

Oregon Clean Fuels Program Qualitative Ten-Year Outlook

SAMPLE

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Abbreviated Executive Summary

Presented in this report is Stillwater's qualitative assessment of the Oregon Clean Fuels Program (CFP), taking in to account the age and stage of the CFP as compared to California's more mature Low Carbon Fuel Standard (LCFS), and the history of LCFS and CFP credit prices. Stillwater provides the most likely, high, and low price curves for CFP credits. This outlook is based on the latest data available for each program.

In Section One, we offer a brief overview of the CFP including the regulatory landscape, primary pathways for deficit and credit generation, comparisons to the California LCFS, and current market conditions. Section Two covers the CFP market fundamentals to-date, primarily supply and demand, but also the average CI of the Oregon fuel pool, and the history of the CFP and LCFS credit prices.

Section Three explains Stillwater's analysis of the historic CFP credit prices and qualitative approach to forecasting CFP credit prices out ten years. Through 2019, while the CFP was in its first four years, CFP credit prices effectively tracked LCFS credits prices. The pricing relationship between the CFP and LCFS for this period appears to have been linked to the difference in the corn ethanol indirect land-use change (ILUC) between the two programs. Beginning late 2019, however, the CFP credit price appears to decouple from the LCFS credit price. In fact, since late 2020, CFP credit prices have effectively flatlined while LCFS credit prices have fallen. As of this writing, the two credit prices have reached parity. These price trends suggest that the relationship between CFP and LCFS credit prices changed beginning when the CFP's quarterly net credits turned to a deficit in 2020. In 2021, the CFP values did not respond to changes in the LCFS values, supporting the theory that the relationship tied to the difference in the corn ethanol ILUC between the two programs broke down, indicating a new pricing relationship has emerged.

Section Four includes our credit price outlook through 2031 and its basis. Based on equating the credit value of BD in the CFP and LCFS markets and the three cases in Stillwater's LCFS Price Forecast, the forecasted CFP Credit Prices are presented