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Looking at the Low Carbon Fuel Standard

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By Robert Sturtz |

California was first in the nation to mandate a 10 percent reduction in the overall carbon intensity of fuel sold in the state by 2020. However, we will not assume a real national leadership role in this important endeavor without first stepping back from California's Low Carbon Fuel Standard (LCFS) Program to reassess critical feasibility, viability and timing issues that potentially threaten jobs and our economy.

That is precisely why Fueling California recently sponsored an intensive workshop that convened a handpicked group of technical experts from the petroleum industry, alternative energy, utilities, and research firms to focus on the technical aspects of LCFS implementation as it relates to fuel costs, supply, availability and timing, as well as discussion of next steps.

A couple of uninformed opinion writers have mischaracterized both our organization and this workshop as an attempt by the oil industry to block efforts to reduce California's carbon footprint. Quite the reverse is true. Fueling California is the largest fuel consumer organization in the state and our member companies employ more than 500,000 California residents and contribute more than $3 billion annually in tax revenues to the state. We and many other responsible fuel consumers doing business in this state are striving to ensure that the LCFS works and minimizes unintended consequences - - understanding that it may have enormous economic impacts on all Californians.

In addition to the recent workshop, Fueling California last year hosted a major symposium in Sacramento on the LCFS, featuring leading experts from a broad and diverse group of stakeholders, legislators, regulators, NGO's and academics, to help raise the awareness and increase public dialogue on this regulation.

Our organization does not oppose the LCFS, as some pundits claim. We want it to work as intended and companies statewide are working diligently to comply. The problem is that many critical elements of the technology needed for compliance either are in their infancy or have yet to ramp up to the levels needed to meet the fast-approaching 2020 deadline.

The objective of our recent workshop was to determine, from experts who are trying to comply with the LCFS, whether they believe the obstacles to the LCFS compliance are substantial and, if so, how they can be overcome. Like any extremely complex challenge, it is best to have all the facts in hand before taking action.

Last September Fueling California reviewed and analyzed over 10 independent LCFS studies from the perspective of fuel consumers. The analysis demonstrated that the real question is not whether

California should implement a low-carbon policy but rather how it should be done. We believe it is necessary to collaborate with those working to implement the program to determine what steps can be taken – including the possibility of adjusting the implementation timeline – to allow the LCFS to succeed without a severe ripple effect on consumers and the economy.

As written, the LCFS imposes an aggressive compliance timetable that depends heavily on rapid evolution of new fuel technology, ample supplies of low-carbon fuel components, and development of an effective low carbon fuel marketplace. As yet, it is uncertain that these are realistic objectives.

So should the state proceed apace to implement LCFS as mandated, or hit the pause button to provide time for more careful review of potential adverse implications and for prudent modifications that make the policy work for all concerned? The analysis shows that we have a choice. Many fuel stakeholders believe it is both timely and necessary to reconsider the timetable and address very real concerns about fuel cost, supply, feasibility of implementation and our current economic situation.

Those who want the LCFS to stand unaltered claim that the long-term overall benefits will eventually outweigh any near and intermediate term costs during an "adjustment phase." The economy and the environment can prosper together but the potentially astronomical economic costs of failure pose unaffordable risks that can only be mitigated with further study and a more realistic implementation plan.

Other states are considering their own standards modeled on ours. California's experience – good or bad – could have national implications. For the sake of our own consumers and others around the country, we are obliged to do it right, not just to get it done.

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Ed's Note: Robert M. Sturtz is president and CEO of Fueling California, a nonprofit energy policy group. Its directors include representatives from United Airlines, Harris Ranch, Chevron and American President Lines.

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