

## STAFF MEASURE SUMMARY

## Senate Committee On Environment and Natural Resources

**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Action Date:** 02/09/16**Action:** Do Pass With Amendments. Refer To Ways And Means By Prior Reference.  
(Printed A-Eng.)**Meeting Dates:** 02/02, 02/03, 02/09**Vote:**

Yeas: 3 - Dembrow, Edwards, Prozanski

Nays: 2 - Olsen, Whitsett

**Prepared By:** Beth Patrino, Committee Administrator**WHAT THE MEASURE DOES:**

Repeals greenhouse gas emissions reduction goals. Defines “statewide greenhouse gas emissions” and directs the Environmental Quality Commission (EQC) to adopt, by rule: a goal to limit emissions by year 2025 to levels at least 20 percent below 1990 levels; a limit on emissions for the year 2035 to levels at least 45 percent below 1990 levels; and a limit on emissions for the year 2050 to levels at least 75 percent below 1990 levels.

Directs EQC to adopt, by rule, a carbon pollution market to become operative January 1, 2020, including the following elements: identification of emission sources, annual allowance budget, market for allowances and criteria for distribution of allowances either directly or by auction, offset project standards, trading of compliance instruments, three year compliance periods, standards and procedures for covered entities to meet compliance obligations, and allowing opt-in entities and general market participants. Requires market participants to register and allows EQC to adopt registration fee reasonably calculated not to exceed costs of market administration. Requires greenhouse gas emissions reductions achieved through the market to be real, permanent, quantifiable, verifiable and enforceable.

Directs EQC to adopt rules necessary for the Department of Environmental Quality (DEQ) to administer allowance auctions. Requires DEQ to hold a maximum of four auctions annually and to engage qualified, independent contractor to run auction and qualified financial services administrator to hold and evaluate bid guarantees and inform DEQ of value of such guarantees. Requires DEQ to issue auction notice, set auction floor price, set maximum number of allowances that may be held by an entity at one time, consign to state those allowances distributed free of charge to electric and natural gas utilities, and include provisions to guard against bidder collusion and minimize the potential for market manipulation. Specifies the distribution of auction proceeds. Establishes a process for a covered entity to submit compliance instruments to DEQ and the penalty for failure to submit in timely manner.

Directs electric or natural gas utility receiving allowances free of charge to use proceeds for specified activities, including bill assistance to low-income residential customers and energy intensive industrial customers. Establishes the Climate Investments Account in State Highway Fund and directs 20 percent of money to be used to support projects geographically located in disadvantaged communities and 20 percent of money to support projects that otherwise benefit disadvantaged communities. Directs EQC to develop and implement Climate Investments Grant Program and specifies fund distribution and preferences.

Establishes the Just Transition Fund and directs Oregon Business Development Department to establish Just Transition Grant Program to distribute funds.

Modifies greenhouse gas emissions registration and reporting statutes to require support for carbon pollution market implementation. Directs DEQ to study feasibility of requiring emissions reports to meet alternate standards.

Changes the name of the Oregon Global Warming Commission to the Oregon Commission on Climate Change and specifies that official commission action requires the approval of a majority of voting members. Changes due date of commission report to Legislature to September 15 of even-numbered years. Directs DEQ to report to interim legislative committees on or before September 15, 2018 on implementation of Act. Establishes operative dates for provisions of Act. Declares emergency, effective upon passage.

**ISSUES DISCUSSED:**

- Carbon pollution market
- Offset project location and supply
- Advisory group membership and representation
- Price of carbon
- Carbon markets in other states and countries

**EFFECT OF COMMITTEE AMENDMENT:**

Clarifies definitions of "offset credit" and "offset project." Defines "project labor agreement" and sets minimum conditions. Removes provision exempting sources subject to low carbon fuel standards. Revises language on setting cap on total emissions. Directs that cap and schedule for reducing cap reflect the total emissions from covered entities, as proportionate share, that must be reduced to prevent exceedance of emission levels established under Act. Directs DEQ to distribute allowances directly and free of charge to address leakage and as determined necessary by EQC, including to covered entities that are part of an emissions-intensive, trade-exposed industry. Sets requirements for primary contractor on project funded by Climate Investments Account. Directs that Governor appoint at least one member of grant committee for Climate Investments Account from each Congressional district and requires Senate confirmation. Revises language regarding and names a Climate Investments in Disadvantaged Communities Advisory Committee. Specifies that biomass emissions are not covered by Act.

**BACKGROUND:**

The Oregon Legislative Assembly adopted greenhouse gas reduction goals in 2007 with the passage of House Bill 3543. The goals called for the state to begin to reduce greenhouse gas emissions by 2010, to achieve greenhouse gas levels 10 percent less than 1990 levels by 2020, and to achieve greenhouse gas levels 75 percent below 1990 levels by 2050.

Senate Bill 1574A would direct the Environmental Quality Commission to adopt enforceable limits on greenhouse gas emissions and begin operating a carbon pollution market in Oregon on January 1, 2020. A cap would set the total greenhouse gas emissions allowed from covered entities during a calendar year and a schedule would be established to lower the cap each year to prevent exceedance of the emissions limits. The participants in the carbon pollution market would include emission sources that meet or exceed 25,000 metric tons of carbon dioxide each year. Proceeds from the auction of emission allowances would be deposited in a Climate Investments Fund and Just Transition Fund.