

# Minnesota Low Carbon Fuels Policy

## Frequently Asked Questions

### 1. Why does Minnesota need a Low Carbon Fuels Policy?

A Minnesota Low Carbon Fuels Policy promotes the next generation of cleaner transportation fuels. The policy will spur investments in clean energy technologies within Minnesota, create jobs in rural communities, diversify the state's transportation fuels and reduce global warming pollution from fuels we use in our vehicles.

### 2. What is the Low Carbon Fuels Policy?

A Low Carbon Fuels Policy is a performance-based market mechanism that will require producers, refiners, blenders or importers of transportation fuels to reduce the life cycle carbon intensity of fuels from 2005 levels by an aggregate of 10 percent by 2020, starting in 2011.

### 3. Who supports a Low Carbon Fuels Policy?

In order to meet state and regional climate protection goals, a Low Carbon Fuels Policy is recommended by Minnesota's Next Generation Energy Board, whose members are charged by the Governor and legislature with recommending investments that will achieve energy independence, agricultural and natural resource sustainability, and rural economic vitality; the Midwest Governor's Association through the development of its Midwest Greenhouse Gas Reduction Accord agreed to by six Governors and the Premier of Manitoba; and the Minnesota Climate Change Advisory Group, a 56-member group of public and private organizations and citizen interests that developed a set of state-level policy recommendations for reducing greenhouse gas emissions.

### 4. How will this policy improve our air quality and protect our environment?

Minnesota's transportation sector produces about one quarter of the state's global warming pollution and mobile sources contribute more than half of the state's air toxics that are harmful to human health. Analysis completed for the Minnesota Climate Change Advisory Group showed that lower carbon fuels would reduce emissions of greenhouse gases and other air pollutants 36 million metric tons by 2025 – the highest transportation pollution reduction strategy identified in the analysis.

### 5. What Minnesota businesses can deliver lower carbon fuels?

Refiners of gasoline and diesel can help meet the requirement by improving the efficiency of their fuel production processes and exploring new feedstock options. Minnesota has a number of ethanol and biodiesel producers who today could deliver lower carbon transportation fuels. In addition, innovative biofuel producers who are investing in process upgrades and improvements, such as using biomass for energy, will be rewarded with an increased market share. In the near future, the policy will provide openings for the first producers of cellulosic ethanol, alcohols from paper-mill liquids, and biodiesel from algae - all of which show promise and are being pursued here in Minnesota. Electric and natural gas utilities will also be providers of lower carbon fuels.

### 6. Would this policy support Minnesota's energy independence by reducing our use of imported oil?

Yes. Increasing the percentage of biofuels in transportation fuels will displace fossil fuels, which are not produced in Minnesota. Increased reliance on vehicles that run on electricity, natural gas, and other options will also reduce dependence on foreign sources of oil.

## **7. Will consumers have to pay more for lower carbon fuels?**

Initial economic analysis suggests that any change in fuel prices due to this policy would be marginal with respect to typical price fluctuations. Fuel prices are very volatile due to a number of factors, including total market supply and demand, forecasts and speculation, political forces, and production capacities. By increasing local production of fuel, consumers will be less impacted by these external forces.

## **8. Will low carbon fuels work in existing vehicles?**

Ethanol and biodiesel are already used as additives for their beneficial properties in gasoline and diesel, respectively. Already conventional diesel engines can operate on 100% biodiesel fuel. Presently 10% ethanol is used in Minnesota and most vehicles built after the 1990's can readily use levels of higher ethanol blends.

## **9. What industries and vehicles are covered by the requirements?**

SF 13/HF 86 proposes a Minnesota Low Carbon Fuels Policy that will require on-road transportation fuels to steadily reduce their life cycle carbon intensity. Fuel delivered to bulk storage tanks for on-farm or other industrial off-road use as well as fuels for locomotives, ships, or airplanes are not covered by this policy.

## **10. Shouldn't Minnesota just wait for the federal government to act?**

No. A Minnesota Low Carbon Fuels Policy is necessary to help meet the state's global warming pollution reduction goals in a timely manner. Other US states and regions, including a coalition of 11 Northeast states, are also moving forward with Low Carbon Fuels policies. A Minnesota policy can provide an alternative and needed Midwestern example for potential, future national low carbon fuels policies.

## **11. Minnesota already has established requirements for using ethanol and biodiesel. How will a Low Carbon Fuels Policy affect those mandates?**

The existing mandates for blending ethanol and biodiesel into our fuels provide an important step in the direction of lowering the carbon intensity of Minnesota's transportation fuels. The state's existing E10 mandate will achieve about 2% of the 10% reduction of the Low Carbon Fuels Policy, while the B20 mandate will achieve about 2.5% of the reduction. Additional low carbon fuels will complete the 10% reduction requirement.

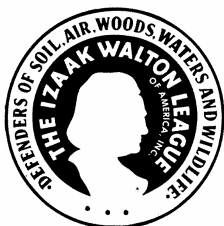
## **12. "Carbon intensity values" are used to compare the carbon reduction potential of various fuels. What source was used to determine these values?**

These carbon intensity values are used nation-wide and were determined based on analysis by Argonne National Laboratories, a federally funded research facility of the U.S. Department of Energy.

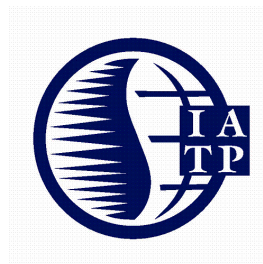
## **13. Minnesota must obtain a waiver from the U.S. EPA before the state requirement for the E-20 mandate can be implemented in 2013. How would the Low Carbon Fuels Policy be affected if this waiver is delayed or denied?**

Flexibility will be built into the low carbon fuels requirements to take into account the possibility that the waiver will be delayed or denied.

### **For more information:**



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