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S.F. No. 2584 - Clean Transportation Fuel Standard (as proposed to be amended by SCS2584A10 amendment)

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S.F. 2584 directs the commissioner of transportation (“the commissioner”) to establish a clean transportation fuel standard that requires a reduction in aggregate carbon intensity for transportation fuels supplied to Minnesota.

Section 1 defines a variety of terms in the newly-created Chapter 174B for purposes of establishing and implementing a clean transportation fuel standard.

Section 2 establishes the clean transportation standard.

Subdivision 1 sets a goal of reducing the aggregate carbon intensity of transportation fuel by 100 percent by 2050. Requires the commissioner to create a clean transportation fuel standard schedule that meets certain aggregate carbon intensity reduction targets by 2030 and 2040.

Subdivision 2 requires the commissioner to calculate the baseline aggregate carbon intensity.

Subdivision 3 sets forth requirements for the clean transportation standard’s rulemaking. Rulemaking must begin 45 days after enactment. Requires a periodic review of rules adopted under the clean transportation standard every 5 years.

Subdivision 4 requires the commissioner to include provisions to allow adjustments in the credit market in response to retail fuel prices or the need to spur further innovation in clean fuels.

Subdivision 5 requires the commissioner to establish a fuel pathways process to determine the aggregate carbon intensity of transportation fuels that accounts for the full life cycle emissions associated with the fuel. The fuel pathway determination process must be consistent for all fuel types and based on other specified criteria.

Subdivision 6 requires the commissioner to collaborate with other state Departments to develop a form and process for the fuel pathways report.

Subdivision 7 requires reports to the legislature on implementation of the clean transportation standard and the review of rulemaking required under subdivision 3.

Section 3 establishes the credit and deficit market for fuel providers to comply with the aggregate carbon intensity reduction schedule set forth in section 2.

Subdivision 1 requires deficit generators - defined as a fuel provider who first produces and imports a transportation fuel for use in Minnesota whose aggregate carbon intensity is above the standard established by the commissioner - to comply with the aggregate carbon intensity reduction schedule.

Deficit generators may comply with the aggregate carbon intensity standard by either:

- (1) producing or importing fuel below the aggregate carbon intensity standard; or
- (2) purchasing sufficient credits to offset aggregate deficits.

Subdivision 2 provides a credit may be generated when a transportation fuel is produced, imported, or provided for use in Minnesota and its aggregate carbon intensity is below the standard set by the commissioner. Credits may only be generated once for a unit of fuel.

Subdivision 3 requires the commissioner to adopt rules establishing the credit and deficit market and verification processes for marketplace participants. Provides for a credit premium for certain cropland-derived biofuels produced either with soil-healthy farming practices or on acreage utilizing continuous living cover cropping systems.

Subdivision 4 directs the commissioner to work with the commissioner of agriculture to develop a statewide average direct carbon intensity value for cropland-derived biofuel feedstocks to determine the overall lifecycle carbon intensity of biofuel production. Requires the commissioner to also develop a unique carbon intensity score for biofuel feedstocks. Requires the commissioner to develop procedures to allow biofuel producers to develop a unique carbon intensity score from forest carbon sinks. Directs the commissioner to provide a biennial report on third-party auditing and verification of farming practices. Specifies data collected and verified under the program is nonpublic data. Prohibits a biofuel producer from claiming a credit premium if they opt for a unique carbon intensity score.

Subdivision 5 requires the commissioner to adopt rules to allow utilities to generate credits from residential electric vehicle charging. Credit revenue must be used to support transportation electrification efforts state-wide, with 60 percent of the revenue specifically directed towards rural areas and environmental justice areas.

Subdivision 6 requires the commissioner to adopt rules permitting the creation of credit aggregators who may claim and use unclaimed credits.

Subdivision 7 exempts producers of aviation, locomotive, marine, or military fuels from generating deficits for those fuels, but those exempted fuel providers may still participate in the clean transportation standard program by earning credits.

Section 4 establishes program participant and deficit generator fee requirements. The commissioner must determine an initial program participant fee before instituting a deficit generator fee. The total amount of the fees must be equal but not exceed projected costs to

the Department of Transportation for developing and implementing the clean transportation standard. Specifies how the fees may be allocated and assessed.

Section 5 establishes the commissioner of transportation's powers and duties in administering and enforcing the clean transportation standard and compliance obligations.

Section 6 appropriates money from the general fund to the commissioner of transportation to implement the act.