



March 4, 2024

Subject: Comments on S.F. 2584

Dear Members of the Minnesota Senate Transportation Committee:

The American Petroleum Institute (API) represents all segments of America's natural gas and oil industry, which supports more than 11 million U.S. jobs. Our nearly 600 members produce, process, and distribute the majority of the nation's energy. Further, the natural gas and oil industry is responsible for 170,000 jobs in Minnesota and \$13 billion of labor income, along with \$24.6 billion in value added to economic activity¹ while supplying 99 percent of the transportation fuels in Minnesota. API and its members commit to delivering solutions that improve air quality and the goal of reduced emissions across the broader economy.

As the trade association representing the natural gas and oil industry, API is uniquely positioned to think about energy solutions, safety, and innovation for the next generation. API respectfully requests consideration of the following comments to S.F. 2584, which is the Clean Transportation Standard Act. We submitted similar comments on the Minnesota Clean Transportation Standard Work Group process in December 2023².

Liquid transportation fuels including gasoline, diesel and jet fuel will continue to be used for decades to come, and identifying the opportunities to use lower carbon fuels will be key to reducing greenhouse gas (GHG) emissions from the transportation sector in the near term and into the future. API's members are applying their abilities and resources to help develop emission reduction policies in the transportation sector in a manner that allows consumers in Minnesota, and throughout the U.S., the ability to choose the technology that best meets their needs.

API members have made and continue to make significant investments in new technologies that reduce carbon emissions in transportation, including: stand-alone production and coprocessing of bio-feedstocks to make renewable fuels, renewable fuel blends and sustainable aviation fuel; manufacturing of low-carbon ethanol; manufacturing of renewable natural gas from wastewater, landfill gas, and biodigesters at farms as fuel for compressed natural gas vehicles; production of blue and green hydrogen for transportation and stationary applications including building infrastructure; direct air carbon capture; carbon capture and sequestration of CO₂; development of advanced plastics to meet auto industry standards and consumer expectations while reducing emissions and improving vehicle efficiency by light-weighting; and installation of electric vehicle charging stations.

¹ "Impacts of the Oil and Natural Gas Industry on the US Economy in 2021," Prepared for American Petroleum Institute by PWC, April 2023, Table B-1, <https://www.api.org/-/media/files/policy/american-energy/pwc/2023/api-pwc-economic-impact-report-2023>.

² "Clean Transportation Standard Work Group Report to the Legislature," Prepared by the Minnesota Department of Transportation, February 2024, p. 151; Report available at: <https://www.dot.state.mn.us/sustainability/clean-transportation-fuel-standard-working-group.html>.



API supports global action that drives emissions reductions and economic development, including federal policies to reduce carbon emissions that apply across all sectors of the economy. Specifically for transportation, API supports federal policies that are technology-neutral and lifecycle-based that drive GHG emission reductions using a holistic approach for fuels, vehicles, and infrastructure systems with the goal of allowing the marketplace to determine the best mix of fuels to achieve the program targets.

We believe that where low carbon fuel standards are concerned, such standards should be enacted through the federal legislative branch. However, while API's ultimate position on an individual state low carbon fuel program will depend on the specifics of the overall program, if a new state program is proposed, it is critical for the design and function of that program to be harmonized and interoperable with other federal and state programs (e.g., RFS, existing state incentive programs).

There are critical philosophies and principles that must be considered in designing a low carbon fuels program, some of which are highlighted below. Such a program should:

- Support and incentivize investments to grow production of lower carbon intensity (CI) energy used for transportation.
- Address carbon reductions—
 - 1) With standards that decline over time.
 - 2) Using predictable CI reductions for transportation fuels (gasoline, diesel, and the fuels that replace them).
 - 3) Including periodic reviews and updates.
 - 4) Utilizing the most accurate and up-to-date data available.
- Enable a flexible array of compliance mechanisms with current and future technologies.
- Create a framework that is efficient, market-neutral, and fuel- and technology-neutral.
- Consider implications to fuel and feedstock supply and demand outside of the state.
- Enable synergistic co-existence with other federal and state programs.

With regard to specific program design elements, for better program implementation and to minimize negative impacts and unintended consequences, we note the following items for your consideration.

First, a low carbon fuel standard program should be designed with a phased implementation timeline that allows for the thoughtful development of regulation with stakeholder input, addressing issues ranging from compliance strategies to staffing to software. A rushed program that does not allow sufficient time for the regulatory agency to thoughtfully develop and promulgate a rulemaking – including adequate time for a public participation process for stakeholders to provide comment and for the agency to properly consider that input – could result in a flawed program.



Similarly, resource needs must be considered over the life of the program, not just at promulgation. Existing state low carbon fuel programs have faced significant challenges, which are negatively impacting those programs, due to resource constraints. Agency staff and infrastructure were not fully equipped to stand up and implement the program requirements in the timeframe and manner set out by the program, and have resulted in continued delays in pathway approvals and other program implementation elements, impacting the supplying of lower-carbon intensity fuels to the consumer. Even if Minnesota were to simply adopt another state's existing program, insufficient resources (including both personnel and infrastructure) would have a deleterious effect on the program.

Additionally, a low carbon fuel program should also be designed to include periodic program reviews that use the best available scientific data and ensure program effectiveness. Reviews should assess the anticipated and real costs of the program, including costs to the consumer, and analyze GHG emission reductions resulting from the program. Further, a program should include defined off-ramps (e.g., program deferral, waivers, etc.) that can be objectively and timely implemented to avoid potential disruption to supply and consumer impacts. Such off-ramps could be needed in certain instances, such as unavailability of feedstock and/or fuel, exceedance of predetermined program costs, or a failure to achieve the established program goals.

Further, a program should be designed to include clear obligations with efficient and transparent compliance mechanisms that allow all feedstocks and pathways to compete, to ensure successful implementation and minimize market disruptions.

Thank you for the opportunity to share our comments on S.F. 2584. API stands ready to provide information on best practices by the industry with respect to low carbon fuel standard programs. API members are applying their abilities to solve the complex challenges of carbon emissions reductions in the transportation sector in a manner that will provide affordable and reliable products for consumers in Minnesota, and nationwide, while meeting the policy objectives of reducing transportation emissions. To that end, API welcomes discussion on viable solutions to the dual challenge of ensuring reliable and affordable energy supplies to support economic growth and human prosperity, while advancing the policy objectives of reducing transportation emissions. If we can be of any assistance on this or any other legislative matter, please do not hesitate to contact us.

Respectfully submitted,

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