SB 557 STAFF MEASURE SUMMARY

Senate Committee On Environment and Natural Resources

Action Date:	04/12/17
Action:	Without recommendation as to passage, request rescission of subsequent referral to Ways and Means and request referral to Rules.
Vote:	5-0-0-0
Yeas:	5 - Baertschiger Jr, Dembrow, Olsen, Prozanski, Roblan
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
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WHAT THE MEASURE DOES:

Directs Environmental Quality Commission (EQC), in consultation with rules advisory committee comprised of members appointed by the Governor, to adopt a carbon pollution market for sources that annually emit more than 25,000 metric tons of carbon dioxide or carbon dioxide equivalent. Directs EQC to set a cap on total allowed emissions from covered sources that decreases annually until 2050 and create tradable allowances that covered sources must remit to meet compliance obligation. Requires EQC to establish criteria for distribution of allowances either directly at no cost or through an auction administered by the Department of Environmental Quality (DEQ). Establishes that electric utilities and natural gas utilities receive free allowances consigned to the state for auction. Requires DEQ to contract with a qualified independent contractor to administer a maximum of four auctions annually. Sets auction floor price to increase annually. Allows use of offset credits for up to 50 percent of covered source's compliance obligation.

Directs auction proceeds to four primary purposes, including transportation infrastructure projects, two grant programs and bill assistance for low-income utility customers.

- Creates Climate Investments Account within State Highway Fund to support transportation infrastructure projects with 20 percent of funds used in disadvantaged communities and 20 percent used on projects that otherwise support disadvantaged communities. Creates Climate Investments in Disadvantaged Communities (CIDC) Advisory Committee, with members appointed by the Governor, to consult in disbursement of Climate Investments Account funds.
- Creates Oregon Climate Investments Fund to support grant program, named Climate Investments Grant Program. Establishes that 50 percent of grant program funds must be used in disadvantaged communities and 40 percent must be used in economically distressed areas. Creates grant committee, with members appointed by the Governor, to consult in disbursement of funds and also requires consultation with CIDC Advisory Committee.
- Creates Just Transition Fund to support grant program assisting communities affected by climate change and climate policies, named Just Transition Grant Program. Creates grant committee, with members appointed by the Governor, to consult in disbursement of funds.
- Designates proceeds from sale of allowances consigned to electric and natural gas utilities to be spent on bill assistance for low-income utility customers and residential or small business climate credits.

Creates Greenhouse Gas Cap and Investment Program Oversight Committee, with members appointed by the Governor, to study implementation and effects of Act. Repeals statutory greenhouse gas emission reduction goals and requires EQC to adopt by rule statewide greenhouse gas emission reduction goals for the years 2020, 2035 and 2050. Renames Oregon Global Warming Commission as Oregon Commission on Climate Change. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- How a cap-and-trade program works

- Existing Oregon programs and policies to reduce carbon emissions
- Cap-and-trade programs in other states and countries

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

A cap-and-trade program is a market-based system designed to reduce greenhouse gas emissions. Total allowed emissions are capped at a given level that decreases each year. Polluters are required to buy an allowance for each ton of greenhouse gas they emit, as quantified through mandatory reporting of emissions to the government. Allowances are purchased at auctions held either by the government or a contracted third party. Allowances may also be distributed for free, often to emissions-intensive, trade-exposed industries. A floor price is set for allowances and rises annually. At the end of each compliance period, polluters must remit a number of allowances equal to their emissions or face a penalty. Companies may sell surplus allowances to other companies. A cap-and-invest program uses the proceeds generated from a cap-and-trade program for designated purposes, which can include bill assistance for low-income utility customers, transportation infrastructure projects and grant programs for clean energy and economic development.

Ten states currently have cap-and-trade systems. Nine are northeastern states that joined together in 2009 to create a common carbon market through the Regional Greenhouse Gas Initiative (RGGI). California runs a separate program that began in 2012 and is linked to the Canadian province of Quebec's cap-and-trade program.

Senate Bill 557 would create a cap-and-invest system covering sources that emit more than 25,000 metric tons of greenhouse gases. Such sources would include certain fossil fuel suppliers, natural gas suppliers, electric utilities, landfills, universities, high tech industries and certain other heavy industries. These sources would be required to obtain allowances and remit a number of allowances equal to their level of emissions for each compliance period. Proceeds would be invested in various grant program funds, infrastructure projects and bill assistance for low-income utility customers.