

HB 3386 -6 STAFF MEASURE SUMMARY

House Committee On Energy and Environment

Prepared By: Beth Reiley, LPRO Analyst

Meeting Dates: 4/5

WHAT THE MEASURE DOES:

Requires Environmental Quality Commission to adopt by rule program in which: regulated parties generate and reconcile deficits to be in compliance with low carbon fuel standard (LCFS); regulated parties and credit generators may obtain credits for fuels used as substitutes for gasoline or diesel; and people have opportunity to trade credits to facilitate compliance with LCFS. Requires program to include certain provisions for managing and containing costs of compliance with low carbon fuel standards. Requires Department of Environmental Quality to hold credit clearance market in any low carbon fuel standards compliance year during which certain events occur. Sets forth certain requirements for administration of credit clearance market. Becomes operative January 1, 2018. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-6 Replaces measure. Requires Environmental Quality Commission to adopt program to facilitate compliance with low carbon fuel standard which includes provisions for regulated parties to purchase compliance credits from compliance generators to demonstrate compliance with low carbon fuel standards. Prohibits compliance credits from being banked or traded. Requires nongovernmental entity to enter into agreement with DEQ to participate as compliance credit generator. Requires compliance generator to offer unlimited quantity of compliance credits for \$75 per compliance credit; regularly provide EQC with timely and detailed information on the use of funds; include ex officio member designated by DEQ compliance credit generator's governing body and nominating committee; allow DEQ to inspect financial records related to use of funds; arrange audit during term of agreement; and establishes requirements for disclosure of economic and conflicts of interest. Requires funds to be used from the transfer of credits for: providing grants to Oregon post-secondary institutions to research low carbon intensity transportation technology within partnerships with manufacturers; revolving loan fund for manufacture of products in Oregon that will reduce transportation related green house gas emissions; grants to school districts that do not provide student transportation on school buses (801.460) for costs incurred to provide transportation; or rebate program to provide rebates to low income persons to purchase alternative fuel or zero-emission vehicles. Requires DEQ to report to Legislative Assembly, on or before February 1 of each year.

Establishes judicial review process to Supreme Court that must be filed by July 1, 2018. Establishes alternative process if portion of Act relating to receipt of funds by compliance generators for transfer of compliance credits is declared to impose tax or excise levied on storage, withdrawal, use or any other product for propulsion of motor vehicles on or before January 1, 2021. Alternative process would include EQC to include provisions for managing and containing costs of compliance with low carbon fuel standard by using compliance credits. Stipulates compliance credits may not be banked or traded, can only transferred to DEQ regulated parties and may only be transferred at price of \$75 per credit. Stipulates funds received by DEQ for the transfer of compliance credits shall be paid deposited into Transportation Emission Reduction Account (Account) established in the State Highway Fund. Establishes Account and stipulate Account can only be used to carry out programs, projects or activities to reduce transportation-related greenhouse gas emissions.

Becomes operative January 1, 2018. Takes effect on 91st day after 2017 regular legislative session adjourns sine die.

BACKGROUND:

According to the Department of Environmental Quality (DEQ) approximately one-third of Oregon's greenhouse gases come from the transportation sector. The 2009 Oregon Legislature passed House Bill 2186 authorizing the Oregon Environmental Quality Commission to adopt rules to reduce the average carbon intensity of Oregon's transportation fuels by 10 percent over a 10-year period. The 2015 Oregon Legislature passed Senate Bill 324 allowing the Department of Environmental Quality to fully implement the Low Carbon Fuel Standard in 2016.