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Editorial

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Oregon can cut carbon now

A cap-and-trade system uses market forces to combat climate change

Eight years ago, the Oregon Legislature approved a bill setting targets for reductions in emissions of greenhouse gases that contribute to climate change. The goals are meaningless without a commitment to achieve them, and a commitment can't be kept without a solid plan for bringing emissions levels down. This year's Legislature can get Oregon started toward attaining its emissions-reduction aims by approving House Bill 3470, which would create a cap-and-trade system for the biggest sources of greenhouse gases.

It will be much easier for the Legislature to take this step now than it would have been earlier. California has had a cap-and-trade system up and running since 2012, and all Oregon has to do is replicate its southern neighbor's work. The framework for multistate implementation already exists in the form of the Western Climate Initiative, formed by Oregon, California and three other states in 2007, and since joined by four Canadian provinces.

A cap-and-trade system starts by calculating the current volume of greenhouse gas emissions by industries, utilities and other primary sources in a given area — a state, a region or a nation — and gives or sells permits for emissions at that level. It then mandates yearly reductions from the baseline. Sources that cut their emissions by more than the required amount can sell their unused permits to sources that miss the target. This creates a strong and continuing economic incentive to find ways to cut emissions.

A carbon tax would be a more straightforward way of penalizing greenhouse gas production and rewarding reductions. Revenue from such a tax could be used to offset the effects on consumers. In Oregon, however, a large portion of such a tax would be constitutionally dedicated to the highway system, ruling out offsets for consumers. That leaves a cap-and-trade system as the best practical choice.

The cap-and-trade approach to pollution reduction is not new. President George H.W. Bush's administration employed it in 1990 to reduce emissions of sulphur dioxide that cause acid rain. Emissions declined more steeply, and at a lower cost to industry, than projected. The acid rain problem receded, an achievement that was counted as a victory for the conservative idea of harnessing market forces to achieve environmental goals.

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California's system applies to sources that generate 25,000 metric tons of carbon dioxide a year — 360 companies that operate 600 factories, refineries and other facilities across the state, accounting for 85 percent of greenhouse gas emissions. The baseline volume of emissions was set at 395 million metric tons, with a goal of reducing that figure to 334 million by 2020.

California began by giving away most emissions permits, but has conducted quarterly auctions for a small but increasing number. These auctions have raised \$2.3 billion, money that is either returned to utilities for use in mitigating the cap-and-trade system's effects on ratepayers, or invested in clean energy programs and research.

Oregon's program would be about a tenth the size of California's, affecting an estimated 50 companies, and would be administered by the state Department of Environmental Quality and the Environmental Quality Commission. The permit auctions would be conducted by the Western Climate Initiative, piggybacking on California's market. HB 3470 includes a provision to grant free emissions permits to companies that might leave Oregon to escape the cap-and-trade system — the effort to arrest climate change will not be advanced if sources of emissions are simply moved rather than reduced.

Opponents tried to kill California's program in 2010, before implementation began, but 62 percent of voters rejected the repeal proposal. A similar percentage of Oregonians backs emissions reduction efforts. According to polling by the Eugene-based PolicyInteractive Research and Information Alliance, 64 percent of Oregonians strongly support or lean toward supporting state action incorporating the key elements of HB 3470, the cap-and-trade bill. Only 27 percent strongly oppose or lean toward opposing such action.

Oregon's political leaders, however, have not caught up with their constituents on this issue. HB 3470 has many supporters, but few real champions. In a May 1 speech to the Oregon League of Conservation Voters, Gov. Kate Brown described climate change as "the issue of our time," but she's waiting for the Legislature to take the lead. HB 3470 is becalmed in the House Rules Committee, and no sense of urgency is evident among legislative leaders.

But the need is urgent. The International Panel on Climate Change calculates that the amount of carbon added to the atmosphere must be limited to less than 1 trillion tons to keep global warming at "tolerable levels." Half that amount has been added already, with the other half coming in the next 30 years if current emissions trends continue.

Oregon must do its part to slow and reverse those trends. Self-interest requires it, as a dwindling snowpack and expectations of an intense wildfire season provide a glimpse of things to come. With a successful model for aggressive action having already emerged in California, Oregon has already lost the opportunity for leadership — but the state's responsibility to future generations remains, and HB 3470 is the right way to meet it.