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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2847

03/26/2025 Authored by Koegel, Long, Pursell, Kraft and Rehrauer
The bill was read for the first time and referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act
1.2 relating to transportation; providing for a clean transportation standard; establishing
1.3 statewide goals and annual standards; authorizing fees; providing certain civil
1.4 enforcement authority; establishing penalties; directing implementation; authorizing
1.5 rulemaking; providing for data practices; requiring a report; appropriating money;
1.6 amending Minnesota Statutes 2024, section 13.721, subdivision 1, by adding a
1.7 subdivision; proposing coding for new law as Minnesota Statutes, chapter 174B.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2024, section 13.721, subdivision 1, is amended to read:

1.10 Subdivision 1. **Scope.** The sections referred to in ~~subdivisions 2 to 7~~ this section are
1.11 codified outside this chapter. Those sections classify transportation data as other than public,
1.12 place restrictions on access to government data, or involve data sharing.

1.13 Sec. 2. Minnesota Statutes 2024, section 13.721, is amended by adding a subdivision to
1.14 read:

1.15 Subd. 8. **Clean transportation standard program.** Certain data on the clean
1.16 transportation standard program are governed by section 174B.15.

1.17 Sec. 3. [174B.02] DEFINITIONS.

1.18 Subdivision 1. **Scope.** For purposes of this chapter, the following terms have the meanings
1.19 given.

1.20 Subd. 2. **Applicable standard.** "Applicable standard" means the clean transportation
1.21 standard that applies for a given year.

2.1 Subd. 3. **Carbon dioxide equivalent.** "Carbon dioxide equivalent" means the number
2.2 of metric tons of carbon dioxide emissions that have the same global warming potential as
2.3 one metric ton of another greenhouse gas.

2.4 Subd. 4. **Carbon intensity.** "Carbon intensity" means the quantity of all life cycle
2.5 greenhouse gas emissions throughout the fuel pathway associated with use of a unit of a
2.6 specific transportation fuel, expressed in grams of carbon dioxide equivalent per megajoule
2.7 of energy in the transportation fuel, as calculated by the relevant GREET model.

2.8 Subd. 5. **Carbon intensity score.** "Carbon intensity score" means the carbon intensity
2.9 specifically calculated for a fuel provider using an identified transportation fuel.

2.10 Subd. 6. **Clean fuel.** "Clean fuel" means a transportation fuel that has a carbon intensity
2.11 level below the applicable standard.

2.12 Subd. 7. **Clean transportation standard.** "Clean transportation standard" means the
2.13 goal and standards on reduction of carbon intensity established under this chapter.

2.14 Subd. 8. **Commissioner.** "Commissioner" means the commissioner of transportation.

2.15 Subd. 9. **Continuous living cover cropping systems.** "Continuous living cover cropping
2.16 systems" means agricultural systems characterized by living plants above ground and living
2.17 roots in the soil throughout the entire year, including but not limited to:

2.18 (1) perennial crops, including forage and pasture;

2.19 (2) winter annual cash cover crops such as winter camelina and pennycress; and

2.20 (3) agroforestry practices.

2.21 Subd. 10. **Credit.** (a) "Credit" means a unit of measure of the degree to which the carbon
2.22 intensity in a volume of a fuel provider's transportation fuel is lower than the carbon intensity
2.23 embodied in the applicable standard for that volume. Credit includes a credit premium, as
2.24 provided in section 174B.15, subdivision 3.

2.25 (b) One credit is equal to one metric ton of carbon dioxide equivalent.

2.26 Subd. 11. **Credit generator.** "Credit generator" means an entity that produces or imports
2.27 a transportation fuel for use in Minnesota whose carbon intensity generates credits.

2.28 Subd. 12. **Deficit.** (a) "Deficit" means a unit of measure of the degree to which the carbon
2.29 intensity in a volume of a fuel provider's transportation fuel is greater than the carbon
2.30 intensity embodied in the applicable standard for that volume.

2.31 (b) One deficit is equal to one metric ton of carbon dioxide equivalent.

3.1 Subd. 13. **Deficit generator.** "Deficit generator" means a fuel provider who first produces
3.2 and imports a transportation fuel for use in Minnesota whose carbon intensity generates
3.3 deficits.

3.4 Subd. 14. **Department.** "Department" means the Department of Transportation.

3.5 Subd. 15. **Fuel pathway.** "Fuel pathway" means all stages of production and use for a
3.6 specific transportation fuel, including but not limited to feedstock production, extraction,
3.7 processing, refining, transportation, storage, distribution, and combustion or use by an end
3.8 user.

3.9 Subd. 16. **Fuel provider.** "Fuel provider" means an entity that supplies a transportation
3.10 fuel for use in Minnesota.

3.11 Subd. 17. **Global warming potential.** "Global warming potential" means a quantitative
3.12 measure of a greenhouse gas emission's potential to contribute to global warming over a
3.13 100-year period, expressed in terms of the equivalent carbon dioxide emissions that would
3.14 be required to produce the same 100-year warming effect, as reported in the Sixth Assessment
3.15 Report on Climate Change of the Intergovernmental Panel on Climate Change.

3.16 Subd. 18. **Greenhouse gas.** "Greenhouse gas" means carbon dioxide, methane, nitrous
3.17 oxide, hydrofluorocarbons, perfluorocarbons, or sulfur hexafluoride.

3.18 Subd. 19. **Program.** "Program" means the clean transportation standard and the
3.19 accompanying requirements under this chapter, including but not limited to policies,
3.20 procedures, and associated rules.

3.21 Subd. 20. **Relevant GREET model.** "Relevant GREET model" means the most recent
3.22 version of the GREET model as determined by the commissioner under this chapter.

3.23 Subd. 21. **Soil-healthy farming practices.** "Soil-healthy farming practices" means
3.24 farming practices that increase the quantity of organic carbon in soil, including but not
3.25 limited to reduced tillage, conservation tillage, cover cropping, perennial cropping,
3.26 inter-seeding, organic production, manure management, roller-crimping, managed rotational
3.27 grazing, precision agriculture, crop rotations, and changes in grazing management.

3.28 Subd. 22. **Technology provider.** "Technology provider" means a manufacturer of an
3.29 end-use consumer technology involved in supplying clean fuels.

3.30 Subd. 23. **Transportation fuel.** (a) "Transportation fuel" means electricity or a liquid
3.31 or gaseous fuel that is blended, sold, supplied, offered for sale, or used in Minnesota to
3.32 propel: a motor vehicle, as defined in section 169.011, subdivision 42; an aircraft, as defined
3.33 in section 360.013, subdivision 37; a light rail transit or commuter rail vehicle; an

4.1 off-highway vehicle, as defined in section 84.771; a snowmobile, as defined in section
 4.2 84.81, subdivision 3; a train or locomotive; special mobile equipment, as defined in section
 4.3 168.002, subdivision 31; a watercraft; or other conveyance commonly recognized as a
 4.4 vehicle.

4.5 (b) Transportation fuel includes but is not limited to electricity used as fuel in a motor
 4.6 vehicle, gasoline, diesel, ethanol, biodiesel, biomethane, aviation gasoline, hydrogen, jet
 4.7 fuel, renewable diesel, natural gas, renewable natural gas, propane, and renewable propane.

4.8 **Sec. 4. [174B.10] CLEAN TRANSPORTATION STANDARD.**

4.9 Subdivision 1. Clean transportation fuel goal. It is the goal of the state to reduce the
 4.10 aggregate carbon intensity of transportation fuel supplied to Minnesota to net zero life cycle
 4.11 greenhouse gas emissions on and after 2050.

4.12 Subd. 2. Annual standards schedule. (a) The commissioner must establish an annual
 4.13 standards schedule that:

4.14 (1) sets a standard in each year for the aggregate carbon intensity for transportation fuel
 4.15 in Minnesota, which must not include exempt fuel under section 174B.15, subdivision 7;
 4.16 and

4.17 (2) specifies decreases in the aggregate carbon intensity by at least:

4.18 (i) 25 percent below the baseline level under paragraph (b), measured at ten years after
 4.19 the year of enactment of this section; and

4.20 (ii) 75 percent below the baseline level under paragraph (b), measured at 20 years after
 4.21 the year of enactment of this section.

4.22 (b) The commissioner must evaluate available scientific data and calculations to calculate
 4.23 a baseline level that identifies the aggregate carbon intensity of transportation fuel supplied
 4.24 to Minnesota for calendar year 2018, excluding the components of transportation fuel from
 4.25 ethanol, biodiesel, or other biofuel.

4.26 (c) In establishing or revising the annual standards schedule, the commissioner must:

4.27 (1) consider the cost of compliance with the clean transportation standard;

4.28 (2) consider the technologies available to fuel providers and technology providers to
 4.29 achieve the standard;

4.30 (3) evaluate the impact of the standard on achieving the state greenhouse gas emissions
 4.31 reduction goal under section 216H.02, subdivision 1, paragraph (a); and

5.1 (4) consult with the Public Utilities Commission and the commissioners of agriculture,
 5.2 commerce, health, natural resources, and the Pollution Control Agency.

5.3 Subd. 3. **Program development; objectives.** In implementing the requirements under
 5.4 the program, the commissioner must endeavor to foster a fuel-neutral clean fuels portfolio
 5.5 in the state that:

5.6 (1) creates broad rural and urban economic development;

5.7 (2) provides benefits for communities, consumers, clean fuel providers, technology
 5.8 providers, and feedstock suppliers;

5.9 (3) increases energy security by expanding the supply of domestically produced fuels;

5.10 (4) supports equitable transportation electrification powered primarily with low-carbon
 5.11 and carbon-free electricity that benefits all communities;

5.12 (5) improves air quality and public health, targeting communities that bear a
 5.13 disproportionate health burden from pollution from transportation fuels;

5.14 (6) supports state solid waste recycling goals by facilitating credit generation from
 5.15 renewable natural gas produced from organic waste;

5.16 (7) aims to support, through credit generation or other financial means, the adoption of
 5.17 agricultural practices that benefit soil health and water quality while contributing to lower
 5.18 life cycle greenhouse gas emissions from clean fuel feedstocks;

5.19 (8) maximizes benefits to the environment and natural resources, develops safeguards
 5.20 and incentives to protect natural lands, and enhances environmental integrity, including
 5.21 biodiversity;

5.22 (9) is the result of extensive outreach efforts to stakeholders and communities that bear
 5.23 a disproportionate health burden from pollution from transportation or from the production
 5.24 and transportation of transportation fuels;

5.25 (10) aims to avoid contributing to further consolidation in the livestock industry; and

5.26 (11) aims to maintain and enhance organized labor employment in the transportation
 5.27 fuel sector.

5.28 Subd. 4. **Fuel pathway and carbon intensity determination.** (a) The commissioner
 5.29 must establish a process to determine the carbon intensity of transportation fuels and allow
 5.30 each fuel producer to apply for and be assigned a fuel pathway and carbon intensity score
 5.31 based on unique production practices. Fuel pathways must be determined using the relevant
 5.32 GREET model. The fuel pathway determination process must:

- 6.1 (1) be consistent for all fuel types;
- 6.2 (2) be based on science and engineering;
- 6.3 (3) reflect differences in vehicle fuel efficiency and drivetrains;
- 6.4 (4) account for any on-site additional energy use by a carbon capture technology
 6.5 employed in the fuel production process, including but not limited to generation, distillation,
 6.6 and compression;
- 6.7 (5) be based on state-specific and production facility-specific data; and
- 6.8 (6) include a nonzero emissions factor reflecting indirect land use change for
 6.9 cropland-derived fuels, not less than the emissions factor derived from the relevant GREET
 6.10 model.

6.11 (b) The commissioner must:

- 6.12 (1) determine appropriate fuel pathways; and
- 6.13 (2) coordinate with third-party entities or other states to review and approve pathways.

6.14 Subd. 5. **GREET model.** The commissioner must provide for the Argonne National
 6.15 Laboratory's GREET model to be adapted to Minnesota for use in the program and must
 6.16 arrange updates to the model as appropriate.

6.17 Subd. 6. **Periodic review.** No less frequently than every five years, the commissioner
 6.18 must conduct a periodic review of clean transportation standard implementation and evaluate
 6.19 progress toward program goals. The review must include evaluation of potential adjustments
 6.20 to credit prices under section 174B.15, subdivision 6, to minimize any impacts to consumers
 6.21 caused by increased retail fuel prices.

6.22 Subd. 7. **Rulemaking.** (a) To the extent practicable, the commissioner must adopt rules
 6.23 to implement the clean transportation standard program. Rules adopted under this section
 6.24 are exempt from the time limit under section 14.125. The commissioner may revise the
 6.25 rules as necessary, including as part of the periodic review process under subdivision 6.

6.26 (b) When developing proposed rules under this chapter, the commissioner must consult
 6.27 with:

- 6.28 (1) the Public Utilities Commission and the commissioners of agriculture, commerce,
 6.29 health, natural resources, and the Pollution Control Agency; and
- 6.30 (2) an advisory committee as provided under section 14.101, subdivision 2, composed
 6.31 of equitable representatives from agriculture; transportation fuel providers; consumers;

7.1 rural, urban, and Tribal communities; environmental organizations; environmental justice
 7.2 organizations; technology providers; automotive manufacturers; the forestry sector; utilities;
 7.3 and electric vehicle charging companies.

7.4 (c) The commissioner must commence rulemaking no later than 45 days after the date
 7.5 of enactment of this section.

7.6 Subd. 8. **Application; implementation.** The requirements of the clean transportation
 7.7 standard program apply to credit and deficit generators beginning as specified in the rules
 7.8 adopted under subdivision 7. The commissioner must provide a notification of the
 7.9 commencement date to the chairs and ranking minority members of the legislative committees
 7.10 with jurisdiction over transportation, agriculture, commerce, energy, and environment
 7.11 finance and policy.

7.12 Sec. 5. **[174B.15] CREDITS AND DEFICITS; PROGRAM MARKET.**

7.13 Subdivision 1. **Compliance.** A deficit generator must comply with the annual standards
 7.14 schedule for the aggregate carbon intensity of transportation fuel, as established under
 7.15 section 174B.10, subdivision 2, by:

7.16 (1) producing or importing transportation fuels whose carbon intensity is at or below
 7.17 the level of the applicable standard;

7.18 (2) purchasing sufficient credits to offset any aggregate deficits resulting from the carbon
 7.19 intensity of the deficit generator's transportation fuels exceeding the applicable standard;
 7.20 or

7.21 (3) performing a combination of clauses (1) and (2).

7.22 Subd. 2. **Credit generation.** A credit may be generated when transportation fuel is
 7.23 produced, imported, or provided for use in Minnesota and the carbon intensity of the fuel
 7.24 is less than the applicable standard. The commissioner must ensure that a particular unit of
 7.25 fuel may generate credits only once.

7.26 Subd. 3. **Credits; program market; credit calculation.** (a) The commissioner must:

7.27 (1) establish and regulate the operation of a program market to trade transportation fuel
 7.28 credits and deficits, which may include:

7.29 (i) a market mechanism that allows credits to be traded or banked for future use;

7.30 (ii) transaction fees associated with the credit market;

8.1 (iii) procedures to verify the validity of credits and deficits generated by a fuel provider
8.2 under this section; and

8.3 (iv) a process to assign credits as an offset under an order to meet the applicable standard,
8.4 as provided under section 174B.25, subdivision 1;

8.5 (2) prohibit generation of credits from:

8.6 (i) carbon capture and storage that:

8.7 (A) lacks permanence certification from a recognized saline aquifer or other permanent
8.8 sequestration technique; or

8.9 (B) is performed for enhanced oil recovery or storage in depleted oil and gas wells;

8.10 (ii) the production of biofuels from feedstock grown on croplands with fewer than five
8.11 consecutive years of cropping history; and

8.12 (iii) renewable natural gas produced from any new or expanded agricultural livestock
8.13 production facility or manure digesters;

8.14 (3) provide for an additional credit premium of five percent for cropland-derived biofuels
8.15 produced on acreage that utilizes soil-healthy farming practices and fertilizer best
8.16 management practices; and

8.17 (4) provide for an additional credit premium of ten percent for cropland-derived biofuels
8.18 produced on acreage that utilizes continuous living cover cropping systems.

8.19 (b) The commissioner must establish methods to verify credit premiums under paragraph
8.20 (a), clauses (3) and (4), including but not limited to satellite and aerial verification, and must
8.21 require verification to occur annually. Verification reporting must rely on aggregate data.
8.22 Data collected for the verification are nonpublic data, as defined in section 13.02, subdivision
8.23 9.

8.24 Subd. 4. **Carbon intensity score; biofuels.** (a) In consultation with the commissioner
8.25 of agriculture, the commissioner must use the relevant GREET model to develop a statewide
8.26 average direct carbon intensity value for cropland-derived biofuel feedstocks that is used
8.27 as a component to determine the carbon intensity of biofuel production.

8.28 (b) In consultation with the commissioners of agriculture and the Pollution Control
8.29 Agency, the commissioner must develop procedures to allow a biofuel producer to calculate
8.30 a unique carbon intensity score for biofuel feedstocks from cropland-derived biofuels using
8.31 the relevant GREET model and other models, taking into account impacts on farm-related
8.32 emissions and sequestration of greenhouse gases. The unique carbon intensity score under

9.1 this paragraph may be used as an alternative to the state-specific average described under
9.2 paragraph (a).

9.3 (c) The procedures developed under paragraph (b) must include a methodology for
9.4 calculating, monitoring, and annual third-party auditing and verification of on-farm practices.
9.5 On-farm practices include but are not limited to reduced tillage, no-till, reduced on-farm
9.6 fuel use, reduced use of fertilizers and other inputs, use of low-carbon-intensity fertilizer,
9.7 use of cover crops, use of continuous living cover cropping systems, application of biochar,
9.8 soil-healthy farming practices, and other relevant practices that can impact the carbon
9.9 intensity of biofuel feedstock.

9.10 (d) In consultation with the commissioner of natural resources, the commissioner must
9.11 develop procedures to allow a biofuel producer to develop a unique carbon intensity score
9.12 for biofuel feedstocks from:

9.13 (1) wood and wood waste that reflects the potential to either enhance or degrade forest
9.14 carbon sinks; or

9.15 (2) climate-smart forestry practices to enhance forest carbon sinks.

9.16 (e) The procedures developed under paragraph (d) must include a methodology for
9.17 calculating, monitoring, and annual third-party auditing and verification of climate-smart
9.18 forestry practices.

9.19 (f) Data collected on a biofuel producer under paragraphs (b), (c), and (d) are nonpublic
9.20 data, as defined in section 13.02, subdivision 9.

9.21 (g) A biofuel producer that elects to utilize a unique carbon intensity score under
9.22 paragraph (b) is prohibited from claiming the credit premiums under subdivision 3, paragraph
9.23 (a), clause (3).

9.24 **Subd. 5. Credits; residential electric vehicle charging; transportation**
9.25 **electrification.** (a) For purposes of this subdivision, "credit revenue" means money or other
9.26 financial consideration obtained in exchange for credits through the program market.

9.27 (b) The commissioner must develop procedures to allow for generation of credits for
9.28 electric vehicle charging that occurs in residences and must provide guidance on the
9.29 expenditure of credit revenue.

9.30 (c) Credit revenue generated from residential electric vehicle charging must be expended
9.31 to promote equitable statewide transportation electrification, including but not limited to:

9.32 (1) electric vehicle purchase incentives;

10.1 (2) electric vehicle charging equipment and infrastructure; and

10.2 (3) other transportation electrification initiatives.

10.3 (d) At least 60 percent of the credit revenue generated from residential electric vehicle
 10.4 charging must be spent to support transportation electrification for the primary benefit of
 10.5 rural areas and environmental justice areas, as defined in section 116.065.

10.6 (e) Nothing in this chapter precludes the commissioner from adopting rules that allow
 10.7 the generation of credits associated with electric or alternative transportation fuels or
 10.8 infrastructure that existed prior to the effective date of this act or the start date of program
 10.9 requirements.

10.10 Subd. 6. **Consumers.** The commissioner must allow for adjustments to the program
 10.11 market in response to either:

10.12 (1) demonstrated evidence that credit prices are impacting retail fuel prices; or

10.13 (2) the need to maintain a sufficient credit price to spur further innovation in the clean
 10.14 fuels market.

10.15 Subd. 7. **Exemptions; exempt fuel credits.** (a) A fuel provider is exempt from the
 10.16 annual standards schedule under section 174B.10, subdivision 2, and generating deficits
 10.17 under the program for any fuel used in aviation, train locomotives, marine use, and military
 10.18 use.

10.19 (b) A fuel provider may voluntarily elect to enter an exempt fuel into the program and
 10.20 be able to generate credits for the exempt fuel in the manner provided under this section.

10.21 This authorization applies whether or not the fuel provider is otherwise subject to the
 10.22 requirements of this chapter.

10.23 **Sec. 6. [174B.20] PROGRAM FEES.**

10.24 Subdivision 1. **Establishment and procedures.** (a) As provided in this section, credit
 10.25 and deficit generators subject to the clean transportation standard program must pay a
 10.26 program fee.

10.27 (b) The commissioner must identify credit and deficit generators and must establish a
 10.28 process for credit and deficit generator registration in the program, credit and deficit generator
 10.29 reporting, annual determination of the program fee and specific amounts charged, a payment
 10.30 schedule, and public comment and response.

10.31 Subd. 2. **Clean transportation standard account.** (a) A clean transportation standard
 10.32 program account is created in the special revenue fund. The account consists of all money

11.1 received from fees and penalties under this chapter and any other money donated, allotted,
11.2 transferred, or otherwise provided to the account.

11.3 (b) Money appropriated to the commissioner from the account must be used to develop
11.4 and implement the program.

11.5 Subd. 3. **Program budget; fee limitation.** (a) The commissioner must annually develop
11.6 a program budget that includes:

11.7 (1) specification of total expenditures;

11.8 (2) a review of expenditure categories and administrative costs;

11.9 (3) an analysis of the workload and capacity to administer the program;

11.10 (4) a listing of credit and deficit generators, including any anticipated changes to the
11.11 listing;

11.12 (5) a calculation of the program fee in conformance with the limitations under paragraph
11.13 (b) and the requirements under this section; and

11.14 (6) an analysis of the program fee allocation under subdivision 4.

11.15 (b) The total expenditures specified in the program budget must match and not exceed
11.16 the total projected costs to the department for program implementation in that fiscal year,
11.17 including all costs associated with administering the program. The commissioner must set
11.18 the program fee in each fiscal year so that total revenue from the fee does not exceed the
11.19 total expenditures specified in the budget. This fee is exempt from section 16A.1283.

11.20 Subd. 4. **Fee allocation.** (a) For each fiscal year, the commissioner must set the program
11.21 fee so that:

11.22 (1) an amount equal to 95 percent of the program budget expenditures is paid by deficit
11.23 generators, allocated as provided in paragraph (b); and

11.24 (2) an amount equal to five percent of the program budget expenditures is paid as follows:

11.25 (i) for initial program development and the first year of program implementation, the
11.26 amount is distributed equally among all credit generators; and

11.27 (ii) for subsequent years, the amount is distributed equally among all credit and deficit
11.28 generators.

11.29 (b) The commissioner must allocate the amount paid under paragraph (a), clause (1),
11.30 based on the number of deficits generated by a deficit generator, so that:

11.31 (1) the highest 30 percent of deficit generators pay 70 percent of the amount;

- 12.1 (2) the second highest 30 percent of deficit generators pay 20 percent;
12.2 (3) the third highest 30 percent of deficit generators pay ten percent; and
12.3 (4) the lowest ten percent of deficit generators are exempt from paying an amount.

12.4 (c) The payments required under paragraph (b), clauses (1) to (3), are distributed equally
12.5 among the appropriate deficit generators.

12.6 (d) The commissioner must identify deficits and deficit generators that are subject to a
12.7 program fee for each year based on registration or compliance reports for the previous year.

12.8 Subd. 5. **Public notice and comment.** At least 60 days before imposing the program
12.9 fee each year, the commissioner must publish the program budget and the information
12.10 required under subdivision 3 on the department's website. The commissioner must:

12.11 (1) provide for a public comment period of at least 30 days;

12.12 (2) evaluate public comments;

12.13 (3) provide appropriate responses as necessary; and

12.14 (4) consider warranted revisions to the program budget and program fee.

12.15 Sec. 7. **[174B.25] REGULATION AND COMPLIANCE.**

12.16 Subdivision 1. **General regulatory powers.** (a) In consultation with the commissioners
12.17 of agriculture, commerce, and the Pollution Control Agency, the commissioner must establish
12.18 policies and procedures that govern requirements and enforcement of the clean transportation
12.19 standard.

12.20 (b) The commissioner may:

12.21 (1) establish conditions, standards, limitations, or other requirements as necessary to
12.22 ensure compliance with the program while encouraging voluntary program participation;

12.23 (2) perform audits, compliance reviews, and investigations of credit and deficit generators
12.24 and other program participants;

12.25 (3) issue an order (i) requiring compliance or corrective action to meet the applicable
12.26 standard, or (ii) requiring a violation under the program to be corrected; and

12.27 (4) issue a civil penalty as provided in this section.

12.28 (c) A corrective order issued by the commissioner may require any identified violations
12.29 to be corrected within 30 calendar days of the date the order is received.

13.1 Subd. 2. Fuel provider reports. (a) In consultation with the Public Utilities Commission
 13.2 and the commissioners of agriculture, commerce, and the Pollution Control Agency, the
 13.3 commissioner must develop a process for credit and deficit generators to annually report
 13.4 compliance with the applicable standard to the commissioner.

13.5 (b) A credit or deficit generator must report in the manner specified by the commissioner.

13.6 Subd. 3. Civil penalty; amount. (a) After completion of an inspection, compliance
 13.7 review, or other investigation, the commissioner may issue a civil penalty to an entity that
 13.8 is subject to the requirements under this chapter or an associated rule and has committed
 13.9 an identified violation.

13.10 (b) The commissioner may determine a penalty amount of up to \$..... and must determine
 13.11 the amount based on:

13.12 (1) the willfulness of the violation;

13.13 (2) the gravity of the violation, including its effect on program compliance and credit
 13.14 or deficit values;

13.15 (3) the history of past violations;

13.16 (4) the number of violations;

13.17 (5) the economic benefit gained by the entity by allowing or committing the violation;
 13.18 and

13.19 (6) other factors specifically identified by the commissioner.

13.20 (c) For a subsequent violation, the commissioner must determine a penalty amount based
 13.21 on the factors in paragraph (b) and the:

13.22 (1) similarity of the last violation and the violation to be penalized;

13.23 (2) time elapsed since the last violation;

13.24 (3) number of previous violations; and

13.25 (4) response of the violator to the last violation identified.

13.26 (d) The recipient of a civil penalty under this subdivision must notify the commissioner
 13.27 within 30 days in writing if the recipient intends to contest the civil penalty. If within 30
 13.28 days after receiving the civil penalty the recipient fails to notify the commissioner of intent
 13.29 to contest the penalty, the civil penalty is not subject to further review.

13.30 (e) Civil penalties assessed under this subdivision may be appealed as a contested case
 13.31 under chapter 14. The commissioner may recover civil penalties in a civil action.

14.1 Subd. 4. **Civil penalty; information.** When issuing a civil penalty under subdivision 3,
14.2 the commissioner must provide to the recipient:

14.3 (1) a concise statement of the facts alleged to constitute a violation;

14.4 (2) a citation or reference to the specific requirements alleged to have been violated,
14.5 including any appropriate section of a statute, rule, applicable standard, variance, order,
14.6 stipulation agreement, or term or condition of a permit or license;

14.7 (3) a statement of the penalty amount imposed and the factors upon which the amount
14.8 is based; and

14.9 (4) a summary of the process to contest the penalty.

14.10 **Sec. 8. [174B.30] LEGISLATIVE REPORT.**

14.11 (a) By February 1 two years after the effective date of rules adopted under section
14.12 174B.10, subdivision 7, and by every other February 1 thereafter, the commissioner must
14.13 submit a report on the program to the chairs and ranking minority members of the legislative
14.14 committees with jurisdiction over transportation, agriculture, commerce, energy, and
14.15 environment finance and policy.

14.16 (b) At a minimum, the report must include:

14.17 (1) an overview of the program and program implementation;

14.18 (2) an evaluation of program compliance by fuel providers, including a review of any
14.19 issuance of corrective orders and civil penalties;

14.20 (3) a review of the program market under section 174B.15;

14.21 (4) a summary of the results of third-party auditing and verification of on-farm practices
14.22 and agroforestry practices under section 174B.15, subdivision 4;

14.23 (5) a review of the current and recent annual program budgets and program fees under
14.24 section 174B.20, including a summary of public comment and actions taken in response;

14.25 (6) a review of the fiscal impacts of the clean transportation standard; and

14.26 (7) recommended legislative and rulemaking changes, if any.

14.27 (c) A report submitted under this section must include information on the results of any
14.28 review conducted under section 174B.10, subdivision 6, in the previous 12 months.

14.29 (d) The commissioner must publish information about the program on the department's
14.30 website.

15.1 **Sec. 9. CLEAN TRANSPORTATION STANDARD; INITIAL FEE.**

15.2 (a) The commissioner of transportation must establish and impose an initial fee for the
15.3 clean transportation standard program under Minnesota Statutes, chapter 174B. Subject to
15.4 the requirements in this section, the initial fee must be calculated and imposed in the same
15.5 manner as provided for the program fee under Minnesota Statutes, section 174B.20. The
15.6 initial fee must be imposed in each year in which the commissioner projects initial program
15.7 development and implementation costs but the clean transportation standard program has
15.8 not otherwise commenced in effect. A fee under this section is exempt from Minnesota
15.9 Statutes, section 16A.1283.

15.10 (b) The initial fee must match and must not exceed (1) the total projected costs to the
15.11 Department of Transportation for initial program development and implementation in a
15.12 fiscal year, minus (2) any amount appropriated in law for purposes of the clean transportation
15.13 standard program.

15.14 (c) For purposes of this section, initial program development and implementation costs
15.15 include but are not limited to administrative and rulemaking costs.

15.16 **Sec. 10. APPROPRIATION; CLEAN TRANSPORTATION STANDARD**
15.17 **IMPLEMENTATION.**

15.18 \$..... in fiscal year 2026 is appropriated from the clean transportation standard account
15.19 in the special revenue fund to the commissioner of transportation to implement the clean
15.20 transportation standard program under Minnesota Statutes, chapter 174B. This is a onetime
15.21 appropriation and is available until June 30, 2029.