

DRAFT

SUMMARY

Requires Environmental Quality Commission to adopt carbon cap-and-dividend program. Establishes auction for allowances under program. Directs certain proceeds from allowances to be deposited in Pollution Refund Credit Trust Fund.

Establishes Pollution Refund Credit Trust Fund.

Distributes moneys collected from auction to personal income taxpayers and their dependents in equal shares.

Appropriates moneys from General Fund to Department of Revenue and Environmental Quality Commission for purpose of establishing cap-and-dividend program and funding first year of auction.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to climate protection; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 to 7 of this 2015 Act shall be known and may**
5 **be cited as the Climate Protection Act.**

6 **SECTION 2. The Legislative Assembly finds and declares that:**

7 **(1) A cap-and-dividend program sets a clear limit on greenhouse gas**
8 **emissions while minimizing total costs to emitters by translating**
9 **greenhouse gas emissions limits into tradable allowances that are**
10 **auctioned to regulated emitters on a regular basis.**

11 **(2) By creating a market for emission permits, the cap-and-dividend**
12 **program offers an environmentally effective and economically efficient**
13 **response to climate change.**

14 **(3) By paying equal annual dividends from the proceeds of allowance**
15 **auctions to the taxpayers of this state and their dependents, a cap-**

1 and-dividend program helps to ensure that Oregon households can af-
2 ford the energy they need during the transition to a greenhouse
3 gas-free economy.

4 (4) Dividends paid under a cap-and-dividend program will stimulate
5 the economy.

6 (5) A phased-in cap on greenhouse gas emissions as part of a cap-
7 and-dividend program is an efficient, transparent and enforceable
8 mechanism for driving a transition to a domestic energy economy,
9 stimulating investment in renewable energy technologies and creating
10 powerful incentives to increase energy efficiency in this state.

11 (6) The cap-and-dividend program established under sections 2 to 7
12 of this 2015 Act will correct energy market distortions in this state,
13 reduce greenhouse gas emissions, reduce Oregon's dependence on the
14 importation of energy generated outside this state and protect the
15 economy, human health and the environment.

16 SECTION 3. As used in sections 2 to 7 of this 2009 Act:

17 (1) "Allowance" means an authorization, issued by this state, to
18 emit one metric ton of a greenhouse gas as measured in carbon dioxide
19 equivalent.

20 (2) "Carbon dioxide equivalent" means the quantity of a given
21 greenhouse gas multiplied by a global warming potential factor.

22 (3) "Global warming potential factor" means the radiative forcing
23 impact of one mass-based unit of a given greenhouse gas relative to
24 an equivalent unit of carbon dioxide over a given period of time.

25 (4) "Greenhouse gas" has the meaning given that term in ORS
26 468A.210.

27 (5) "Offset" means a reduction in emissions of one metric ton of a
28 greenhouse gas, as measured in carbon dioxide equivalent, that is not
29 subject to the greenhouse gas cap-and-dividend program and that is
30 used to offset greenhouse gas emissions subject to the cap-and-
31 dividend program.

1 **SECTION 4. (1) The Environmental Quality Commission shall, after**
2 **consulting with the Department of Environmental Quality, adopt by**
3 **rule a greenhouse gas cap-and-dividend program to reduce greenhouse**
4 **gas emissions in an amount not to exceed the following benchmarks:**

5 **(a) By 2020, achieve greenhouse gas levels that are equal to 1990**
6 **levels.**

7 **(b) By 2030, achieve greenhouse gas levels that are 40 percent below**
8 **1990 levels.**

9 **(c) By 2050, achieve greenhouse gas levels that are 85 percent below**
10 **1990 levels.**

11 **(2) The greenhouse gas cap-and-dividend program shall include, but**
12 **not be limited to:**

13 **(a) A declining cap on total greenhouse gas emissions from:**

14 **(A) Air contamination sources located in this state as specified by**
15 **the commission;**

16 **(B) The generation and transmission of electricity used within this**
17 **state; and**

18 **(C) The combustion of fuel within this state;**

19 **(b) A requirement that, beginning January 1, 2018, the following**
20 **persons retire allowances or offsets equal to greenhouse gas emissions**
21 **subject to the cap established under paragraph (a) of this subsection**
22 **that the commission determines are attributable to such persons:**

23 **(A) The owner or operator of an air contamination source specified**
24 **by the commission pursuant to paragraph (a)(A) of this subsection;**

25 **(B) The importer, seller, deliverer or distributor of electricity for**
26 **use in this state; and**

27 **(C) The importer, seller, deliverer or distributor of fuel for use in**
28 **this state;**

29 **(c) Procedures for the trading and retirement of allowances and**
30 **offsets;**

31 **(d) Requirements for record keeping and compliance reporting;**

1 (e) Requirements for third-party verification of greenhouse gas
2 emissions;

3 (f) Procedures for the commission to auction allowances to persons
4 listed under paragraph (b) of this subsection in the manner provided
5 for under section 5 of this 2015 Act;

6 (g) Procedures, protocols and limitations for the generation and
7 retirement of offsets; and

8 (h) In addition to any other penalty provided by law, a requirement
9 that any person that fails to retire allowances or offsets equal to its
10 greenhouse gas emissions pursuant to paragraph (b) of this subsection
11 must retire additional allowances for excess greenhouse gas emissions.

12 (3) In adopting rules pursuant to this section, the commission shall
13 consider:

14 (a) Establishing applicability thresholds, exemptions and deferrals
15 concerning the greenhouse gas cap-and-dividend system;

16 (b) Including greenhouse gas emissions from the production of fuel
17 used within this state in the emissions subject to the cap under sub-
18 section (1) of this section, including but not limited to fuel that is
19 produced outside of this state; and

20 (c) Adopting criteria and procedures to certify providers of third-
21 party verification services for greenhouse gas emissions.

22 (4) The department shall administer the greenhouse gas cap-and-
23 dividend program.

24 (5)(a) The commission shall adopt a greenhouse gas cap-and-
25 dividend system pursuant to this section no later than December 31,
26 2016.

27 (b) The commission shall implement the greenhouse gas cap-and-
28 trade system no earlier than July 1, 2017.

29 **SECTION 5.** (1) The Department of Revenue shall, in cooperation
30 with the Department of Environmental Quality, conduct an auction
31 of the allowances provided for by rule under section 4 of this 2015 Act.

1 **The Department of Revenue may conduct the auction in the manner**
2 **that it determines is best suited to maximize the return to the state**
3 **on the sale of allowances and shall announce a reserve bid prior to**
4 **conducting the auction. The reserve amount shall be at least 95 per-**
5 **cent of the total amount of the allowance. Moneys necessary to reim-**
6 **burse the Department of Revenue for the actual costs incurred by the**
7 **department in administering an auction, not to exceed 0.25 percent of**
8 **auction proceeds, are continuously appropriated to the department.**
9 **The Department of Revenue shall deposit net receipts from the auction**
10 **required under this section in the suspense account provided for under**
11 **section 6 of this 2015 Act.**

12 **(2) The Environmental Quality Commission, after consultation with**
13 **the Department of Revenue, shall adopt rules in order to ensure that**
14 **the auction provided for under this section meets the requirements**
15 **and goals of the cap-and-dividend program provided for under section**
16 **4 of this 2015 Act.**

17 **SECTION 6. (1) Moneys received by the Department of Revenue**
18 **pursuant to the auction provided for under section 5 of this 2015 Act**
19 **shall be deposited in a suspense account created pursuant to ORS**
20 **293.445. After the payment of the costs of the Department of Revenue**
21 **and the Department of Environmental Quality for the implementation**
22 **and enforcement of sections 2 to 7 of this 2015 Act and repayment of**
23 **any funds borrowed to initiate implementation and enforcement of**
24 **sections 2 to 7 of this 2015 Act, moneys in that account shall be**
25 **transferred to the Pollution Refund Credit Trust Fund established in**
26 **section 7 of this 2015 Act.**

27 **(2) On or after September 1, but not later than September 30, of**
28 **each year, all but \$50 million of the Pollution Refund Credit Trust**
29 **Fund shall be distributed in equal shares to all persons who are:**

30 **(a) Taxpayers who filed an Oregon personal income tax return for**
31 **the immediately preceding tax year; or**

1 (b) Dependents, residing in this state, claimed by taxpayers who
2 filed on Oregon personal income tax return for the immediately pre-
3 ceding tax year.

4 (3) Distributions required under this section shall be issued in the
5 same manner as refunds are made under ORS 314.415.

6 SECTION 7. The Pollution Refund Credit Trust Fund is established
7 in the State Treasury, separate and distinct from the General Fund.
8 Interest earned by the Pollution Refund Credit Trust Fund shall be
9 credited to the fund. Moneys in the fund are continuously appropriated
10 to the Department of Revenue for the payment of distributions as
11 provided in section 6 of this 2015 Act.

12 SECTION 8. (1) In addition to and not in lieu of any other appro-
13 priation, there is appropriated to the Department of Revenue for the
14 biennium beginning July 1, 2015, out of the General Fund, the amount
15 of \$_____, which may be expended for the purpose of funding the first
16 year of administration of the auction imposed under section 5 of this
17 2015 Act.

18 (2) In addition to and not in lieu of any other appropriation, there
19 is appropriated to the Environmental Quality Commission, for the
20 biennium beginning July 1, 2015, out of the General Fund, the amount
21 of \$_____, which may be expended for the purpose of assisting the
22 commission in establishing the cap-and-dividend program provided for
23 under sections 4 and 5 of this 2015 Act.

24 SECTION 9. This 2015 Act takes effect on the 91st day after the date
25 on which the 2015 regular session of the Seventy-eighth Legislative
26 Assembly adjourns sine die.

27 _____