's full discretion where it signals most, and on our analysis it does so at a cost of well under two cents a gallon. We would welcome the opportunity to discuss this comment and the analysis behind it.

Best,
Tanner Probst