Sponsored by:
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SYNOPSIS
Establishes low-carbon transportation fuel standard program in DEP.

CURRENT VERSION OF TEXT
As introduced.
AN ACT concerning greenhouse gas emissions from transportation fuel and supplementing Title 26 of the Revised Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. The Legislature finds and declares that:
   a. A low-carbon transportation fuel standard is central to reducing the State’s greenhouse gas emissions and that, without policies specific to the transportation sector, reductions in greenhouse gas emissions will not be achieved in a timeframe consistent with the goals of the State's Energy Master Plan;
   b. A low-carbon transportation fuel standard that is technology-neutral and science-based is an effective policy to reduce greenhouse gas emissions in the transportation sector, and associated subsectors that may be difficult to electrify, while also achieving other co-benefits such as improving public health due to a reduction in air pollution emissions;
   c. By creating a low-carbon transportation fuel standard that rewards environmental performance, the State will incentivize the creation of jobs in a wide variety of sectors including construction, agriculture, forestry, and transportation;
   d. A low-carbon transportation fuel standard will induce the creation of new markets for what would normally be considered waste, including municipal solid waste, manure, agricultural and forestry residuals, and industrial emissions;
   e. The demand created for alternative fuels and cleaner forms of mobility under a low-carbon transportation fuel standard will not only help reduce GHG emissions, but will also have the co-benefit of reducing air pollution, thereby helping to improve the health of citizens of the State, especially those with the most exposure or sensitivity to motor vehicle emissions;
   f. To help prompt the use of low-carbon fuels and zero emission vehicles, other states, such as California, Oregon, and Washington have successfully implemented programs that reduce the carbon intensity of their transportation fuel without disruption to their fuel markets; and
   g. It is fitting, proper, and in the public interest to support the deployment of low-carbon transportation fuel technologies through a carefully designed program that reduces the carbon intensity of transportation fuel used in the State, and that permits New Jersey to link its program to those enacted by other states now and in the future.

2. As used in this act:
   “Alternative fuel” means any fuel that is not gasoline or diesel and is used for transportation purposes, including, but not limited to, ethanol, biomass-based diesel, renewable diesel, sustainable
aviation fuel, electricity, biomethane, biogasoline, renewable
natural gas, fuels from carbon capture and utilization, electrofuels,
and hydrogen.

"Argonne National Laboratory" means the science and
engineering research laboratory located in Lemont, Illinois, and
operated by the University of Chicago on behalf of the United
States Department of Energy.

"ASTM" means ASTM International, formerly known as the
American Society for Testing and Materials, the international
organization that develops and publishes technical standards.

“Carbon intensity” means the quantity of greenhouse gas
emissions associated with a unit of fuel, measured over the entire
life-cycle of the fuel and expressed in grams of carbon dioxide
equivalent per megajoule of energy generated by the fuel
(gCO2e/MJ).

“Credit generator” means an entity that produces or imports a
low carbon fuel for use in New Jersey, which, with respect to
electricity used as a transportation fuel, includes, but is not limited
to, electric vehicle charging station providers, electric utilities, and
electric vehicle fleet operators.

"Department” means the Department of Environmental
Protection.

“Diesel” means a liquid that, without further processing or
blending, has practical and commercial fitness for use in the
propulsion engine of a diesel-powered highway vehicle.

“Electrofuel” means a carbon-based fuel that is obtained from
carbon dioxide and water, employing a renewable or low-carbon
source of electricity as the primary source of energy.

“Feedstock” means the required material inputs to the industrial
processes for the manufacture of gasoline, diesel, or alternative
fuels.

“Gasoline” means all products commonly or commercially
known or sold as gasoline that are suitable for use as a motor fuel.

"Gasoline" does not include products that have an ASTM octane
number of less than seventy-five as determined by the "motor

“Greenhouse gas” means carbon dioxide, methane, nitrous oxide,
hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, or any
other substance that contributes to global warming, as designated by
the department.

"GREET model" means the Greenhouse gases, Regulated
Emissions, and Energy use in Technologies model developed at the
Argonne National Laboratory, which simulates the energy use and
greenhouse gas emissions output of various vehicle and fuel
combinations.

“Low-carbon transportation fuel standard” means a mandated
annual standard for the carbon intensity of a transportation fuel.
“Transportation” means the use of motorized vehicles or other machinery to move persons, goods, or other tangible items.

3. a. No later than one year after the effective date of this act, the department shall establish an annual low-carbon transportation fuel standard for gasoline, diesel, and alternative fuels, and a program to implement and enforce the standards. Each refiner, wholesaler, or importer of diesel or gasoline, and each producer of alternative fuel that opts in to the program, shall ensure that the transportation fuel refined, sold, imported, or produced by the entity, as applicable, and supplied for use in the State, meets the low-carbon transportation fuel standard for that fuel on an annual basis. The department shall establish a system of salable and tradable credits, under which transportation fuel that exceeds the low-carbon transportation fuel standard shall generate credits, which shall represent one metric ton of avoided greenhouse gas emissions, as compared with the standard, and under which transportation fuel that does not meet the low-carbon transportation fuel standard shall generate deficits. The department shall develop a system under which credits generated may be redeemed to offset deficits. Each refiner, wholesaler, or importer of diesel or gasoline, and each producer of alternative fuel that opts in to the program, shall demonstrate compliance with this act by redeeming sufficient credits to ensure that it generates no net deficits over each annual reporting period.

b. The low-carbon transportation fuel standard program shall, at a minimum, include:

   (1) a schedule to phase in the implementation of the low-carbon transportation fuel standard for diesel and gasoline in a manner that reduces the average carbon intensity of diesel and gasoline used in the State by 10 percent below 2019 levels by the year 2030;

   (2) an implementation date for the low-carbon transportation fuel standard on or before the eighteenth month after the effective date of this act;

   (3) standards for measuring, using a GREET model, the net greenhouse gas emissions associated with a fuel over its entire life-cycle, including feedstock production or extraction, fuel production, transportation of raw materials and finished fuels, fuel use, and greenhouse gas sequestrations, including, but not limited to, sequestrations of carbon dioxide as organic compounds in soil and geological storage;

   (4) a mechanism by which a refiner, wholesaler, or importer of gasoline or diesel that exceeds the low-carbon transportation fuel standard and is supplied for use within the State can generate credits for all carbon dioxide and carbon dioxide equivalent reductions as determined by the GREET model;

   (5) a mechanism by which a producer or importer of an alternative fuel that exceeds the low-carbon transportation fuel
standard and is supplied for use within the State can generate
credits for all carbon dioxide and carbon dioxide equivalent
reductions as determined by the GREET model;
(6) a mechanism to adjust the carbon intensity of alternative fuel
when the alternative fuel is used in a powertrain that is more or less
efficient than the reference fuel and drivetrain combination;
(7) a mechanism by which a refiner, wholesaler, or importer of
gasoline or diesel that fails to meet the low-carbon transportation
fuel standard and is supplied for use within the State would
generate deficits;
(8) a mechanism by which a producer of an alternative fuel that
fails to meet the low-carbon transportation fuel standard, including
through an carbon intensity adjustment carried out pursuant to
paragraph (6) of this subsection, would generate a deficit;
(9) mechanisms that allow credits to be traded and to be banked
for future compliance periods;
(10) a requirement that diesel, gasoline, or alternative fuel that is
exported from the State would not generate any associated credit or
debit;
(11) exemptions for diesel, gasoline, and alternative fuels that
are used in volumes below certain thresholds, as established by the
department;
(12) exemptions for gasoline, diesel, or other fuels used by
aircraft, railroad locomotives, military vehicles and interstate
waterborne vessels with eligibility to generate credits on a
voluntary, opt-in basis;
(13) procedures for verifying the validity of credits and deficits
generated under the low-carbon transportation fuel standard;
(14) requirements that participants in the program who are
electric public utilities, State agencies, and State authorities direct
at least 40 percent of that participants' overall credit value to
electrified transportation programs, projects, or investments to
directly benefit overburdened communities. Such investments may
include, but are not limited to: support for school bus, transit bus, or
drayage truck electrification; the expansion of public electric
vehicle charging infrastructure for multi-family residences;
investment in electric mobility solutions such as electric vehicle
sharing and ride hailing programs; multilingual marketing,
education, and outreach designed to increase awareness and
adoption of electric vehicles; and additional rebates and incentives
for low-income individuals beyond existing rebates and incentives;
and
(15) a schedule under which the department shall review and
update the greenhouse gas emissions modeling used pursuant to this
act at least every three years, or sooner if the department determines
that new information is available that warrants an earlier review.
The review process shall include a review of the best available
scientific literature, a review of information from the Argonne
National Laboratory, and a review of standards from programs implemented in other states that reduce the carbon intensity of transportation fuels.

c. The low-carbon transportation fuel standard program may contain the following provisions as needed to implement the standard for gasoline, diesel, or alternative fuels, as determined by the department:

(1) a cost containment mechanism that is designed to allow for both sufficient compliance flexibility and maximum greenhouse gas reductions;

(2) a mechanism by which greenhouse gas emissions reductions associated with the production of low carbon electricity or renewable natural gas can be indirectly accounted for when used as transportation fuel or when used in the production of diesel, gasoline, or an alternative fuel that is used within the State;

(3) mechanisms whereby a refiner, wholesaler, importer, or producer of an exempt fuel, including a fuel exempted pursuant to paragraph (12) of subsection b. of this section, can voluntarily opt-in to the program to generate credits;

(4) mechanisms whereby producers of alternative fuel, including a fuel exempted pursuant to paragraph (12) of subsection b. of this section, can voluntarily opt-in to the program to generate credits when the fuel use displaces the combustion of gasoline or diesel for a non-transportation use; and

(5) any standards, specifications, testing requirements or other measures as needed to ensure the quality of gasoline, diesel, and alternative fuels used in accordance with the provisions of this act.

d. The department shall consult with fuel and transportation experts while developing the low-carbon transportation fuel standard program, and may consider linking New Jersey’s program with similar policies in other jurisdictions.

4. The department shall adopt, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and regulations as necessary to implement the provisions of this act.

5. This act shall take effect immediately.

STATEMENT

This bill would establish a low-carbon transportation fuel standard program in the Department of Environmental Protection (DEP).

Under the program, each refiner, wholesaler, or importer of diesel or gasoline, and each producer of alternative fuel, would be required to ensure that the fuel refined, sold, imported, or produced by the entity, as applicable, and supplied for use in the State, meets
the low-carbon transportation fuel standard, on an annual basis. The low-carbon transportation fuel standard would be a maximum level of greenhouse gas emissions associated with the entire life-cycle of a given unit of fuel, including its production, transportation, and consumption. An alternative fuel, under the bill, is any fuel used for transportation other than gasoline or diesel. Such fuels could include hydrogen, biodiesel, or electricity.

In implementing the program, the DEP would be required to establish a system of salable and tradable credits and deficits, under which a given unit fuel that exceeds the low-carbon transportation fuel standard would generate a credit and a given unit of fuel that does not meet the standard would generate a deficit. Entities regulated under the program would be required to ensure that they do not generate any net deficits in a given year, after offsetting their deficits with credits they generate or purchase from third parties.

The bill would establish certain requirements for the low-carbon transportation fuel standard program, as enumerated in subsection b. of section 3 of the bill, including the requirement that the program reduce the greenhouse gas emissions associated with the diesel and gasoline used in the State by 10 percent below 2019 levels by the year 2030. The bill would also enumerate certain optional requirements for the program, in subsection c. of section 3 of the bill, including mechanisms whereby producers of alternative fuel can voluntarily opt-in to the program to generate credits when the fuel use displaces the combustion of gasoline or diesel for a non-transportation use. Finally, the bill would direct the DEP to consult with fuel and transportation experts while developing the program, and it would authorize the DEP to consider linking New Jersey’s program with similar policies in other jurisdictions.