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California adopts landmark low-carbon fuel rule

Fri Apr 24, 2009 1:03pm EDT

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By [Suzanne Hurt](#)



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SACRAMENTO, California (Reuters) - California on Thursday adopted a first-ever rule to slash carbon emissions in automotive fuels, and spur the market for cleaner gasoline alternatives, after a last-ditch appeal to ethanol advocates who fought the plan.

The low-carbon fuel standard approved by the state's influential air-quality regulators was hailed by backers as an historic initiative that the rest of the United States and other countries were likely to emulate.

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It marks the first attempt by government anywhere in the world to subject transportation fuels -- as opposed to the cars and trucks they power -- to limits on their potential for releasing greenhouse gases blamed for global warming.

The measure, if it works as designed, will hasten the transformation of vehicles and the supporting transportation network built for more than a century around refined petroleum products and the internal combustion engine.

"California's first-in-the world low-carbon fuel standard will not only reduce global warming pollution, it will reward innovation, expand consumer choice and encourage the private investment we need to transform our energy infrastructure," Gov. Arnold Schwarzenegger said in a statement.

Schwarzenegger prompted work on a low-carbon fuel standard when he called for such a measure in a 2007 executive order.

Transportation alone accounts for a third of the nation's greenhouse gas emissions, and 40 percent in California, which ranks as the leading automobile market in the United States.

At least 11 other states are weighing similar rules, and President [Barack Obama](#) has called for a nationwide low-carbon fuel standard to help meet his goal of cutting greenhouse gas emissions more than 80 percent by mid-century.

But ethanol industry executives and other critics say the measure contains a built-in bias against biofuels -- especially those made from corn -- that will undermine regulators' aims of helping abate climate change and reduce the nation's dependence on foreign oil.

PRODUCTION TO COMBUSTION

The heart of the rule is a new standard requiring refineries, producers and importers of motor fuels sold in California to reduce the "carbon intensity" of their products by 10 percent by 2020, with greater cuts

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thereafter.

Fuel suppliers can achieve those targets by reducing the carbon content of their own products, buying and reselling cleaner-burning fuels from others or by purchasing carbon credits as offsets.

The rule is supposed to lower California's carbon emissions by 16 million metric tons over the next decade, and replace 20 percent of the state's fossil fuels with cleaner options, such as electricity, hydrogen, natural gas and biofuels.

The measure thus creates a market for alternative fuels insulated from the volatility of petroleum prices and lets the market decide which new fuels will thrive commercially.

California's plan also takes a sweeping "cradle-to-grave" approach to cutting the carbon footprint of fuels by accounting for direct tailpipe emissions and indirect impacts associated with a fuel's overall "pathway" from production to combustion.

In the case of grain-based ethanol, the measure factors in the carbon consequences of plowing up grasslands or clearing forests for large-scale corn or sugar cane cultivation.

Critics say the model for indirect effects of land use is flawed and selectively applied to ethanol only, putting a cleaner-burning fuel already widely available at a disadvantage to alternatives still being developed.

In an 11th-hour bid to ease those concerns, the head of the state's Air Resources Board, Mary Nichols, wrote a letter to biofuel executives insisting that corn ethanol will play a key role in California's fuel market well into the next decade.

She pledged further review of the rule and said the board would revise its regulation over time as warranted. In a briefing with reporters during a break in Thursday's hearing, Nichols stressed that the rule is a work in progress.

"We are aware of the fact that we don't know everything," she said.

Former U.S. Army General Wesley Clark, co-chair of biofuels association Growth Energy and a former Democratic U.S. presidential candidate, said he supported the rule overall but urged suspension of provisions related to indirect impacts.

Instead, the board agreed to strengthen the review process, including a new advisory panel consisting of regulators, energy executives, consumer advocates, automakers, environmental groups, academics and public health authorities.

(Writing and additional reporting by Steve Gorman in Los Angeles; editing by Nichola Groom and Carol Bishopric; editing by Todd Eastham)

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