California regulators restore emissions-cutting fuel rule

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California regulators on Friday restored ambitious rules to cut transportation fuel emissions 10 percent within 5 years, a decision that gives Gov. Jerry Brown a boost for his climate change agenda.

The rules further strengthen California's toughest-in-the-nation carbon emissions standards, but oil producers warn the changes could drive up costs for consumers at the gas pump.

The changes are expected to add a few cents a gallon to the cost of gasoline and diesel fuel in the state that already has some of the highest gas prices in the nation. The state estimates a typical commuter will pay an extra $20 to $24 in 2017, increasing to $52 to $56 in 2020.

"We are on a path to reduce our dependence on petroleum and this program is a key piece of that action," Mary Nichols, chairwoman of the California Air Resources Board, said ahead of the vote.

Brown, a Democrat, has vowed to intensify his fight against climate change after the oil lobby helped kill a Democratic legislative proposal earlier this month to slash statewide petroleum use by half in 15 years. The board is the state's top regulatory agency to enforce rules aimed at reducing air pollution.

Regulators voted 9-0 to re-adopt its low-carbon fuel standard, which requires producers to cut the carbon content of fuels 10 percent by 2020 to help the state meet its emission-reductions goals.

The program was initially adopted in 2009 but the reduction target has been frozen at 1 percent because of a court fight. Friday's vote allows the state to resume its program; modifies rules in response to industry concerns about price spikes; and gives companies more credits for using renewable hydrogen and other investments to reduce pollutants.

Supporters say the program is worthwhile because it will encourage greater use of cleaner biofuels and electric vehicles, which can be cheaper to operate than those powered by gasoline or diesel.

"This puts it back on track," Bill Magavern, policy director at Coalition for Clean Air, an environmental advocacy group, said after the vote. "We have other programs that address vehicle technologies and vehicle miles traveled, and this is the one that tells oil companies to reduce the carbon intensity of their fuels."

Oil producers counter that the rules are unworkable and too costly. They said the standard will impact consumers as the companies try to comply with the mandate or face being shut out of the market.

Catherine Reheis-Boyd, president of the Western States Petroleum Association, which represents oil companies, said the low carbon fuel standard jeopardizes the state's energy future and adds uncertainty.

"California motorists need to know what is coming and how these regulations will impact transportation fuels," Reheis-Boyd said in a statement.

Unlike other rules the state has adopted requiring cleaner-burning fuel or more fuel-efficient vehicles, the standard, first proposed in a 2007 executive order from then-Gov. Arnold Schwarzenegger, calls for counting all the pollution required to deliver gasoline, diesel or alternative fuels to in-state consumers—from drilling a new oil well or planting corn to delivering it to gas stations.

In addition to tailpipe emissions, it includes factors such as whether an ethanol factory uses coal or natural gas to power production or an oil rig uses diesel fuel to drill.

Regulators are targeting transportation fuels because California's roughly 30 million vehicles account for about 40 percent of the state's emissions—the largest source. The rest comes from generating electricity and industrial manufacturing, as well as commercial, residential and agricultural uses.

All fuels are measured against a baseline pollution standard. If a fuel falls above or below the baseline, it generates a credit or deficit that other producers can buy and sell to meet the target.

It's up to fuel producers to figure out how to meet the goal, whether by changing production methods, using ethanol or electric vehicles for transportation or buying credits on the market.

After the rule's initial adoption, out-of-state refiners and ethanol companies were among those who sued, arguing that transporting the fuels into California alone made them less competitive against in-state producers. They argued the law unconstitutionally limits interstate commerce.

The U.S. Supreme Court let stand a 2013 appeals court decision upholding the fuel standard.

Opponents continue to challenge the state's authority to regulate out-of-state production. Oil firms are also trying to block a similar standard enacted in Oregon, the only other state with a clean fuel standard.

Friday's move to restore California's program is not related to Volkswagen drawing international attention for violating separate federal and state rules that regulate emissions from vehicles.