

HB 3386 A STAFF MEASURE SUMMARY
House Committee On Energy and Environment

Action Date: 04/17/17
Action: Do pass with amendments and be referred to Rules. (Printed A-Eng.)
Vote: 9-0-0-0
Yeas: 9 - Barnhart, Bentz, Helm, Holvey, Johnson, Marsh, Power, Reschke, Smith DB
Fiscal: Fiscal impact issued
Revenue: Revenue impact issued
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WHAT THE MEASURE DOES:

Requires Environmental Quality Commission (EQC) 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 Department of Environmental Quality (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 on the 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 establish 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 greenhouse gas emissions; grants to school districts that do not provide student transportation on school buses (ORS 801.460) for costs incurred to provide transportation; or 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 requirement that EQC 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 transfer 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 deposited into Transportation Emission Reduction Account (Account) established in the State Highway Fund. Establishes Account and stipulates 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.

ISSUES DISCUSSED:

- History of low carbon fuel standard
- Price of credits
- How program is currently being administered

EFFECT OF AMENDMENT:

Replaces measure.

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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 Legislative Assembly 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 Legislative Assembly passed Senate Bill 324 allowing the Department of Environmental Quality to fully implement the low carbon fuel standard in 2016.

House Bill 3386A would require the Environmental Quality Commission to adopt a program to facilitate the compliance with the low carbon fuel standard that would include provisions for regulated parties to purchase credits to demonstrate compliance with the standard.