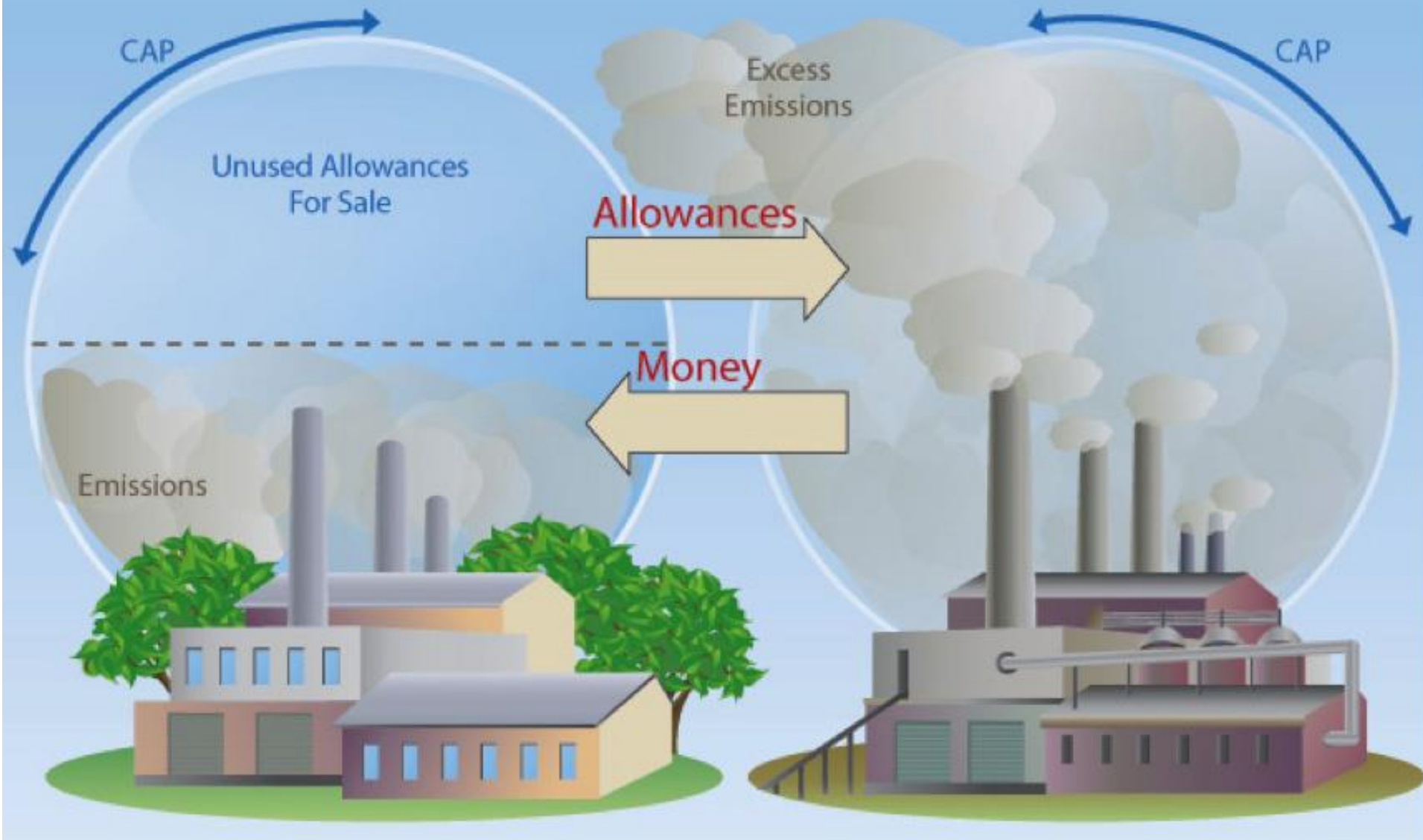


# Greenhouse Gas Cap & Trade Program

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# What is cap & trade?



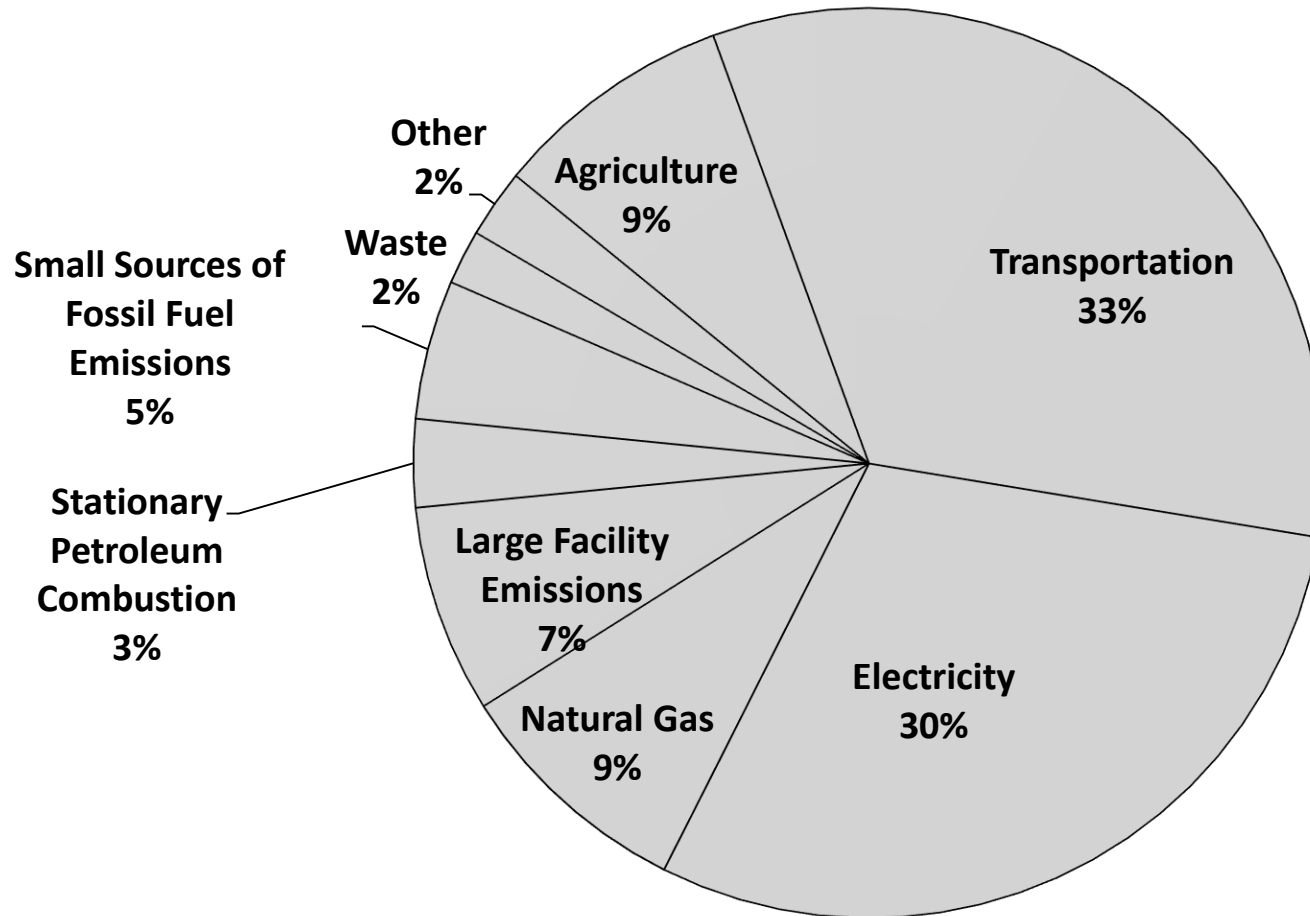
# Elements of a cap & trade program

- Scope
- Stringency
- Allowance distribution
- Revenue
- Cost containment
- Offsets
- Program administration

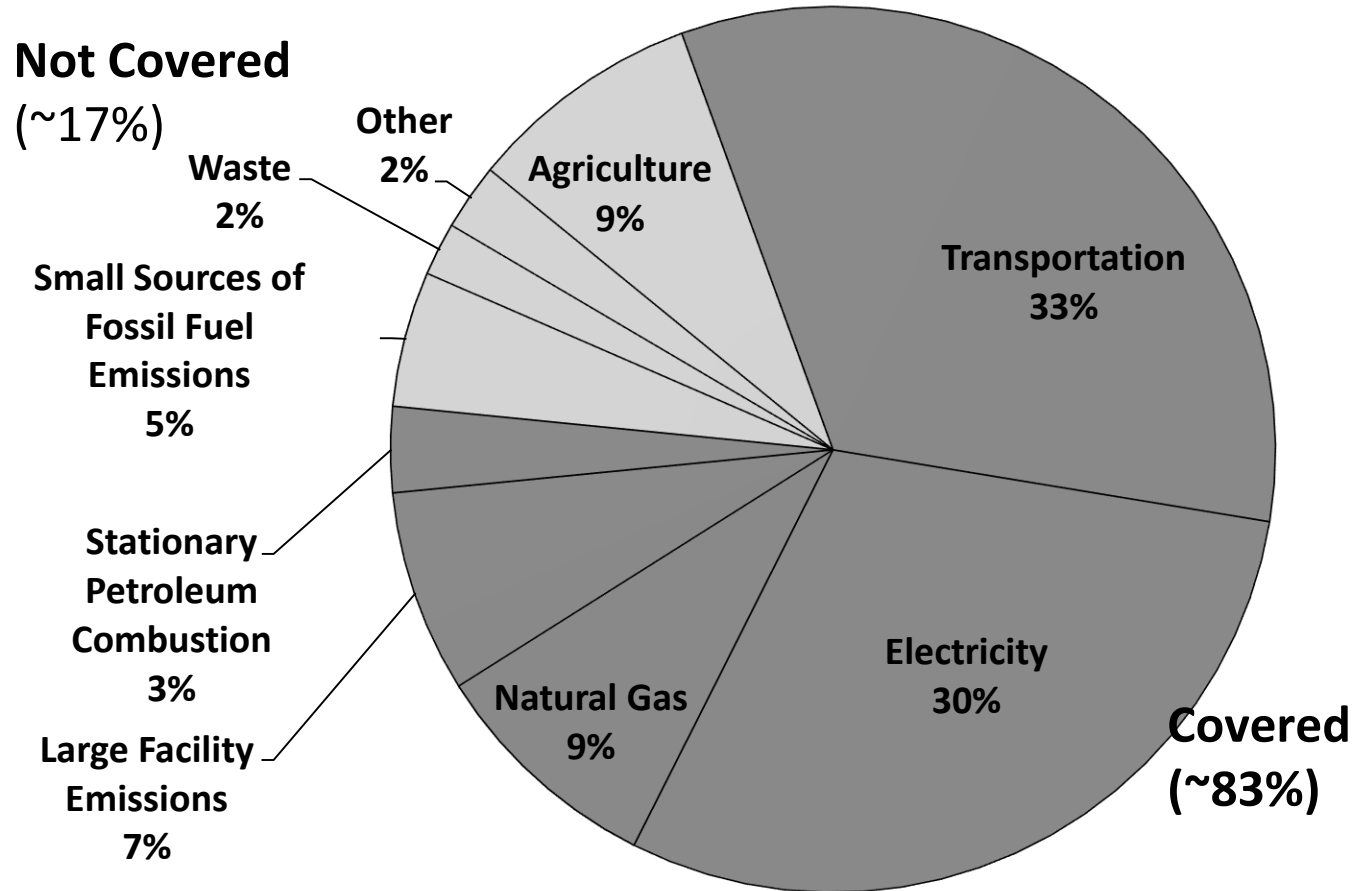
# Considerations for program design

- Effect on Oregon's GHG emissions
- Linking with other states or countries
- Interactions with existing state programs
- Impacts to businesses
- Rural communities & disadvantaged populations

# Scope (covered emissions)



# Scope (covered emissions)



# Stringency

- Cap relative to emission sources
- Considerations:
  - Align to Oregon's GHG goals?
  - Adjust for proportion of state emissions covered?
  - Alignment of trajectory?
  - Compatibility for linkage

# Allowance distribution

- Auction
  - Clear price signal to market
  - Requires no state formula for distribution
  - Generates revenue
- Free
  - Reduces (certain) businesses' and customers' cost



# Revenue

- Revenue from transportation may be restricted
- Remaining auction revenue could:
  - Benefit disadvantaged & rural communities
  - Minimize impacts to utility rates
  - Further reduce emissions
  - Other state priorities

# Cost containment

- Banking
- Linkage
- Price floor
- Price ceiling
- Offsets

# Program administration

- Allowances tracking system
- Compliance verification
- Auction platform
- Market monitor
- New staff
  - Program design and rulemaking
  - Stakeholder engagement
  - Expanded GHG reporting program

# CaT and Existing IOU Regulation

- Ratemaking is an in-depth process to determine the prudence of utility investments. Through this process the Commission sets rates that are just and reasonable.
- In Integrated Resource Plans, utilities must study potential resource actions to meet customer needs in a least cost and least risk manner.
- In the IRP, utilities must analyze the impact of carbon dioxide emissions assuming a range of costs per ton and identify what resource action they would take to meet the state's greenhouse gas emission reduction goals.

# CaT and Existing IOU Regulation

*Relationships between existing policies and CaT*

- Energy Efficiency: Energy Trust of Oregon acquires cost-effective energy efficiency for the investor-owned utilities (SB 1149 and SB 838).
- Renewable Portfolio Standard: (SB 838) applies to all utilities in the state. For the state's largest IOUs the maximum compliance requirement is 50% in 2040 (SB 1547).
- Variety of electric vehicle programs: transportation electrification programs (SB 1547), connection to Clean Fuels Program, and required long-term EV planning.

# CaT and Existing IOU Regulation

- Many policies that reduce carbon emissions could achieve much of the carbon emissions reductions for the electric IOUs that a cap and trade could.
- However, many of the policies are acting alone. There is not much connectivity between policies.
- A price on carbon would send a price signal to customers and serve as an emission reduction backstop.
- For example, cap and trade would create a greater connection between the transportation and electric sectors.

# Depending on CaT Design:

- IOUs would continue to be subject to PUC rate regulation and planning requirements. Staying ahead of the emissions cap would be part of smart integrated planning and investment.
- The utility would become an actor in the allowance market sometimes buying and sometimes selling.
- *Rates* could go up as a price signal, but the customers annual costs could largely stay the same (either through free allowances or allowance revenue).

# Questions?

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