

**JOHN KAUFMANN  
COMMENTS ON HB 3470  
HOUSE E&E, 21-APRIL-2015**

My name is John Kaufmann. I worked in the energy field for 35 years with the Scientists' Institute for Public Information in New York, the Oregon Department of Energy, and the Pacific Northwest National Laboratory in Washington. I am currently a Fellow with the Post Carbon Institute. I live in Salem.

I support House Bill 3470. This bill addresses the problem of greenhouse gas emissions in the most effective and comprehensive manner available – by capping greenhouse gas emissions according to a declining schedule and letting the market determine the price accordingly.

I would like to offer the following comments and amendments to make it clearer and to strengthen some provisions. I trust Legislative Counsel can draft specific language to implement these comments. My comments fall into three categories.

1. I am concerned that the language Section 8 is too vague as to what kind of program the legislature wants DEQ to adopt. The bill uses general language like “plans,” “programs,” and “market-based systems.” I think that may provide too much wiggle room for DEQ, General Counsel, or the courts to interpret bill very narrowly as not giving DEQ the authority to cap emissions and sell or auction allowances. If the Legislature intends for DEQ to adopt a cap-and-trade type mechanism, we think the bill should explicitly say so. I believe that is appropriate and the best mechanism to address carbon emissions. This could be accomplished by adding a definition for “market-based system” or adding modify “program” in Section 8 of the bill to read “cap-and-trade” program.
2. Eliminate reference to cost-effectiveness in Section 8, subsections (2)(a) and (3)(d). Cost-effectiveness is typically understood in the energy and utility world as a test of whether an action should proceed or not – if an action is not “cost-effective,” it should not be implemented. Thus we fear that this language could be used to stymie the intent and effectiveness of this bill. The bill should instead use language such as “feasibility,” “minimizing costs” or “least cost alternatives.”
3. The bill does not talk about how revenues are to be collected and disposed of. This lends itself to the possible interpretation that the bill does not authorize DEQ to sell or auction off greenhouse gas emissions allowances. I propose adding language from HB 3250 on auctioning allowances, establishing a Pollution Refund Credit Trust Fund, and disbursing funds back to taxpayers on a per capita basis. Returning proceeds back to taxpayers on a per capita basis will help ensure revenue neutrality, protect low-income families from the rising costs of energy, and prevent auction proceeds from creating dependencies on carbon revenue. Specifically, I would propose inserting Sections 5, 6 and 7 from House Bill 3250 into this bill.

Alternatively, the Committee may wish to allow DEQ flexibility to allocate some of the funds for other purposes. This might include such things as R&D or assisting industry and agriculture, which must compete against national or international products that do not have to incorporate the cost of carbon in their prices, in offsetting the costs of measures they implemented to reduce emissions.

Thank you for the opportunity to comment. I can be reached at [jrkaufmann@yahoo.com](mailto:jrkaufmann@yahoo.com).