

## WORKING TOGETHER:

# THE LOW CARBON FUEL STANDARD/CLEAN FUEL STANDARD AND CAP-AND-TRADE PROGRAM

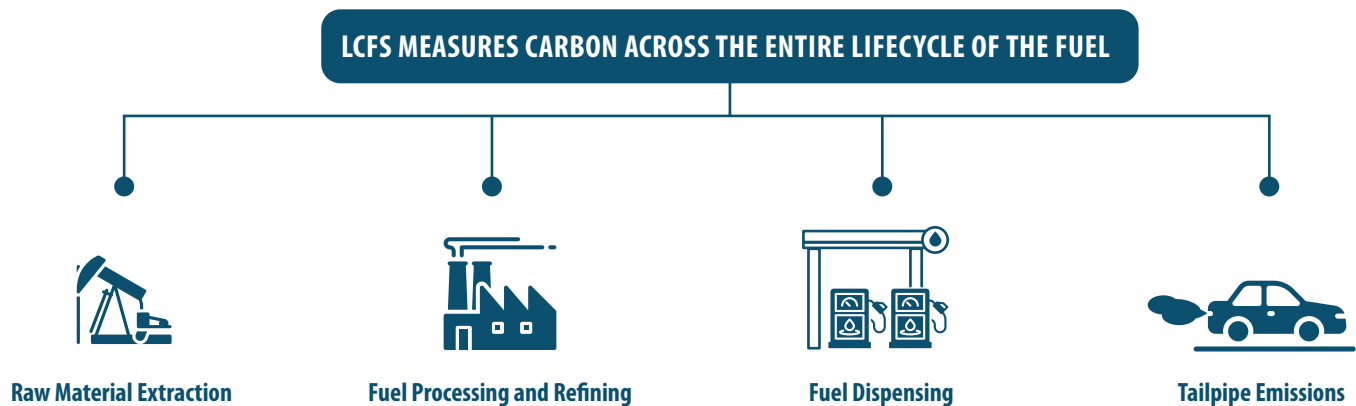
The combination of a low-carbon fuel standard (LCFS) – also called a Clean Fuel Standard -- and a cap-and-trade will reduce greenhouse gas (GHG) emissions, invest in infrastructure, and save more money than either policy on its own.

Together these policies can help drive investment in the sustainable economy, including renewable fuel production and climate-smart agriculture. An LCFS reduces carbon emissions from the production and use of vehicle fuels, while cap and trade programs reduce emissions from industrial facilities such as cement manufacturing and steel mills.

**Enacting a price on carbon – whether through a cap-and-trade program or through a direct carbon fee – without a complementary Low Carbon Fuel Standard/Clean Fuel Standard will not achieve meaningful air quality improvements in communities that are disproportionately impacted by carbon emissions.** An LCFS will directly address the transportation sector and hence improves air quality and health outcomes in environmental justice communities.

## WHAT IS THE LCFS?

The LCFS requires fuel producers to reduce the amount of carbon emitted throughout the lifecycle of their fuels, referred to as the carbon intensity of fuel. The carbon intensity of fuel includes all phases of production and use - from extracting and transporting the raw materials to refining those materials into commercial fuels to the emissions from the tail-pipe of the vehicle.



Fuel producers can reduce the carbon intensity of their fuels by:

- Using low carbon feedstocks (e.g. fats, oils, and greases or agricultural products) that produce renewable fuels.
- Emit less carbon in their production process by using less fossil energy or switch to renewable power in their refining facilities or
- Purchasing LCFS credits on the open market from renewable fuel producers. By selling their LCFS credits, renewable fuel producers reduce costs and often pass those savings onto consumers by reducing the price of their renewable fuel.

Reducing carbon intensity means improved outcomes for communities:

- Renewable fuels also reduce toxic air pollution from trucks and cars including particulate matter in addition to reducing GHGs.
- Recent studies show people living near major roadways have higher exposures and health risks from transportation related pollution.

## WHAT IS THE CAP AND TRADE PROGRAM?

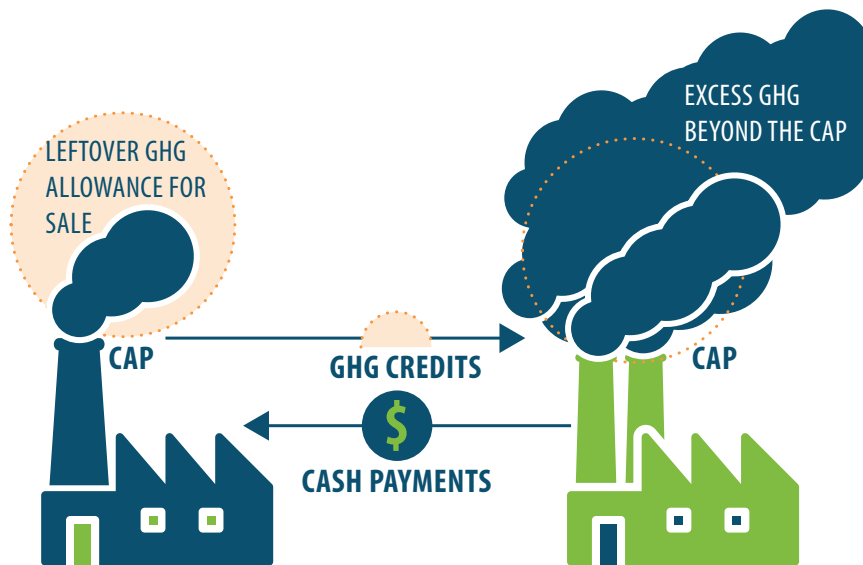
Cap-and-trade programs reduce GHGs by setting emission limits on industrial or commercial facilities such as materials manufacturing (e.g. cement, gypsum, large manufacturing facilities, etc). Facilities that can't meet their emission limits must purchase credits at auctions to allow them to exceed their GHG limit or "cap."

Regulated facilities can reduce their emissions by improving their efficiency or using renewable fuels to power their equipment and facilities. When they reduce emissions below their cap, these companies generate GHG credits that they can bank for future use, trade with other companies, or sell at auction. In addition, cap-and-trade programs generate revenue by selling credits on the open market.

Cap-and-trade programs are excellent at achieving efficiency within an industry and they provide certainty for meeting GHG targets. They also generate revenue to invest in climate-smart agriculture, low-carbon infrastructure and affected populations, including low-income people and workers in the fossil fuel industry. California's cap-and-trade program has invested over \$3 billion of nearly \$13 billion generated to date to benefit priority populations.

But the costs are rarely able to incentivize shifts between industries, like moving from conventional towards renewable fuels. , A combination of policies, including a cap-and-trade program along with an LCFS, can provide the efficiency and innovation necessary to help build a more sustainable and equitable future for all Washingtonians.

Complementary climate policies can also help reduce costs to individuals, particularly those in low-income groups. **A recent Consumer's Union study found that a combination of an LCFS and a cap and trade program, along with vehicle emission standards and growth management programs, will save California households between \$1,210 and \$1,530 annually, with the largest benefits for low-income households.** These cost savings result from a suite of climate policies which result in lower monthly fuel and transportation expenses with the bonus of lower health care costs.



Green House Gas Cap and Trade Program