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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2083

1.1 A bill for an act

1.2 relating to transportation fuels; establishing a standard to reduce the carbon intensity

1.3 of transportation fuels; setting fees; creating an account; requiring a report;

1.4 appropriating money; proposing coding for new law in Minnesota Statutes, chapter

1.5 239.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. 239.7912 FUTURES FUELS ACT.

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have

1.9 the meanings given.

1.10 (b) "Carbon dioxide equivalent" means the number of metric tons of carbon dioxide

1.11 emissions that have the same global warming potential as one metric ton of another

1.12 greenhouse gas.

1.13 (c) "Carbon intensity" means the quantity of life cycle greenhouse gas emissions

1.14 associated with a unit of a specific transportation fuel, expressed in grams of carbon dioxide

1.15 equivalent per megajoule of transportation fuel, as calculated by the most recent version of

1.16 Argonne National Laboratory's GREET model and adapted to Minnesota by the department

1.17 through rulemaking or administrative process.

1.18 (d) "Clean fuel" means a transportation fuel that has a carbon intensity level that is below

1.19 the clean fuels carbon intensity standard in a given year.

1.20 (e) "Credit" means a unit of measure equal to one metric ton of carbon dioxide equivalent,

1.21 and that serves as a quantitative measure of the degree to which a fuel provider's

1.22 transportation fuel volume is lower than the carbon intensity embodied in an applicable

1.23 clean fuels standard.

2.1 (f) "Credit generator" means an entity involved in supplying a clean fuel.

2.2 (g) "Deficit" means a unit of measure equal to one metric ton of carbon dioxide equivalent,
2.3 and that serves as a quantitative measure of the degree to which a fuel provider's volume
2.4 of transportation fuel is greater than the carbon intensity embodied in an applicable future
2.5 fuels standard.

2.6 (h) "Deficit generator" means a fuel provider who generates deficits and who first
2.7 produces or imports a transportation fuel for use in Minnesota.

2.8 (i) "Fuel life cycle" means the total aggregate greenhouse gas emissions resulting from
2.9 all stages of a fuel pathway for a specific transportation fuel.

2.10 (j) "Fuel pathway" means a detailed description of all stages of a transportation fuel's
2.11 production and use, including extraction, processing, transportation, distribution, and
2.12 combustion or use by an end-user.

2.13 (k) "Fuel provider" means an entity that supplies a transportation fuel for use in
2.14 Minnesota.

2.15 (l) "Global warming potential" or "GWP" means a quantitative measure of a greenhouse
2.16 gas emission's potential to contribute to global warming over a 100-year period, expressed
2.17 in terms of the equivalent carbon dioxide emission needed to produce the same 100-year
2.18 warming effect.

2.19 (m) "Greenhouse gas" means carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,
2.20 perfluorocarbons, or sulfur hexafluoride.

2.21 (n) "Motor vehicle" has the meaning given in section 169.011, subdivision 42.

2.22 (o) "Relevant petroleum-only portion of transportation fuels" means the component of
2.23 gasoline or diesel fuel prior to blending with ethanol, biodiesel, or other biofuel.

2.24 (p) "Technology provider" means a manufacturer of an end-use consumer technology
2.25 involved in supplying clean fuels.

2.26 (q) "Transportation fuel" means electricity or a liquid or gaseous fuel that (1) is blended,
2.27 sold, supplied, offered for sale, or used to propel a motor vehicle, including but not limited
2.28 to train, light rail vehicle, ship, aircraft, forklift, or other road or nonroad vehicle in
2.29 Minnesota, and (2) meets applicable standards, specifications, and testing requirements
2.30 under this chapter. Transportation fuel includes but is not limited to electricity used as fuel
2.31 in a motor vehicle, gasoline, diesel, ethanol, biodiesel, renewable diesel, propane, renewable
2.32 propane, natural gas, renewable natural gas, hydrogen, aviation fuel, and biomethane.

3.1 Subd. 2. Clean fuels standard; establishment by rule; goals. (a) No later than ..., the
3.2 commissioner must begin the process to adopt rules under chapter 14 that implement a clean
3.3 fuels standard and other provisions of this section. The timing requirement to publish a
3.4 notice of intent to adopt rules or notice of hearing under section 14.125 does not apply to
3.5 rules adopted under this subdivision.

3.6 (b) The commissioner must consult with the commissioners of transportation, agriculture,
3.7 and pollution control when developing the rules under this subdivision. The commissioner
3.8 may gather input from stakeholders through various means, including a taskforce, working
3.9 groups, and public workshops. The commissioner, collaborating with the Department of
3.10 Transportation, may consult with stakeholders, including but not limited to fuel providers,
3.11 consumers, rural, urban and tribal communities, agriculture, environmental and environmental
3.12 justice organizations, technology providers, and other businesses.

3.13 (c) In developing the rule, the commissioner must endeavor to make available to
3.14 Minnesota a fuel-neutral clean fuels portfolio that:

3.15 (1) creates broad rural and urban economic development;

3.16 (2) provides benefits for communities, consumers, clean fuel providers, technology
3.17 providers, and feedstock suppliers;

3.18 (3) increases energy security from expanded reliance on domestically produced fuels;

3.19 (4) supports equitable transportation electrification that benefits all communities and is
3.20 powered primarily with low-carbon and carbon-free electricity;

3.21 (5) improves air quality and public health, targeting communities that bear a
3.22 disproportionate health burden from transportation pollution;

3.23 (6) supports state solid waste recycling goals by facilitating credit generation from
3.24 renewable natural gas produced from organic waste;

3.25 (7) aims to support, through credit generation or other financial means, voluntary
3.26 farmer-led efforts to adopt agricultural practices that benefit soil health and water quality
3.27 while contributing to lower life cycle greenhouse gas emissions from clean fuel feedstocks;
3.28 and

3.29 (8) maximizes benefits to the environment and natural resources, develops safeguards
3.30 and incentives to protect natural lands, and enhances environmental integrity, including
3.31 biodiversity.

4.1 Subd. 3. **Clean fuels standard; establishment.** (a) A clean fuels standard is established
4.2 that requires the aggregate carbon intensity of transportation fuel supplied to Minnesota be
4.3 reduced to at least 20 percent below the 2018 baseline level by the end of 2035. In
4.4 consultation with the Pollution Control Agency, Department of Agriculture, and Department
4.5 of Transportation the commissioner must establish by rule a schedule of annual standards
4.6 that steadily decreases the carbon intensity of transportation fuels.

4.7 (b) When determining the schedule of annual standards, the commissioner must consider
4.8 the cost of compliance, the technologies available to a provider to achieve the standard, the
4.9 need to maintain fuel quality and availability, and the policy goals under subdivision 2,
4.10 paragraph (c).

4.11 (c) Nothing in this chapter precludes the department from adopting rules that allow the
4.12 generation of credits associated with electric or alternative transportation fuels or
4.13 infrastructure that existed prior to the effective date of this section or the start date of program
4.14 requirements.

4.15 Subd. 4. **Clean fuels standard; baseline calculation.** The department must calculate
4.16 the baseline carbon intensity of the relevant petroleum-only portion of transportation fuels
4.17 for the 2018 calendar year after reviewing and considering the best available applicable
4.18 scientific data and calculations.

4.19 Subd. 5. **Clean fuels standard; compliance.** A deficit generator may comply with this
4.20 section by:

4.21 (1) producing or importing transportation fuels whose carbon intensity is at or below
4.22 the level of that year's standard; or

4.23 (2) purchasing sufficient credits to offset any aggregate deficits resulting from the carbon
4.24 intensity of the deficit generator's transportation fuels exceeding that year's standard.

4.25 Subd. 6. **Clean fuel credits.** The commissioner must establish by rule a program for
4.26 tradeable credits and deficits. The commissioner must adopt rules to fairly and reasonably
4.27 operate a credit market, that may include:

4.28 (1) a market mechanism that allows credits to be traded or banked for future use;

4.29 (2) transaction fees associated with the credit market; and

4.30 (3) procedures to verify the validity of credits and deficits generated by a fuel provider
4.31 under this section.

5.1 Subd. 7. **Fuel pathway and carbon intensity determination.** The commissioner must
5.2 establish a process to determine the carbon intensity of transportation fuels, including but
5.3 not limited to the review by the commissioner of a fuel pathway submitted by a fuel provider.
5.4 Fuel pathways must be calculated using the most recent version of the Argonne National
5.5 Laboratory's GREET model adapted to Minnesota, as determined by the commissioner.
5.6 The fuel pathway determination process must (1) be consistent for all fuel types, (2) be
5.7 science and engineering-based, and (3) reflect differences in vehicle fuel efficiency and
5.8 drive trains. The commissioner must consult with the Department of Agriculture, Department
5.9 of Transportation, and Pollution Control Agency to determine fuel pathways, and may
5.10 coordinate with third-party entities or other states to review and approve pathways to reduce
5.11 the administrative cost.

5.12 Subd. 8. **Fuel provider reports.** The commissioner must collaborate with the Department
5.13 of Transportation, Department of Agriculture, Pollution Control Agency, and the Public
5.14 Utilities Commission to develop a process, including forms developed by the commissioner,
5.15 for credit and deficit generators to submit required compliance reporting.

5.16 Subd. 9. **Enforcement.** The commissioner of commerce may enforce this section under
5.17 section 45.027.

5.18 Subd. 10. **Report to the legislature.** No later than 48 months after the effective date of
5.19 a rule implementing a clean fuels standard, the commissioner must submit a report detailing
5.20 program implementation to the chairs and ranking minority members of the senate and
5.21 house committees with jurisdiction over transportation and climate change. The commissioner
5.22 must make summary information on the program available to the public.

5.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.24 Sec. 2. **APPROPRIATION.**

5.25 \$100,000 in fiscal year 2022 is appropriated from the general fund to the commissioner
5.26 of commerce to pay for costs incurred to create the report under Minnesota Statutes, section
5.27 239.7912, subdivision 10. The money from this appropriation does not cancel, but remains
5.28 available until expended. This is a onetime appropriation.