



## Oregon Low Carbon Fuel Standard (HB 2186)

# Exemptions (Revisited)

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## HB 2186 - Exemptions

### SECTION 6.

(2)(a) The Environmental Quality Commission may adopt by rule low carbon fuel standards for gasoline, diesel and fuels used as substitutes for gasoline or diesel.

(2)(b) The commission may adopt the following related to the standards, *including but not limited to*:

(2)(b)(E) **Exemptions** for liquefied petroleum gas and other alternative fuels that are used in volumes below thresholds established by the commission;



## HB 2186 Exemptions (Cont'd)

### SECTION 6...

- (4) The provisions of this section do not apply to:
- (4)(a) Motor vehicles registered as **farm vehicles** under the provisions of ORS 805.300.
  - (4)(b) **Farm tractors**, as defined in ORS 801.265.
  - (4)(c) **Implements of husbandry**, as defined in ORS 801.310.
  - (4)(d) **Motor trucks**, as defined in ORS 801.355, **used primarily to transport logs**.



## Exemptions – Fuel Use

- Documentation of exempted use volume
  - volume claimed = exempt use under LCFS
  - verifiable and traceable
- Claimed by regulated party
  - Exempt fuel volumes not counted in compliance obligation



## Exemption Categories (Fuel Use)

- **Liquified Petroleum Gas (Propane)**
- **Farm Vehicles and Equipment (ORS 805.300, 801.265, 801.310)**
- **Log Trucks (ORS 801.355)**
- **Total Volume - Single Fuel, Statewide Use**
- **Small Volume - Individual Producer**
- **Specialized Applications**
- **Ocean-going Vessels**
- **Interstate Locomotives**



## Exemption #1: Liquified Petroleum Gas (Propane)

- Required by statute
- Purpose: Legislative Intent
  
- Proposed Exemption: Use of propane as a transportation fuel is exempt from Oregon LCFS



## Department of Environmental Quality

### Exemption #2 Farm Vehicles and Equipment (ORS 805.300, 801.265, 801.310)

- Required by statute
- Proposed Exemption: Farm Vehicle and Equipment operators can have in their possession fuel that does not meet the LCFS
  - Requires certification of exempted use volume by regulated party
    - How would exempted volumes be tracked by regulated parties?



## Department of Environmental Quality

### Tracking exempted volumes: Example – Farm Use

The ability to purchase tax-exempt fuel does not relieve you of reporting usage and paying any tax liability.

**OREGON EXEMPTION CERTIFICATE**

We hereby request to purchase Use Fuel exempt of the Oregon Use Fuel Tax as permitted by ORS 319.520 for the following reason(s):

- \_\_\_\_\_ Vehicles listed have been issued a valid ODOT Motor Carrier permit or pass (weight receipt) and are subject to weight rules taxes. List file number below.
- \_\_\_\_\_ Vehicles listed have been issued a valid Use Fuel User emblem by the ODOT Fuels Tax Group (this includes special districts and school districts). List user license number below.
- \_\_\_\_\_ Vehicles listed are registered to a US government agency, Oregon state agency, Oregon county or city, and displays a valid Oregon "E" plate.
- \_\_\_\_\_ Vehicle/equipment listed are farm tractors or other agricultural implements only incidentally operated on the highway as defined in ORS 319.520.
- \_\_\_\_\_ Vehicle/equipment listed are unlicensed and/or used exclusively on privately owned property (not operated on highway).

The customer will attach a list of vehicle/equipment/containers for which cards are requested, and the seller will indicate the corresponding card issued for each vehicle and tax status.

**STATEMENT OF CERTIFICATION**

We hereby certify that all Use Fuel purchased on tax using a cardbook card as defined in ORS 319.520 on our account with the seller listed below will only be used for Use Fuel tax-exempt purposes as allowed under ORS 319.520 through 319.540.

We further agree that we are responsible for proper reporting and payment of taxes plus applicable interest and penalties of up to 35% of unpaid taxes due the State of Oregon for Use Fuel purchased tax-exempt on this account and used for non-exempt purposes.

We further agree that no reporting and payment responsibility extends to purchases of use fuel made using any additional or replacement cardbook cards issued under this account.

We therefore indemnify and hold harmless the card issuer (seller) and its subsidiaries and assigns from any and all liability relating to the improper use of tax-exempt cards.

SELLER: \_\_\_\_\_ ACCOUNT NUMBER: \_\_\_\_\_  
 CUSTOMER: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 CITY: \_\_\_\_\_ STATE/ZIP CODE: \_\_\_\_\_  
 SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_  
 PRINT NAME: \_\_\_\_\_ TITLE: \_\_\_\_\_

MCTD FILE NUMBER IF BOX 1 CHECKED ABOVE: \_\_\_\_\_  
 USER LICENSE NUMBER IF BOX 2 CHECKED ABOVE: \_\_\_\_\_

This form is valid when accompanied by a completed vehicle and card listing.

Certification of Oregon Use Fuel Tax Exempt Status - ODOT website:  
<http://www.oregon.gov/ODOT/CS/FTG/docs/SellerPDFs/735-1340.pdf>



### Fuel Use Certification - Example

#### OREGON EXEMPTION CERTIFICATE

We hereby request to purchase Use Fuel exempt of the Oregon Use Fuel Tax as permitted by ORS 319.520 for the following reason(s):

- 1 \_\_\_\_\_ Vehicles listed have been issued a valid ODOT Motor Carrier permit or pass (weight receipt) and are subject to weight mile taxes. List file number below.
- 2 \_\_\_\_\_ Vehicles listed have been issued a valid Use Fuel User emblem by the ODOT Fuels Tax Group (this includes special districts and school districts). List user license number below.
- 3 \_\_\_\_\_ Vehicles listed are registered to a US government agency, Oregon state agency, Oregon county or city, and displays a valid Oregon "E" plate
- 4  Vehicles/equipment listed are farm tractors or other agricultural implements only incidentally operated on the highway as defined in ORS 319.520
- 5 \_\_\_\_\_ Vehicles/equipment listed are unlicensed and/or used exclusively on privately owned property (not operated on highways).



Certificate must indicate reason for exemption under Oregon LCFS

Certification of Oregon Use Fuel Tax Exempt Status - ODOT website:  
<http://www.oregon.gov/ODOT/CS/FTG/docs/SellerPDFs/735-1340.pdf>



### Fuel Use Certification - Example (Continued)

#### STATEMENT OF CERTIFICATION:

We hereby certify that all Use Fuel purchased ex-tax using a cardlock card as defined in ORS 319.520 on our account with the seller listed below will only be used for Use Fuel tax-exempt purposes as allowed under ORS 319.510 through 319.880

We further agree that we are responsible for proper reporting and payment of taxes plus applicable interest and penalties of up to 35% of unpaid taxes due the State of Oregon for Use Fuel purchased tax-exempt on this account and used for non-exempt purposes.

We further agree that tax reporting and payment responsibility extends to purchases of use fuel made using any additional or replacement cardlock cards issued under this account.

We therefore indemnify and hold harmless the card issuer (seller) and its subsidiaries and assigns from any and all liability relating to the improper use of tax-exempt cards.

SELLER: \_\_\_\_\_

CUSTOMER: \_\_\_\_\_ ACCOUNT NUMBER: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

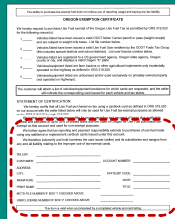
CITY: \_\_\_\_\_ STATE/ZIP CODE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

PRINT NAME: \_\_\_\_\_ TITLE: \_\_\_\_\_

MCTD FILE NUMBER IF BOX '1' CHECKED ABOVE: \_\_\_\_\_

USER LICENSE NUMBER IF BOX '2' CHECKED ABOVE: \_\_\_\_\_



Certification must indicate volume used solely for exempt use



**Exemption #3:  
Log Trucks (ORS 801.355)**

- Required by statute
- Proposed Exemption: Log truck operators can have in their possession fuel that does not meet Oregon LCFS
  - How would exempted use volumes be tracked by regulated parties?
    - Documented by fuel provider (similar to ODOT Oregon Exemption Certificate)



**Exemption #4:  
Total Volume – Single Fuel, Statewide Use**

- Not required by statute
- Purpose: Promote research fuels entering the market, allow adequate lead time for technological development
- Proposed Exemption: Total volume of any alternative fuel used in Oregon is less than 360,000 gge\* per year

\*gge = gasoline gallons equivalent



### Exemption #5 : Small Volume - Individual Producer

- Not required by statute
- Purpose: Facilitate start-up and small-scale production of low carbon fuels
- Proposed Exemption:
  - **Tier I:** Alternative fuel producer's production volume is **less than 10,000 gge\*** per year
  - **Tier II:** Alternative fuel producer's production volume is **less than 50,000 gge\*** per year ***and*** **total volume used entirety by producer**

\*gge = gasoline gallon equivalent

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### Exemption #6: Fuels used in specialized applications (Aircraft, Racing Vehicles, Military Tactical Vehicles, Military Tactical Support Equipment)

- Not required by statute
- Purpose: Exempted to avoid unintended effects of fuel modification
- Proposed Exemption: Fuels used in specialized applications are exempt from the requirements of Oregon LCFS



### Exemption #7: Ocean-going Vessels

- Not required by statute
- Purpose: prevent disruptions in local fueling patterns
- Proposed Exemption: Fuels used in Ocean-going vessel are not required to meet the Oregon LCFS.



### Exemption #8: Interstate Locomotives

- Not required by statute
- Purpose: Federal rules pre-empt state regulation of interstate rail operations
- Proposed Exemption: Fuels used in interstate locomotives are exempt from the Oregon LCFS\*

\*DEQ still evaluating how to classify fuels used in intrastate locomotives



# REVIEW:

## Proposed Fuel Use Exemptions for the Oregon Low Carbon Fuel Standard



<b>Propane</b>	Legislative intent specifically exempted.
<b>Farm Vehicles and Equipment</b>	Farm Vehicle and Equipment operators can have in their possession fuel that does not meet the LCFS
<b>Log Trucks</b>	Log truck operators can have in their possession fuel that does not meet the LCFS
<b>Total Volume, Statewide</b>	< 360,000 gge
<b>Small Volume, Individual Producer</b>	Tier I: <10,000 gge Tier II: <50K gge, entirely self-used
<b>Specialized Applications</b>	Exempted to avoid unintended effects of fuel modification.
<b>Ocean-going Vessels</b>	Does <i>not</i> apply to all other water craft.
<b>Interstate Locomotives</b>	Interstate only