

## **Northeast/Mid-Atlantic States Low Carbon Fuel Standard Program**

The international scientific community has determined that to stabilize the global climate and to prevent catastrophic impacts from climate change, urgent action is required to reduce greenhouse gas (GHG) emissions approximately 80 percent from 1990 levels by mid-century. Most GHG emissions result from burning fossil fuels, including petroleum.

In addition, developing alternatives to our continued reliance on petroleum-based fuels will help our economies and enable increases in fuel security and energy reliability. Further, the development, commercialization and use of fuels that have a low carbon intensity can support the growth of jobs, businesses and services in a clean energy economy.

All the Northeast and Mid-Atlantic states either have statutory obligations and/or commitments to achieve an 80 percent reduction from 1990 levels in GHG emissions, or are taking other steps to reduce such emissions, such as funding energy efficiency, renewable energy, and climate-friendly transportation programs.

The transportation sector, principally reliant on petroleum-based fuels at present, is one of the largest sources of GHG emissions in the Northeast/Mid-Atlantic region, is the largest source in a number of states in the region, and is the fastest-growing source of emissions. There are three principal methods of reducing emissions from transportation: reducing the lifecycle carbon content of fuels, regulating GHG emissions from mobile sources, and reducing vehicle miles traveled through transportation/travel demand management strategies.

A "low carbon fuel standard" (LCFS) is a market-based, technologically neutral policy to address the carbon content of fuels by requiring reductions in the average lifecycle GHG emissions per unit of useful energy, which the State of California plans to implement for motor vehicles. Such a standard is potentially applicable not only in transportation, but also for fuel used for heating buildings, for industrial processes, and for electricity generation. A LCFS has the potential to ease the transition to a low carbon economy if implemented in the context of a broader strategy to reduce GHG emissions. Unlike a renewable fuel standard, it allows other fuels (besides ethanol) to be used for compliance, rewards fuels with the lowest lifecycle GHG emissions and discourages the development of high-carbon fuels such as liquid coal.

Fuels that may have potential to reduce the carbon intensity of transportation include electricity and advanced biofuels that have lower lifecycle carbon emissions and are less likely to cause indirect effects from crop diversion and land use changes than those on the market today.

Due to the interconnected nature of the fuel distribution system that currently exists in the Northeast/Mid-Atlantic, a regional approach to a LCFS is likely to be easier to implement

and more effective. There is clear precedent for such an approach in the Regional Greenhouse Gas Initiative (RGGI) that ten Northeast and Mid-Atlantic states have established to reduce emissions from the electricity sector. In addition, on June 2, 2008 Governor Deval Patrick of Massachusetts invited the other RGGI governors to join together in creating a regional LCFS.

The undersigned states believe it is critical to understand the true contribution of renewable fuels to reducing GHG emissions, and to calculate the carbon content of fuels on a full lifecycle basis, including direct emissions and significant indirect emissions, such as those from potential land use changes that may be attributable to fuel production. The states intend to be proactive in addressing biofuel sustainability issues within a LCFS, in order to prevent unintended consequences, maintain or increase carbon storage of lands and forests, and maintain and/or improve environmental quality.

In view of the facts above, the undersigned states commit to participating in an effort to analyze low carbon fuel supply options and develop a framework for a regional LCFS in the Northeast/Mid-Atlantic region, in order to ensure sustainable use of renewable fuels in the region. The states will collaborate with the Northeast States for Coordinated Air Use Management (NESCAUM), which is conducting a study of a LCFS for the region.

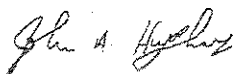
In addition, the Northeast and Mid-Atlantic states will seek to cooperate, where practical, with other U.S. states or regions and the federal government, in the design and implementation of a LCFS; and shall seek to influence the design of any federal LCFS or other fuels policy that is proposed.

In accordance with the opportunities and concerns discussed above, the undersigned states seek to draft a Memorandum of Understanding concerning the development of a regional low carbon fuel standard program, to be forwarded by December 31, 2009, or as soon thereafter as is possible for each state, for consideration by the Governors of the states below.

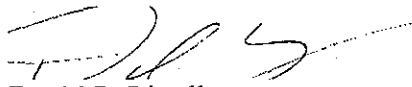
**This Low Carbon Fuel Framework signed as of the 31<sup>st</sup> day of December, 2008.**



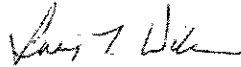
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