

April 14, 2015

House Committee on Energy and Environment
900 Court St. NE
Salem Oregon 97301

Chair Vega Pederson and members of the House Committee on Energy and Environment,

The Climate Trust has engaged in research on existing carbon pricing mechanisms around the world and released a report, "[An Evaluation of Potential Carbon Pricing Mechanisms for the State of Oregon](#)" last year. We would like to share with you some results experienced by the domestic cap-and-trade programs in the Northeastern US and California which we believe illustrate the fact that emission reductions and positive economic impact are not mutually exclusive. I will also cover the efforts highly visible corporations are taking on putting an internal price on carbon and their results.

Regional Greenhouse Gas Initiative Cap-and-Trade results:

The Analysis Group reported in 2011 that in RGGI's first three years, the program contributed \$1.6B in economic impact to the Northeast region and added 16,000 job-years to the region. According to CleanTechnica, RGGI's most recent auction caused the program to surpass \$2B in cumulative auction proceeds, five years before the forecasted date of 2020. \$84M was generated by the February 2015 auction at a per-allowance price of \$5.41, the highest ever for this market.

New Jersey governor Chris Christie pulled the state out of the program in 2011, and estimates suggest the state has missed out on \$114M worth of auction revenue due to this decision. This figure was recently repeated by U.S. Rep Frank Pallone Jr in a recent congressional meeting during which he added that NJ would suffer the loss of an additional \$387.1M through 2020, according to NJ.com¹.

California Cap-and-Trade results:

California's cap-and-trade program has been very successful from an economic perspective². The state added 491K jobs in the program's first year and a half. This is a 3.3% growth rate, which outpaces the 2.5% growth rate nationwide in the same period. CA's GDP also grew during the first two years of the program while capped emissions dropped by 4%. CA has added more jobs than any other state during the economic recovery. It has also attracted over \$21B in venture capital investment- more than all other states combined- while its "core clean economy" grew 10 times faster than any other sector in the state.

According to Reuters, cap-and-trade revenue totals in California have passed \$1.6B; like RGGI this is a significantly higher number than expected at this point in the program. In addition to transportation improvements, over \$1.7B is expected to be spent in the coming years on the "Affordable Housing and Sustainable Communities" program, which encourages the development of affordable housing close to transit and creates more walk-and-bike-friendly communities.

¹ Christie's withdrawal from air pollution compact,
http://www.nj.com/politics/index.ssf/2015/03/rep_pallone_says_christies_withdrawal_from_regional.html

² Carbon Market California, <http://www.edf.org/media/california-cap-and-trade-program-drives-emissions-down-state-economy-grows>

A word on action at the corporate level:

The Carbon Disclosure Project (CDP) tracks the climate change strategies being pursued by the world's top companies. In 2013, they reported that 29 companies in the United States were using internal carbon pricing—a system by which companies account for an assumed cost of carbon pollution to facilitate future business decisions. These prices vary from \$6-60/metric ton of CO₂ depending on the company.³ The Climate Trust supplies voluntary carbon offsets to a number of these firms that include Microsoft, Disney, and CH2M Hill.

Companies often use carbon offsets to meet compliance obligations under regulatory emissions trading programs. Ecosystem Marketplace, using public disclosures to CDP, determined that the use of offsets does not cause companies to pollute more. In fact, most companies that used offsets did so after addressing emissions within their direct control and applied the offsets to emissions outside their control such as from supply chain activities. The use of offsets increased these companies' emissions mitigation impact by 25%.⁴

To conclude, experiences from other jurisdictions here in the US prove that it is possible to institute pollution-reduction programs without compromising economic prosperity or social equity. Moreover, these programs provide one possible innovative solution to compliance with the EPA's Clean Power Plan— regional linkage, which adds needed market liquidity and protects against economic leakage effects of single-state legislation.

For Oregon, we believe the most effective carbon pricing policy will be one that not only ensures the state meets its emission reduction targets which are codified in state statute; it will be a program which facilitates linkage, cost containment by way of offsets and price reserves, and targeted investment into a low-carbon economy, thereby offering the benefits of economic growth while providing greater environmental equity to Oregonians.

Thank you,

Sean Penrith
Executive Director
The Climate Trust

³ Internal Carbon Price, <http://big.assets.huffingtonpost.com/22Nov2013-CDP-InternalCarbonPriceReprt.pdf>

⁴ The Bottom Line, http://www.forest-trends.org/documents/files/doc_4858.pdf