



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Bill 4

FISCAL NOTE

Drafting Number: LLS 20-0339
Prime Sponsors:

Date: November 1, 2019
Bill Status: Bill Request
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Bill Topic: STATEWIDE BIODIESEL BLEND REQUIREMENT FOR DIESEL SALES

**Summary of
Fiscal Impact:**

- | | |
|---|--|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

This bill phases in a requirement that all diesel sold in the state be blended with 10 percent biodiesel by January 1, 2023. It will increase state workload in FY 2020-21 and may impact state and local government expenditures on an ongoing basis.

**Appropriation
Summary:** No appropriation is required.

**Fiscal Note
Status:** The fiscal note reflects the bill draft requested by the Energy Legislation Review Interim Study Committee.

Summary of Legislation

This bill requires petroleum diesel sold in Colorado to be blended with a percentage of biodiesel on the following phased-in schedule:

- blended with at least 5 percent biodiesel (B5) by January 1, 2021; and
- blended with at least 10 percent biodiesel (B10) by January 1, 2023.

The Division of Oil and Public Safety in the Department of Labor and Employment (CDLE), in consultation with the Air Quality Control Commission in the Department of Public Health and Environment (CDPHE), must promulgate rules to establish a waiver process for distributors or retailers of diesel fuel. CDLE may also promulgate rules to accelerate the second phase timeline if technically feasible. "Biodiesel" is defined as fuel composed of mono-alkyl esters of long chain fatty acids derived from plant or animal matter that meets ASTM specifications.

Background

Using available data on state fuel tax collections and exemptions, approximately 878 million gallons of petroleum diesel was sold in Colorado in FY 2018-19. All manner of diesel fuels are administered and reported in the same way under the Colorado International Fuel Tax Agreement.

State Expenditures

The CDLE will conduct rulemaking in FY 2020-21 within its existing rulemaking resources. Beginning in FY 2020-21, state agencies that operate or maintain diesel vehicles and generators, including, but not limited to, the Departments of Corrections, Natural Resources, Personnel, and Transportation, may have new or reduced costs. There are two primary potential cost factors under the bill: the first is a cost differential between blended diesel and petroleum diesel, and the second is potential cost increases related to storage and use of blended diesel in generators. If blended diesel creates new costs or cost savings in state agencies, these issues will be addressed through the annual budget process.

As for the first cost factor, blended diesel varies in price from petroleum diesel. The most recent U.S. Department of Energy Clean Cities Alternative Fuel Price Report provides average regional and national prices for petroleum diesel and B20 diesel (defined as a blend between B6 and B20; the report does not provide data for B5 diesel). In the Rocky Mountain Region, which includes Colorado, the price for B20 diesel was 25¢ per gallon higher than for non-blended diesel. However, nationally, the price for B20 diesel was 18¢ per gallon lower than for non-blended diesel. Based on the regional trend, fuel costs are likely to increase for departments operating diesel equipment.

To the second cost factor, pure biodiesel freezes at higher temperatures than petroleum diesel; however, blended diesel, particularly in the lower percentage blends, typically performs the same as petroleum diesel fuel in cold weather. There have also been incidents of accelerated corrosion in uncoated steel tanks that store biodiesel. For the Department of Corrections, in particular, if blended diesel has a shorter shelf life than petroleum diesel, costs will increase to handle and replace fuel in emergency generators and boilers.

Local Government

Similar to the state, local governments may see impacts to costs related to operating or maintaining diesel vehicles and generators.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

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| Colorado Energy Office | Corrections | Counties |
| Labor | Law | Military Affairs |
| Municipalities | Natural Resources | Personnel |
| Public Health and Environment | Public Safety | Regulatory Agencies |
| Revenue | Special Districts | Transportation |