Competitive Fuels COALITION

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FREQUENTLY ASKED QUESTIONS

1 **What is the Competitive Fuels Act?** The policy is modeled after "clean fuel standard" policies in other states, which support a diversified transportation fuels market. The policy fosters innovation in the fuel markets by setting a goal to reduce the average carbon intensity of transportation fuels over time. In a Competitive Fuels policy, fuels compete against each other to earn credits for being the most innovative and efficient. The fuels that meet the goal generate credits, while the fuels that miss the goal generate deficits. Credits have a market value that varies based on market forces.

2 **What types of fuels would be eligible to generate credits?** Many transportation fuels are eligible, including those used in passenger cars, heavy-duty trucks, farm engines, construction equipment, and more. Eligible fuels can include: ethanol, biodiesel, renewable diesel, clean jet fuels, hydrogen, electricity, renewable natural gas, and more.

3 **How does the Competitive Fuels Act work?** Each fuel source is assigned a carbon intensity score based on the best available science from the Department of Energy. Fuels are measured against an annual carbon intensity target: Fuels with carbon intensity scores below the target (lower emissions) receive credits; fuels with carbon intensity scores above the target (higher emissions) generate deficits. Over time, the carbon intensity targets are tightened until decarbonization goals are met. Surplus credits can be traded or saved for the future. Fuel makers can either produce or purchase eligible fuels with attached credits or buy credits directly from parties with a surplus. Rather than a "command-and-control" regulatory mechanism, this system allows flexibility by empowering fuel providers to decide how best to attain compliance.

4 **How will the Competitive Fuels Act create jobs?** The policy would provide the scale and certainty to enable large-scale, long-term investments that will drive new manufacturing and innovation in Michigan, as well as maximize job creation and sustainable development across multiple sectors. Michigan is home to many industries across vehicle manufacturing, charging station manufacturing, and biofuel production - all of which would benefit from the policy, creating economic opportunity across Michigan.

5 **How will the Competitive Fuels Act lower transportation costs?** The policy increases competition in the fuels marketplace, which is currently dominated by fossil-based oil. By incentivizing more innovative fuel options, the policy drives down costs across fuel markets and insulates American consumers from oil price shocks. Supporting Michigan-grown fuels and vehicle technologies will reduce costs in the long run. Similar programs in other jurisdictions have not had discernible negative price impacts, especially compared to gasoline price volatility.

6 **Will the Competitive Fuels Act primarily benefit electric vehicles?** The policy sets the stage for market forces to decide on the best manner to meet the goals. The policy supports the deployment of electric vehicles alongside innovative liquid fuels, which will play an essential role in many markets, especially where it's currently hard to electrify, like in airplanes, ships, and long-haul heavy-duty vehicles.

7 **What is the primary driver of retail gas prices?** The price of crude oil primarily drives prices at the pump. When oil prices spike, retail gas prices follow.

8 **Just how much do crude oil prices affect gas prices?** Up to 70% of gasoline prices are directly related to the price of crude oil. Whenever there's a shortage, war, or volatility in the oil market, it dramatically affects gas and diesel prices at the pump. To sever this relationship, we need to create more competition in the fuel markets by diversifying the types of transportation fuels available to consumers.

9 **Why is fuel market diversity important?** Gasoline and diesel may come in many brands, but they're essentially the same product refined from crude oil using the same process. Because global events beyond our control shape oil prices, drivers are regularly hit with price spikes they can't avoid. Diversifying the fuel market helps break this cycle by giving drivers access to cheaper, cleaner alternatives unrelated to crude oil's volatility.

10 **Does the Competitive Fuels Act diversify the fuel market?** Yes. The policy helps expand access to alternative fuels. In places like California, Oregon, and British Columbia, similar policies have led to increased availability of renewable diesel, renewable natural gas, biodiesel, ethanol, electricity, and low-carbon propane and hydrogen for consumers.

11 **How much will the Competitive Fuels Act affect gasoline prices?** Gasoline and diesel fuels are commodities derived from crude oil. Over 90% of US transportation is powered by oil, and when oil prices spike, businesses and consumers have few alternatives. Diversifying the fuel market frees us from this cycle by offering drivers cheaper—and cleaner—fuels that aren't tied to crude oil volatility.

12 **How does the price of clean fuels compare to conventional gasoline and diesel?** Clean fuels often cost less. Retail price data show that E85 fuel, which is up to 85% ethanol, regularly saves drivers $1 or more per gallon as compared to gasoline. In times of oil market volatility that drives up the price of gasoline, the savings can be even more dramatic. In spring 2022, after Russia invaded Ukraine, E85 was $2.50 or more cheaper at the pump in California. Renewable diesel is also regularly cheaper than conventional diesel at the pump.

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