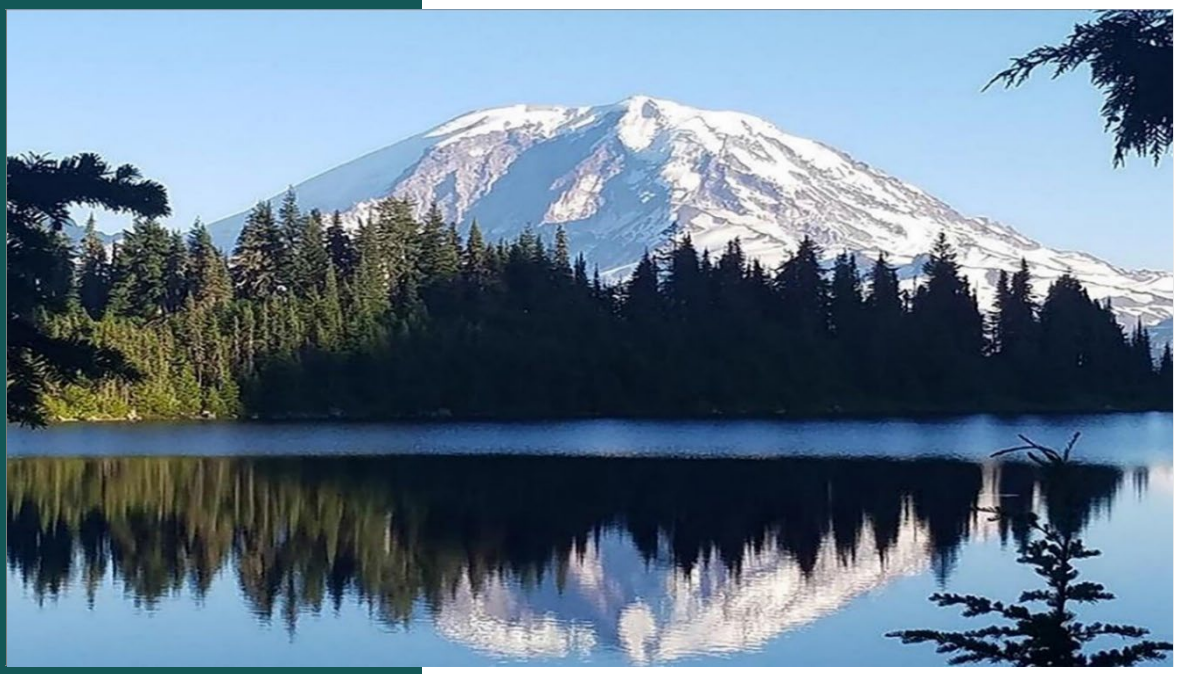

Liquid Fuels Reporting User Guide

Clean Fuel Standard Program Guidance

By

Climate Pollination Reduction Program

Washington State Department of Ecology

Olympia, Washington

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Related Information

Visit our website to view additional Clean Fuel Standard guidance documents.[1]

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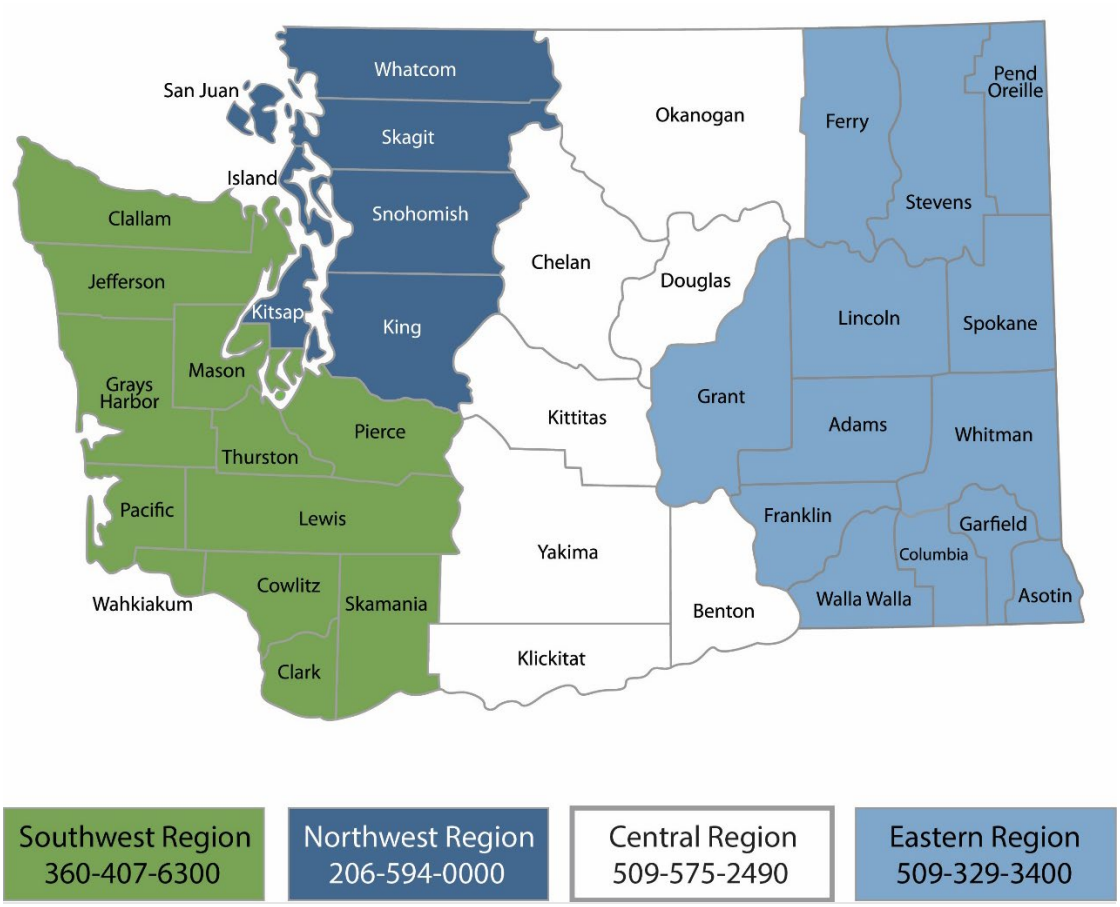
[1] https://www.ezview.wa.gov/site/alias__1962/37847/clean_fuel_standard_guidance_documents.aspx
[2] https://ecology.wa.gov/air-climate/reducing-greenhouse-gas-emissions/clean-fuel-standard

Department of Ecology's Regional Offices

Map of Counties Served



Region	Counties served	Mailing Address	Phone
Southwest	Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Mason, Lewis, Pacific, Pierce, Skamania, Thurston, Wahkiakum	PO Box 47775 Olympia, WA 98504	360-407-6300
Northwest	Island, King, Kitsap, San Juan, Skagit, Snohomish, Whatcom	PO Box 330316 Shoreline, WA 98133	206-594-0000
Central	Benton, Chelan, Douglas, Kittitas, Klickitat, Okanogan, Yakima	1250 W Alder St Union Gap, WA 98903	509-575-2490
Eastern	Adams, Asotin, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman	4601 N Monroe Spokane, WA 99205	509-329-3400
Headquarters	Across Washington	PO Box 46700 Olympia, WA 98504	360-407-6000

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Introduction

This document provides an update on participation in the Clean Fuel Standard (CFS) program for producers, importers, and suppliers of liquid fuels used as a transportation fuel in Washington.

Topics covered include:

- Mass balance guidance
- Flash sales
- Transferring inventory from expiring pathway to new pathway
- Exemption
- Maritime Fuel Reporting in Washington Waters (opt in liquid fuels??)
- Liquid Fuels FAQ

This document may be periodically updated to cover additional topics related to liquid fuels reporting.

Mass Balance Accounting

Mass balance reporting is an accounting method for fuel movement when multiple sources of fuel are commingled in a single tank, and a specific fuel pathway code cannot be accurately associated with each gallon of fuel as it leaves the tank.

When this occurs:

- Reporting parties may assign a fuel pathway code to gallons transferred out
- Based on the pathway codes that are in inventory
- Within that commingled storage

Reporting parties may mass balance transfers out of a commingled tank or multiple tanks at the same facility by fuel pathway code based on the gallons input into that tank or facility in the current or prior quarter, per WAC 173-424-420(6)(d).

Additional applicability detail

Mass balance reporting is only allowed for fuel that is placed into a commingled tank in:

- The same quarter reported, or
- The quarter prior to the one being reported

To use mass balance reporting for a fuel pathway code that was placed into a commingled tank two or more quarters prior to the one being reported on you must prove to Ecology that the tank has not fully turned over by the quarter it is reporting the volume being transferred out.

This only applies at the level of:

- a single storage tank or
- a single facility with multiple storage tanks

Mass balance example

If I transfer 10,000 gallons of ethanol under fuel pathway code A and 5,000 gallons of fuel pathway code B into a single commingled storage tank during Q1, then I can use mass balance reporting when I transfer fuel out of that tank in Q1 or Q2.

When mass balancing those transfers out

- I can choose which fuel pathway code to use for the sale
- But I am limited by the volumes that were actually transferred into the tank
- If I transfer out 7,000 gallons:
    - I can only attribute up to 5,000 gallons to fuel pathway code B, because that is the maximum volume that was actually stored in the tank
    - The other 2,000 gallons must be attributed to fuel pathway code A

However, I **may not** mass balance between facilities.

For example:

- If I buy 10,000 gallons of ethanol under fuel pathway code A and place it into a storage tank in Spokane and I buy 5,000 gallons of ethanol under fuel pathway code B and place it into a storage tank in Seattle I cannot mass balance those volumes
- If I transfer fuel out of storage in Spokane, I must report it under fuel pathway code A
- If I transfer fuel out of storage in Seattle, I must report it under fuel pathway code B

Flash Sales

Flash sales are fuel transactions where one party buys fuel at the rack from a position holder and immediately sells the fuel to a third party, without ever having physical inventory of the fuel. E.g.,

Flash sales and multiple party sales

For example, Company B buys fuel from Company A, who is a position holder at the terminal, and immediately sells it to Company C. Company C picks up the fuel at the rack using a code supplied to them from Company B. To Company A, this would appear that Company B was buying from them, and Company A may not know that a third party or flash sale occurred. However, Company B never has physical possession of the fuel, only on paper.

When flash sales or other multiple party sales occur, the original seller may not be aware of those transactions or the ultimate destination of the fuel. To ensure accuracy and prevent duplicative reporting, it is important that all parties involved communicate, document fuel volumes and exports, and report consistently.

To accurately report multiple party sales

The original seller and purchaser must identify and document where the transfer of title of the fuels occurred.

Under WAC 173-424-110, the position holder is the entity that last owns the fuel before it was dispensed from the terminal, and the parties must identify if the transfer of title occurred before or after the fuel was dispensed. This does not include inventory held outside of a terminal, retail establishments, or other fuel suppliers not holding inventory at a fuel terminal.

- If the transfer of title between the original seller and purchaser occurs after the fuel is dispensed from the terminal, the original seller reports as the position holder
- If the transfer of title between the original seller and purchaser occurs before the fuel is dispensed from the terminal the purchaser is the position holder. The fuel is transferred above the rack, and the seller would report a **Sale with** or **without obligation** transaction tagging the purchaser. The purchaser would report a **Purchase with** or **without obligation** tagging the seller as well as a **Position holder sale** to the third party that is receiving the fuel at the terminal

Determining fuel destination

Once this is determined, the parties need to determine if the fuel was used within Washington State, or if it was exported outside of Washington.

- If the fuel was used within Washington, the position holder will report a **Position holder sale without obligation**
- The entities purchasing below the rack are not required to report the purchase if the fuel is delivered and used within the state
- If the fuel is exported from Washington, even if it occurs after transfer of title to other parties below the rack, the chain of custody of those sales must be reported
- The position holder should report a **Position holder sale for export** and the final purchaser should report a **purchase below the rack for export**
- In addition, the entity with title to the fuel as it crosses the border must report an **export**
- **Purchase below the rack for export** and **Export** are different transactions and both must be entered into WFRS

Transferring inventory from expiring pathways to new pathways

Fuel pathways are approved for two years at a time. When a fuel pathway is close to expiring, a recertification must be submitted to renew the pathway for another two-year period.

At the transition period between the expiring pathway and recertified pathway Ecology will create one quarter of overlap where both pathways are active to allow for the transitioning of inventoried gallons from the expiring pathway to the new pathway.

Reporting inventory at the end of a quarter

Entities that have inventory of fuel at the end of a quarter in an expiring pathway must:

- Report a loss of inventory in that pathway and,
- a gain of inventory for the same volume in the new pathway.

If this is not done, the remaining inventory will be unavailable to report on the next quarter.

Viewing active pathway periods

WFRS users can view the active period for all pathways by visiting the “FPC” tab and searching for a pathway.

If you are reporting on a pathway that is expiring and the new pathway does not show an overlapping quarter, please reach out to WFRSAdmin@ecy.wa.gov.

Note: Any loss or gains of inventory reported in this way should reflect the same physical gallons and just be for purposes of using a newly certified pathway, not mass balancing volume to a different location.

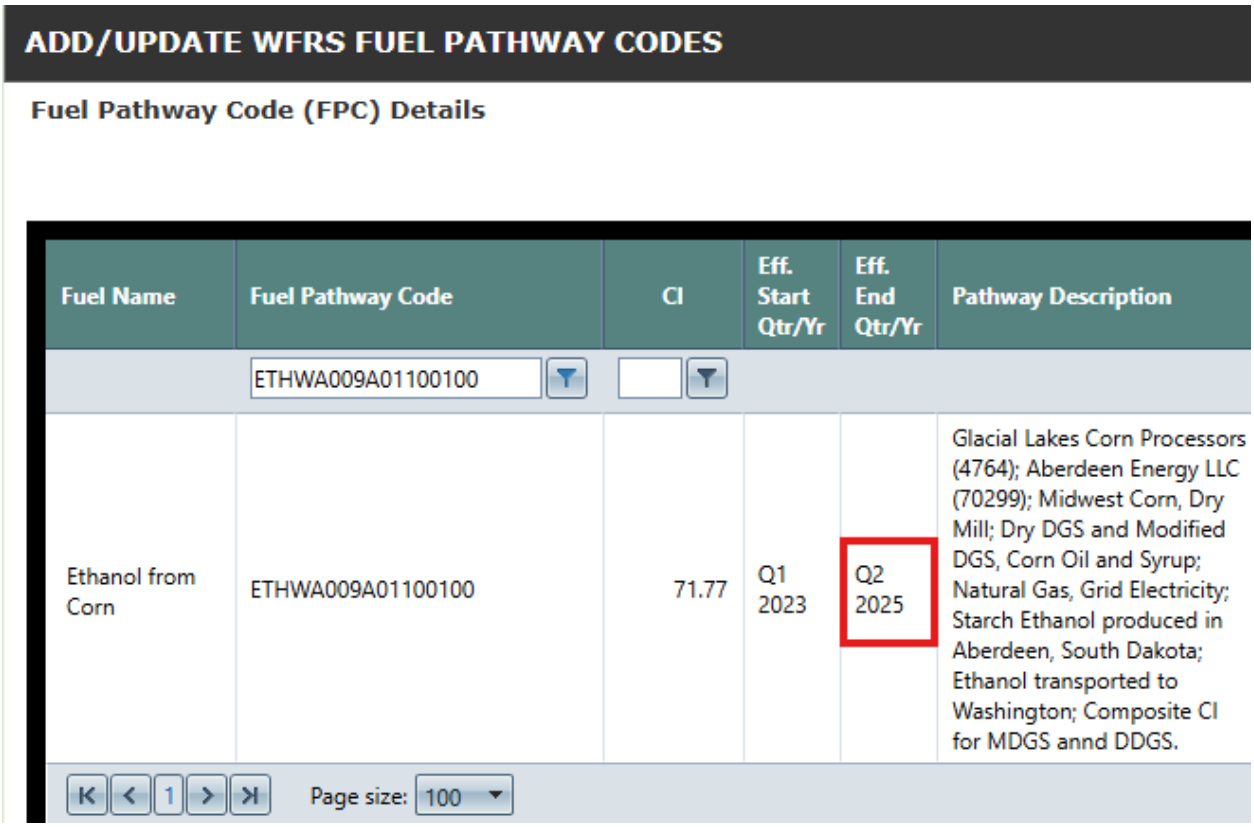

Figure 1: The FPC tab in WFRS showing the effective start and end quarters for a fuel pathway code.

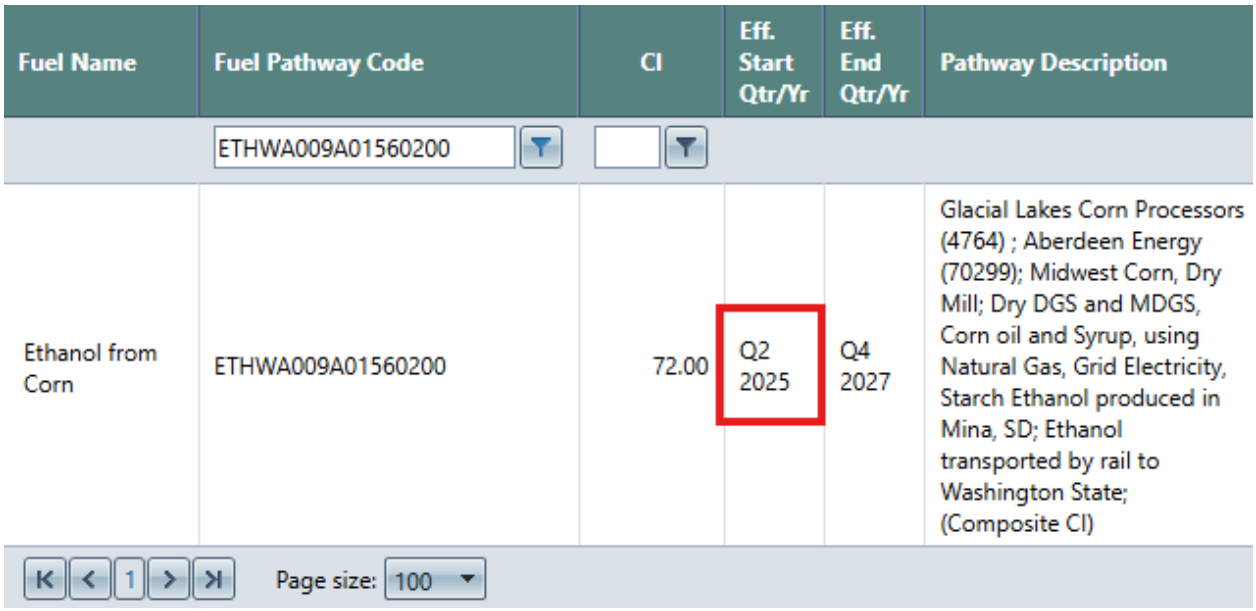

Figure 2: The FPC tab in WFRS showing the overlapping quarter between the expiring and replacement pathway codes.

Exemption

Claiming exemptions is optional under the CFS rule. A regulated party may be able to claim an exemption if they meet the requirements in Documenting Exempt Fuels Guidance.

Exemptions do not mean a volume of fuel can be omitted from the quarterly report. If a fuel is regulated under the CFS rule, it must be reported regardless of whether a participant chooses to claim an exemption

Reporting volume threshold

The CFP rule does not apply to transportation fuels in which the total volume of fuel supplied in Washington is less than 360,000 gasoline gallon equivalent (42.6 million MJ) per year.

This threshold is determined by the annual amount supplied statewide, not the amount supplied by individual fuel producers and distributors. If company A imports 1,000 gallons of gasoline, they are the first fuel reporting entity and must report the import.

Determining the importer of record

The Clean Fuels Standard defines importing and the Importer of record as the person who owns the fuel when it first enters the state by any means other than fuel held in the gas tank of a vehicle.

For example, the person who owns fuel in a railcar is the importer of record when that railcar enters Washington. Similarly, the exporter of record for the
program is the owner of the fuel that reports to the CFP when it is being physically transported out of Washington.

Reporting a position holder sale to an exempt end use

The entity that is closest in the supply chain to the end-user and is already registered in the CFS should report the exempt use transaction. If this is the position holder, they should report only an exemption transaction and not a position holder sale transaction.