

1.1 A bill for an act  
1.2 relating to energy; establishing standard to reduce carbon intensity of  
1.3 transportation fuels; proposing coding for new law in Minnesota Statutes,  
1.4 chapter 116.

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

1.6 Section 1. **[116.741] DEFINITIONS.**

1.7 Subdivision 1. **Scope.** For the purposes of sections 116.741 and 116.742, the terms  
1.8 defined in this section have the meanings given them.

1.9 Subd. 2. **Carbon dioxide equivalent.** "Carbon dioxide equivalent" means the  
1.10 amount of carbon dioxide by weight that would produce the same global warming impact  
1.11 as a given weight of another greenhouse gas, based on the best available science.

1.12 Subd. 3. **Carbon intensity.** "Carbon intensity" means the quantity, as measured on  
1.13 a full life-cycle basis, of carbon dioxide emission or carbon dioxide equivalent emission  
1.14 of other greenhouse gases, per BTU of energy provided by a transportation fuel.

1.15 Subd. 4. **Commissioner.** "Commissioner" means the commissioner of the Pollution  
1.16 Control Agency.

1.17 Subd. 5. **Full life-cycle basis.** "Full life-cycle basis" means all inputs and  
1.18 emissions related to the entire life cycle of a transportation fuel, including the production  
1.19 and extraction of the feedstock or other primary energy source, and the processing,  
1.20 transportation, storage, distribution, and combustion or other chemical conversion of  
1.21 the fuel.

1.22 Subd. 6. **Motor vehicle.** "Motor vehicle" means a vehicle that is self-propelled  
1.23 and designed for use on a public highway.

2.1 Subd. 7. **Renewable transportation fuel producer.** "Renewable transportation  
2.2 fuel producer" means a manufacturer or producer of alcohol from agricultural, woody,  
2.3 or other renewable feedstock for transportation fuel use. "Renewable transportation fuel  
2.4 producer" also includes a manufacturer or producer of transportation fuels that is not a  
2.5 "responsible party" as defined under subdivision 8.

2.6 Subd. 8. **Responsible party.** "Responsible party" means a refiner, producer, blender,  
2.7 or importer of transportation fuel in this state who:

2.8 (1) receives petroleum products in this state for storage and subsequent distribution  
2.9 by tank car or tank truck, or both;

2.10 (2) produces, manufactures, or refines petroleum products in this state; or

2.11 (3) imports petroleum products into this state for sale within the state via boat, barge,  
2.12 truck, or pipeline for storage and subsequent delivery or further transportation from boat,  
2.13 barge, truck, or pipeline terminals in this state.

2.14 Responsible party does not include a renewable producer as defined in subdivision 7.

2.15 Subd. 9. **Transportation fuel.** "Transportation fuel" means a fuel used to propel a  
2.16 motor vehicle.

2.17 Sec. 2. **[116.742] TRANSPORTATION FUEL LOW-CARBON FUEL**  
2.18 **REDUCTION STANDARD.**

2.19 Subdivision 1. **Reduction standard.** (a) A responsible party shall reduce the carbon  
2.20 intensity of transportation fuels it produces, refines, blends, or imports for sale in this  
2.21 state by an aggregate of at least ten percent over the ten-year period from 2011 through  
2.22 2020. The reduction must be at least one percent each year in the period 2011 through  
2.23 2020. The reduction must be measured by using the applicable carbon intensity value of a  
2.24 responsible party for a particular transportation fuel that is set by law, rule specifically  
2.25 adopted pursuant to this section, or other determination of the commissioner.

2.26 (b) There is no exclusive method to achieve the reduction. Methods of reduction  
2.27 can include, among others:

2.28 (1) blending high-carbon intensity fuels with low-carbon intensity fuels;

2.29 (2) changes in production or extraction methods, and other activities reducing  
2.30 carbon intensity; and

2.31 (3) the purchase of low-carbon fuel credits created under the system developed  
2.32 under subdivision 4.

2.33 (c) The commissioner shall advise and assist responsible parties and others on  
2.34 methods to achieve the reduction standard.

3.1 Subd. 2. Carbon intensity values. Unless a different carbon intensity value is set  
 3.2 pursuant to subdivision 3, the table in this subdivision sets the carbon intensity value for  
 3.3 the identified transportation fuels for a responsible party and renewable transportation  
 3.4 fuel producer for 2011. The commissioner shall use a 2005-year baseline to calculate  
 3.5 a carbon intensity value.

<u>Transportation Fuel</u>	<u>Carbon Intensity Value</u>
3.6 <u>Gasoline</u>	<u>1.000</u>
3.7 <u>Diesel</u>	<u>0.987</u>
3.8 <u>Corn ethanol</u>	<u>0.765</u>
3.9 <u>Cellulosic ethanol</u>	<u>0.115</u>
3.10 <u>Coal to liquids</u>	<u>2.443</u>
3.11 <u>Biodiesel</u>	<u>0.350</u>
3.12 <u>Electricity</u>	<u>.....</u>
3.13 <u>Hydrogen</u>	<u>.....</u>
3.14 <u>Compressed natural gas</u>	<u>.....</u>
3.15 <u>Liquefied petroleum</u>	<u>.....</u>
3.16 <u>Methane</u>	<u>.....</u>
3.17 <u>Butanol</u>	<u>.....</u>
3.18 <u>DME</u>	<u>.....</u>

3.20 Subd. 3. Alternative carbon intensity value. A responsible party or renewable  
 3.21 transportation fuel producer may propose to the commissioner a carbon intensity value  
 3.22 for a transportation fuel it produces, blends, or imports different than the value set  
 3.23 by subdivision 2. A party proposing a different value has the burden to show by a  
 3.24 preponderance of scientific evidence that the value set by subdivision 2 is not appropriate.  
 3.25 If the commissioner, after consultation with the commissioner of agriculture, finds after  
 3.26 notice and hearing that a party has met this burden, the commissioner shall set a value for  
 3.27 the transportation fuel based on the evidence in the record.

3.28 Subd. 4. Credits. The commissioner shall develop a system of credits that may be  
 3.29 purchased and sold by responsible parties or renewable transportation fuel producers to  
 3.30 achieve the standard. The credits must be created by responsible party or renewable  
 3.31 transportation fuel producer activity that achieves a greater reduction in carbon intensity  
 3.32 in Minnesota than that required by this section.

3.33 Subd. 5. Reporting. A responsible party shall report annually from 2011 through  
 3.34 2020 to the commissioner on activities it has taken or plans to take to achieve the reduction  
 3.35 standard. A responsible party shall report to the commissioner information requested  
 3.36 by the commissioner to assist the commissioner in determining whether the reduction  
 3.37 standard of this section has been or will be met. Beginning in 2013, the commissioner  
 3.38 shall require responsible parties to demonstrate achievement of the standard reduction by

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4.1 submitting evidence of its transportation fuel carbon content or the purchase of sufficient  
4.2 credits that comply with this section. The commissioner may accept reports filed under  
4.3 other state and federal law for purposes of compliance with this section to the extent those  
4.4 other reports contain information required under this section.

4.5 Subd. 6. **Compliance; penalty.** The commissioner shall require a responsible  
4.6 party to report information and cooperate with the commissioner to determine whether  
4.7 the reduction standard of this section is being achieved. Beginning in 2014, a responsible  
4.8 party may be penalized up to twice the cost of credits necessary for the responsible party  
4.9 to achieve the reduction standard net of other reductions achieved. The penalty may  
4.10 be imposed for each year the reduction standard is not achieved. The commissioner  
4.11 shall consider the efforts of the responsible party to achieve the reduction standard in  
4.12 determining whether to impose a penalty and in determining the amount of a penalty.

4.13 Subd. 7. **Rules.** The commissioner shall, by December 10, 2010, adopt rules  
4.14 necessary to implement and administer this section.