

**SENATE, No. 2425**

**STATE OF NEW JERSEY**

**221st LEGISLATURE**

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**Sponsored by:**

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**District 27 (Essex and Passaic)**

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**SYNOPSIS**

Establishes low-carbon transportation fuel standard program in DEP.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning greenhouse gas emissions from transportation  
2 fuel and supplementing Title 26 of the Revised Statutes.

3

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

6

7 1. The Legislature finds and declares that:

8 a. A low-carbon transportation fuel standard is central to  
9 reducing the State's greenhouse gas emissions and that, without  
10 policies specific to the transportation sector, reductions in  
11 greenhouse gas emissions will not be achieved in a timeframe  
12 consistent with the goals of the State's Energy Master Plan;

13 b. A low-carbon transportation fuel standard that is technology-  
14 neutral and science-based is an effective policy to reduce  
15 greenhouse gas emissions in the transportation sector, and  
16 associated subsectors that may be difficult to electrify, while also  
17 achieving other co-benefits such as improving public health due to a  
18 reduction in air pollution emissions;

19 c. By creating a low-carbon transportation fuel standard that  
20 rewards environmental performance, the State will incentivize the  
21 creation of jobs in a wide variety of sectors including construction,  
22 agriculture, forestry, and transportation;

23 d. A low-carbon transportation fuel standard will induce the  
24 creation of new markets for what would normally be considered  
25 waste, including municipal solid waste, manure, agricultural and  
26 forestry residuals, and industrial emissions;

27 e. The demand created for alternative fuels and cleaner forms of  
28 mobility under a low-carbon transportation fuel standard will not  
29 only help reduce GHG emissions, but will also have the co-benefit  
30 of reducing air pollution, thereby helping to improve the health of  
31 citizens of the State, especially those with the most exposure or  
32 sensitivity to motor vehicle emissions;

33 f. To help prompt the use of low-carbon fuels and zero emission  
34 vehicles, other states, such as California, Oregon, and Washington  
35 have successfully implemented programs that reduce the carbon  
36 intensity of their transportation fuel without disruption to their fuel  
37 markets; and

38 g. It is fitting, proper, and in the public interest to support the  
39 deployment of low-carbon transportation fuel technologies through  
40 a carefully designed program that reduces the carbon intensity of  
41 transportation fuel used in the State, and that permits New Jersey to  
42 link its program to those enacted by other states now and in the  
43 future.

44

45 2. As used in this act:

46 "Alternative fuel" means any fuel that is not gasoline or diesel  
47 and is used for transportation purposes, including, but not limited  
48 to, ethanol, biomass-based diesel, renewable diesel, sustainable

1 aviation fuel, electricity, biomethane, biogasoline, renewable  
2 natural gas, fuels from carbon capture and utilization, electrofuels,  
3 and hydrogen.

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

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

11 "Carbon intensity" means the quantity of greenhouse gas  
12 emissions associated with a unit of fuel, measured over the entire  
13 life-cycle of the fuel and expressed in grams of carbon dioxide  
14 equivalent per megajoule of energy generated by the fuel  
15 (gCO<sub>2</sub>e/MJ).

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

21 "Department" means the Department of Environmental  
22 Protection.

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

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

29 "Feedstock" means the required material inputs to the industrial  
30 processes for the manufacture of gasoline, diesel, or alternative  
31 fuels.

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

34 "Gasoline" does not include products that have an ASTM octane  
35 number of less than seventy-five as determined by the "motor  
36 method," ASTM D2700-92.

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

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

46 "Low-carbon transportation fuel standard" means a mandated  
47 annual standard for the carbon intensity of a transportation fuel.

1       “Transportation” means the use of motorized vehicles or other  
2 machinery to move persons, goods, or other tangible items.

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

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

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

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

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

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

47       (5) a mechanism by which a producer or importer of an  
48 alternative fuel that exceeds the low-carbon transportation fuel

1 standard and is supplied for use within the State can generate  
2 credits for all carbon dioxide and carbon dioxide equivalent  
3 reductions as determined by the GREET model;

4 (6) a mechanism to adjust the carbon intensity of alternative fuel  
5 when the alternative fuel is used in a powertrain that is more or less  
6 efficient than the reference fuel and drivetrain combination;

7 (7) a mechanism by which a refiner, wholesaler, or importer of  
8 gasoline or diesel that fails to meet the low-carbon transportation  
9 fuel standard and is supplied for use within the State would  
10 generate deficits;

11 (8) a mechanism by which a producer of an alternative fuel that  
12 fails to meet the low-carbon transportation fuel standard, including  
13 through an carbon intensity adjustment carried out pursuant to  
14 paragraph (6) of this subsection, would generate a deficit;

15 (9) mechanisms that allow credits to be traded and to be banked  
16 for future compliance periods;

17 (10) a requirement that diesel, gasoline, or alternative fuel that is  
18 exported from the State would not generate any associated credit or  
19 debit;

20 (11) exemptions for diesel, gasoline, and alternative fuels that  
21 are used in volumes below certain thresholds, as established by the  
22 department;

23 (12) exemptions for gasoline, diesel, or other fuels used by  
24 aircraft, railroad locomotives, military vehicles and interstate  
25 waterborne vessels with eligibility to generate credits on a  
26 voluntary, opt-in basis;

27 (13) procedures for verifying the validity of credits and deficits  
28 generated under the low-carbon transportation fuel standard;

29 (14) requirements that participants in the program who are  
30 electric public utilities, State agencies, and State authorities direct  
31 at least 40 percent of that participants' overall credit value to  
32 electrified transportation programs, projects, or investments to  
33 directly benefit overburdened communities. Such investments may  
34 include, but are not limited to: support for school bus, transit bus, or  
35 drayage truck electrification; the expansion of public electric  
36 vehicle charging infrastructure for multi-family residences;  
37 investment in electric mobility solutions such as electric vehicle  
38 sharing and ride hailing programs; multilingual marketing,  
39 education, and outreach designed to increase awareness and  
40 adoption of electric vehicles; and additional rebates and incentives  
41 for low-income individuals beyond existing rebates and incentives;  
42 and

43 (15) a schedule under which the department shall review and  
44 update the greenhouse gas emissions modeling used pursuant to this  
45 act at least every three years, or sooner if the department determines  
46 that new information is available that warrants an earlier review.  
47 The review process shall include a review of the best available  
48 scientific literature, a review of information from the Argonne

1 National Laboratory, and a review of standards from programs  
2 implemented in other states that reduce the carbon intensity of  
3 transportation fuels.

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

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

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

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

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

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

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

32

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

36

37 5. This act shall take effect immediately.

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#### STATEMENT

41

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

45 Under the program, each refiner, wholesaler, or importer of  
46 diesel or gasoline, and each producer of alternative fuel, would be  
47 required to ensure that the fuel refined, sold, imported, or produced  
48 by the entity, as applicable, and supplied for use in the State, meets

1 the low-carbon transportation fuel standard, on an annual basis.  
2 The low-carbon transportation fuel standard would be a maximum  
3 level of greenhouse gas emissions associated with the entire life-  
4 cycle of a given unit of fuel, including its production,  
5 transportation, and consumption. An alternative fuel, under the bill,  
6 is any fuel used for transportation other than gasoline or diesel.  
7 Such fuels could include hydrogen, biodiesel, or electricity.

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

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