

Senate Bill 557

Sponsored by Senator BEYER (at the request of former Senator Chris Edwards) (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Repeals greenhouse gas emissions goals and requires Environmental Quality Commission to adopt by rule statewide greenhouse gas emissions goal for 2025, and limits for years 2035 and 2050.

Requires Environmental Quality Commission to adopt carbon pollution market by rule. Requires commission to consult with certain interested persons and be advised by advisory committee in adopting rules. Establishes Greenhouse Gas Cap and Investment Program Oversight Committee. Provides for minimum requirements of carbon pollution market. Declares legislative purposes of carbon pollution market.

Establishes Climate Investments Account within State Highway Fund. Requires that certain auction proceeds be deposited in account for purpose of funding programs consistent with legislative purposes of carbon pollution market.

Establishes Oregon Climate Investments Fund. Requires that certain auction proceeds be deposited in fund, to be distributed through Climate Investments Grant Program adopted by Environmental Quality Commission by rule.

Creates Climate Investments in Disadvantaged Communities Advisory Committee. Requires committee to advise on distributions of certain auction proceeds.

Establishes Just Transition Fund. Requires that certain auction proceeds be deposited in fund, to be distributed through Just Transition Grant Program adopted by Oregon Business Development Department by rule.

Makes all provisions related to carbon pollution market and distribution of auction proceeds operative January 1, 2021. Authorizes Environmental Quality Commission, Public Utility Commission and Oregon Business Development Department to adopt rules prior to operative date.

Requires registration and reporting by certain sources of greenhouse gas emissions. Becomes operative January 1, 2018.

Changes name of Oregon Global Warming Commission to Oregon Commission on Climate Change. Becomes operative January 1, 2018.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to entities that contribute to greenhouse gas emissions; creating new provisions; amending
3 ORS 184.889, 352.823, 468A.020, 468A.050, 468A.200, 468A.210, 468A.215, 468A.220, 468A.225,
4 468A.230, 468A.235, 468A.240, 468A.245, 468A.250, 468A.255, 468A.260, 468A.270, 468A.275,
5 468A.280 and 757.528 and section 9, chapter 751, Oregon Laws 2009, and section 20, chapter 28,
6 Oregon Laws 2016; repealing ORS 468A.205 and 468A.210; and declaring an emergency.

7 Whereas climate change and ocean acidification caused by greenhouse gas emissions threaten
8 to have significant detrimental effects on public health and the economic vitality, natural resources
9 and environment of this state; and

10 Whereas the diverse impacts of climate change and ocean acidification include the exacerbation
11 of air quality problems, a reduction in the quantity and quality of water available to this state from
12 mountain snowpack, a rise in sea levels resulting in the displacement of thousands of coastal busi-
13 nesses and residences, damage to marine ecosystems and food sources, the degradation of the nat-
14 ural environment from increased severity of forest fires and pest infestations of stressed land-based
15 ecosystems, extreme weather events and an increase in the incidences of infectious diseases, asthma
16 and other human health-related problems; and

17 Whereas climate change and ocean acidification will have detrimental effects on some of this

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 state's most important industries, including agriculture, forestry, commercial fishing, recreation and
2 tourism; and

3 Whereas climate change will strain the electricity and domestic water supplies that are neces-
4 sary for economic stability and the most basic levels of human well-being and survival in this state;
5 and

6 Whereas national and international actions are necessary to fully address climate change and
7 ocean acidification; and

8 Whereas national actions in the United States are emerging too slowly to address the scope,
9 magnitude and urgency of climate change and ocean acidification; and

10 Whereas many greenhouse gases persist in the atmosphere for millennia, meaning that the costs
11 of early policy inaction will be severe; and

12 Whereas in the absence of effective national engagement, it is the responsibility of the individ-
13 ual states, deemed to be the laboratories of process, to take immediate leadership actions to address
14 climate change and ocean acidification; and

15 Whereas by exercising a leadership role in addressing climate change and ocean acidification,
16 the State of Oregon will position its economy, technology centers, financial institutions and busi-
17 nesses to benefit from the national and international efforts that must occur to reduce greenhouse
18 gas emissions; and

19 Whereas by joining together with other leadership jurisdictions similarly resolved to address
20 climate change and ocean acidification, Oregon will help encourage more states, the federal gov-
21 ernment and the international community to act; and

22 Whereas global climate change has a disproportionate effect on disadvantaged communities,
23 which typically have fewer resources to adapt to climate change and are therefore the most vul-
24 nerable to displacement, adverse health effects, job loss, property damage and other effects of cli-
25 mate change; and

26 Whereas climate change policies can be designed to protect disadvantaged communities, rural
27 communities and workers from economic costs and can provide co-benefits to and within these
28 communities that include, but are not limited to, opportunities for job creation and training, in-
29 vestments in infrastructure, affordable housing investment, economic development, air quality im-
30 provements, energy savings and conservation and increased utilization of clean energy technologies;
31 and

32 Whereas any climate policy should address leakage to ensure a level playing field between in-
33 state and out-of-state companies to prevent jobs from leaving this state; and

34 Whereas the climate crisis is pressing; and

35 Whereas it is the intent of the Legislative Assembly to obtain reductions in greenhouse gas
36 emissions through legally binding market-based mechanisms; now, therefore,

37 **Be It Enacted by the People of the State of Oregon:**

38 **SECTION 1. Sections 4 and 6 to 19 of this 2017 Act shall be known and may be cited as**
39 **the Healthy Climate Act of 2017.**

40
41 **STATEWIDE GREENHOUSE GAS EMISSIONS LIMITS**

42
43 **SECTION 2. ORS 468A.205 is repealed.**

44 **SECTION 3. Section 4 of this 2017 Act is added to and made a part of ORS chapter 468A.**

45 **SECTION 4. (1) As used in this section, "statewide greenhouse gas emissions" means the**

1 total annual emissions of greenhouse gases in this state and all emissions of greenhouse
 2 gases from outside this state that are attributable to the generation of electricity that is
 3 delivered to and consumed in this state, accounting for transmission and distribution line
 4 losses.

5 (2) The Environmental Quality Commission shall adopt by rule:

6 (a) A statewide greenhouse gas emissions goal for the year 2025 to limit greenhouse gas
 7 emissions to levels that are at least 20 percent below 1990 levels;

8 (b) A statewide greenhouse gas emissions limit for the year 2035 that limits greenhouse
 9 gas emissions to levels that are at least 45 percent below 1990 levels; and

10 (c) A statewide greenhouse gas emissions limit for the year 2050 that limits greenhouse
 11 gas emissions to levels that are at least 75 percent below 1990 levels.

12
 13 **GREENHOUSE GAS CAP AND INVESTMENT PROGRAM**
 14 **(Statement of Purposes)**
 15

16 **SECTION 5.** Sections 6 to 11, 14 and 15 of this 2017 Act and ORS 468A.200 to 468A.260 are
 17 added to and made a part of ORS chapter 468A.

18 **SECTION 6.** (1) The Legislative Assembly finds and declares that the purposes of sections
 19 6 to 19 of this 2017 Act are to reduce greenhouse gas emissions consistent with the statewide
 20 greenhouse gas emissions levels established under section 4 of this 2017 Act and to promote
 21 adaptation and resilience by this state’s communities and economy in the face of climate
 22 change.

23 (2) Sections 6 to 19 of this 2017 Act and the rules adopted pursuant to sections 6 to 19
 24 of this 2017 Act:

25 (a) May not be interpreted to limit the authority of any state agency to adopt and im-
 26 plement measures to reduce greenhouse gas emissions; and

27 (b) Shall be interpreted in a manner consistent with federal law.

28
 29 **(Rules Adoption and Implementation Oversight Advisory Committees)**
 30

31 **SECTION 7.** (1) In adopting rules as required by sections 9, 10, 11 and 15 of this 2017 Act,
 32 the Environmental Quality Commission shall consult with the Environmental Justice Task
 33 Force, Indian tribes, the Public Utility Commission, the State Department of Energy, the
 34 Department of Transportation and other interested state and federal agencies, and shall be
 35 advised by an advisory committee appointed by the Governor.

36 (2) The advisory committee required by subsection (1) of this section shall be composed
 37 of:

38 (a) One member appointed by the Commission on Asian and Pacific Islander Affairs;

39 (b) One member appointed by the Commission on Black Affairs;

40 (c) One member appointed by the Commission on Hispanic Affairs;

41 (d) One member appointed by the Commission on Indian Services; and

42 (e) Five members appointed by the Governor who reflect the geographic and demographic
 43 diversity of this state, and who have the qualifications deemed necessary by the Governor
 44 to advise the Environmental Quality Commission on the diversity of interests relating to
 45 efforts by the state to limit greenhouse gas emissions consistent with section 4 of this 2017

1 Act, with a preference in making appointments given to individuals who can represent the
2 interests of multiple constituencies.

3 **SECTION 7a.** (1) The Greenhouse Gas Cap and Investment Program Oversight Committee
4 is created. The committee consists of nine members as follows:

5 (a) The President of the Senate shall appoint one member from among the members of
6 the Senate.

7 (b) The Speaker of the House of Representatives shall appoint one member from among
8 the members of the House of Representatives.

9 (c) The Governor shall appoint:

10 (A) One member who represents the office of the Governor;

11 (B) One member who represents disadvantaged communities;

12 (C) One member who represents the interests of labor organizations;

13 (D) One member who represents environmental organizations;

14 (E) One member who represents covered entities;

15 (F) One member with expertise in climate science; and

16 (G) One member who represents the interests of business sectors impacted by climate
17 change.

18 (2) The term of a legislative member of the committee shall be two years. If a person
19 appointed by the President of the Senate or by the Speaker of the House ceases to be a
20 Senator or Representative during the person's term on the committee, the person may con-
21 tinue to serve as a member of the committee for the balance of the member's term on the
22 committee. The term of all other appointed members shall be four years. Appointed members
23 of the committee may be reappointed. If a vacancy occurs in one of the appointed positions
24 for any reason during the term of membership, the official who appointed the member to the
25 vacated position shall appoint a new member to serve the remainder of the term. An ap-
26 pointed member of the committee may be removed from the committee at any time by the
27 official who appointed the member.

28 (3)(a) The members of the committee shall select from among themselves a chairperson
29 and a vice chairperson.

30 (b) The committee shall meet at such times and places as determined by the chairperson.

31 (4) Notwithstanding ORS 171.072, members of the committee who are members of the
32 Legislative Assembly are not entitled to mileage expenses or a per diem and serve as volun-
33 teers on the committee. Other members of the committee are not entitled to compensation
34 or reimbursement for expenses and serve as volunteers on the committee.

35 (5) The committee shall:

36 (a) Study the implementation of sections 6 to 19 of this 2017 Act, with particular focus
37 on:

38 (A) How moneys received by the state as auction proceeds pursuant to section 10 of this
39 2017 Act are spent;

40 (B) The greenhouse gas reductions that have resulted from the state's expenditure of
41 auction proceeds;

42 (C) The geographic distribution of activities that have benefitted from the expenditure
43 of auction proceeds; and

44 (D) How disadvantaged communities and economically distressed areas have benefitted
45 from the expenditure of auction proceeds;

1 **(b) Make any recommendations to the Environmental Quality Commission, the Governor**
2 **and the Legislative Assembly that the committee deems necessary to increase the effective-**
3 **ness of the implementation of sections 6 to 19 of this 2017 Act;**

4 **(c) Make any recommendations for additional legislation governing the adoption and im-**
5 **plementation of the carbon pollution market; and**

6 **(d) Conduct such other studies as necessary to provide oversight to the implementation**
7 **of sections 6 to 19 of this 2017 Act.**

8 **(6) The Department of Environmental Quality shall provide the committee with staff,**
9 **subject to availability of funding for that purpose.**

10
11 **(Definitions)**
12

13 **SECTION 8. As used in ORS 468A.200 to 468A.260 and sections 6 to 19 of this 2017 Act:**

14 **(1) “Allowance” means a tradable authorization to emit up to:**

15 **(a) One metric ton of carbon dioxide; or**

16 **(b) One unit of carbon dioxide equivalent.**

17 **(2) “Annual allowance budget” means the total number of allowances allocated by the**
18 **Environmental Quality Commission for auction or distribution in one calendar year.**

19 **(3) “Carbon dioxide equivalent” means the potential contribution of a greenhouse gas to**
20 **anthropogenic climate change expressed such that the potential contribution of one unit of**
21 **carbon dioxide equivalent is equal to the potential contribution of one metric ton of carbon**
22 **dioxide.**

23 **(4) “Carbon pollution market” means the system for regulating greenhouse gas emissions**
24 **established by the Environmental Quality Commission by rule under section 9 of this 2017**
25 **Act.**

26 **(5) “Compliance instrument” means an allowance or an offset credit that may be used**
27 **to fulfill a compliance obligation.**

28 **(6) “Compliance obligation” means the quantity of compliance instruments that an entity**
29 **is required to surrender to the Department of Environmental Quality during a compliance**
30 **period under the carbon pollution market.**

31 **(7) “Covered entity” means a source that is required by the Environmental Quality**
32 **Commission to participate in the carbon pollution market.**

33 **(8) “Disadvantaged communities” includes, but is not limited to:**

34 **(a) Communities with a high percentage of people of color, low-income households, im-**
35 **migrants or refugees relative to other communities;**

36 **(b) Linguistically isolated communities;**

37 **(c) Communities with high exposures to pollution or toxics relative to other communities;**
38 **and**

39 **(d) Rural communities with unemployment rates that are above this state’s mean state-**
40 **wide unemployment rate.**

41 **(9) “Economically distressed area” means an area designated as distressed by the Oregon**
42 **Business Development Department under ORS 285A.020 and 285A.075.**

43 **(10) “Electric utility” has the meaning given that term in ORS 757.600.**

44 **(11) “General market participant” means a person that:**

45 **(a) Is a registered entity;**

1 (b) Is not a covered entity or an opt-in entity; and

2 (c) Intends to purchase, hold, sell or voluntarily retire compliance instruments in the
3 carbon pollution market.

4 (12) “Greenhouse gas” means any gas that contributes to anthropogenic climate change,
5 including but not limited to carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,
6 perfluorocarbons and sulfur hexafluoride.

7 (13) “High road agreement” means an agreement among multiple stakeholders that
8 specifies goals for a project or program that are related to the quality and accessibility of
9 economic opportunities provided by that project or program, and that includes:

10 (a) Strategies for advancing the specified goals based on metrics that may include but
11 are not limited to:

12 (A) Requirements for wages and benefits;

13 (B) Workforce and business diversity;

14 (C) Training and career development; and

15 (D) Environmental benefits;

16 (b) A mechanism for implementing the agreement; and

17 (c) A process for evaluating the progress of a project or program toward achieving the
18 goals specified in the agreement.

19 (14) “Leakage” means a reduction in greenhouse gas emissions within this state that is
20 offset by an increase in greenhouse gas emissions outside this state.

21 (15) “Natural gas utility” means a natural gas utility regulated by the Public Utility
22 Commission under ORS chapter 757.

23 (16) “Offset credit” means a tradable compliance instrument that is generated by an
24 offset project. One offset credit equals one allowance.

25 (17) “Offset project” means a project, implemented by a person that is not a covered
26 entity, that reduces or removes greenhouse gas emissions that are attributable to persons
27 that are not covered entities.

28 (18) “Opt-in entity” means a source that is not required to participate in the carbon
29 pollution market and that voluntarily chooses to participate in the carbon pollution market
30 as if it were a covered entity.

31 (19) “Project labor agreement” means a collective bargaining agreement with one or
32 more labor organizations that establishes the terms and conditions of employment for a
33 specific construction project and that, at a minimum:

34 (a) Binds all contractors and subcontractors on the construction project through the
35 inclusion of appropriate specifications in all relevant solicitation provisions and contract
36 documents;

37 (b) Allows all contractors and subcontractors to compete for contracts and subcontracts
38 without regard to whether they are parties to any other collective bargaining agreement;

39 (c) Contains guarantees against strikes, lockouts and similar job disruptions; and

40 (d) Sets forth effective, prompt and mutually binding procedures for resolving labor dis-
41 putes that arise during the term of the project labor agreement.

42 (20) “Registered entity” means a covered entity, opt-in entity, or general market partic-
43 ipant that has successfully registered to participate in the carbon pollution market.

44 (21) “Retire” means to permanently remove a compliance instrument from the carbon
45 pollution market such that the compliance instrument may not be sold, traded or otherwise

1 used again.

2 (22) "Source" means:

3 (a) An air contamination source as defined in ORS 468A.005;

4 (b) Any person that imports, sells, allocates or distributes for use in this state electricity,
5 the generation of which emits greenhouse gases; or

6 (c) Any person that imports, sells or distributes for use in this state fossil fuel that
7 generates greenhouse gases when combusted.

8 (23) "Surrender" means to transfer a compliance instrument to the Department of En-
9 vironmental Quality:

10 (a) To meet a compliance obligation;

11 (b) To satisfy a penalty imposed; or

12 (c) On a voluntary basis.

13
14 (Carbon Pollution Market)

15
16 **SECTION 9.** (1) The Environmental Quality Commission shall adopt a carbon pollution
17 market by rule. Rules adopted under this subsection must, at a minimum:

18 (a) Identify sources subject to the carbon pollution market. In adopting rules under this
19 subsection, the commission may not require a source to be subject to the carbon pollution
20 market unless or until the annual verified greenhouse gas emissions reported under ORS
21 468A.050 or 468A.280 attributable to that source meet or exceed 25,000 metric tons of carbon
22 dioxide or carbon dioxide equivalent.

23 (b) Set a cap on the total combined greenhouse gas emissions allowed from covered en-
24 tities during the calendar year 2021, and a schedule for the cap to decrease by a predeter-
25 mined amount each calendar year until 2050. The cap and schedule shall reflect the total
26 greenhouse gas emissions from covered entities, as a proportionate share of statewide
27 greenhouse gas emissions as defined in section 4 of this 2017 Act, that must be reduced in
28 order to prevent exceedance of the statewide greenhouse gas emissions levels established by
29 section 4 of this 2017 Act.

30 (c) Establish an annual allowance budget for the calendar year 2021, and a schedule for
31 the annual allowance budget to decrease by a predetermined amount each calendar year until
32 2050, consistent with the cap set under paragraph (b) of this subsection and taking into ac-
33 count the effect of offset projects.

34 (d) Establish a market for allowances and criteria for the distribution of allowances ei-
35 ther directly at no cost or through an auction administered by the Department of Environ-
36 mental Quality pursuant to section 10 of this 2017 Act. In distributing allowances, the
37 department:

38 (A) Shall place a certain percentage of allowances, as determined necessary by the com-
39 mission by rule, directly in an allowance price containment reserve designed to assist in
40 containing compliance costs for covered entities in the event of unanticipated high costs for
41 compliance instruments;

42 (B) Shall distribute to electric utilities and natural gas utilities, directly and free of
43 charge, allowances to be consigned to the state for auction under section 10 of this 2017 Act;

44 (C) Shall, in order to address leakage and as determined necessary by the commission
45 pursuant to subsection (2) of this section, distribute allowances directly and free of charge

1 to covered entities that include, but are not limited to, covered entities that are part of an
2 emissions-intensive, trade-exposed industry; and

3 (D) Shall allocate all remaining allowances to an auction holding account to be auctioned
4 pursuant to section 10 of this 2017 Act and associated rules.

5 (e) Allow for the trading of compliance instruments.

6 (f) Establish three-year compliance periods, standards for calculating covered entities'
7 compliance obligations relative to the annual allowance budgets applicable during each com-
8 pliance period and, subject to section 11 of this 2017 Act, procedures by which covered enti-
9 ties shall meet their compliance obligations.

10 (g) Allow opt-in entities and general market participants to participate in the carbon
11 pollution market.

12 (2) The commission shall hire or contract with a third party organization to provide data
13 and analysis identifying leakage risk from specific covered entities including, but not limited
14 to, covered entities that are part of an emissions-intensive, trade-exposed industry. The
15 commission shall use the data and analysis provided by a third party organization under this
16 section to determine the number of allowances to be distributed directly and free of charge
17 under subsection (1)(d)(C) of this section. No less than once every five years, the commission
18 shall:

19 (a) Require that any data and analysis provided under this subsection be updated by the
20 third party organization.

21 (b) Adjust the number of allowances distributed directly and free of charge under sub-
22 section (1)(d)(C) as necessary to reflect the updated data and analysis.

23 (3)(a) The commission shall adopt by rule standards for offset projects that may generate
24 offset credits and standards for covered entities to use offset credits in meeting their com-
25 pliance obligations under the carbon pollution market.

26 (b) Offset projects:

27 (A) Must not be otherwise required by law; and

28 (B) Must result in greenhouse gas emissions reductions or removals that are in addition
29 to greenhouse gas emissions reductions or removals otherwise required by law, that would
30 not otherwise have occurred if the emissions reduction or removal activity had not been
31 implemented as part of the offset project and that meet the requirements of subsection (5)
32 of this section.

33 (c) Standards adopted under this subsection must ensure that offset credits may be used
34 to account for no more than 50 percent of the greenhouse gas emissions reductions required
35 of a covered entity during a compliance period, relative to the previous compliance period.
36 Standards adopted under this subsection may place additional restrictions on the number of
37 offset credits that may be used by a covered entity that is an air contamination source as
38 defined in ORS 468A.005 if the building, premises or other property in, at or on which the
39 air contamination source is located, or the facility, equipment or other property by which
40 greenhouse gas emissions are caused or from which the greenhouse gas emissions come, is
41 geographically located in a disadvantaged community.

42 (d) In adopting standards under this subsection, the commission shall:

43 (A) Take into consideration any standards for offset projects and offset credits estab-
44 lished by other states and countries with comparable carbon pollution markets; and

45 (B) Develop the standards in a manner that allows for the department to explore and

1 encourage opportunities for the development of offset projects in this state that may gener-
2 ate offset credits for use by covered entities in meeting their compliance obligations under
3 the carbon pollution market.

4 (4) All covered entities, opt-in entities and general market participants must register as
5 registered entities to participate in the carbon pollution market. The commission shall adopt
6 by rule registration requirements and any additional requirements necessary for registered
7 entities to participate in auctions administered by the department under section 10 of this
8 2017 Act. The commission may adopt a schedule of fees for registration under this sub-
9 section. Fees shall be reasonably calculated not to exceed the costs to the department in
10 administering the carbon pollution market.

11 (5) Greenhouse gas emissions reductions achieved pursuant to the carbon pollution
12 market developed under this section must be real, permanent, quantifiable, verifiable and
13 enforceable.

14 (6) In developing and administering the carbon pollution market under this section, the
15 commission may pursue linkage agreements with market-based programs in other states or
16 countries.

17 **SECTION 10.** (1) Except as provided in subsection (2) of this section, auctions of allow-
18 ances under the carbon pollution market shall be open to registered entities. The Environ-
19 mental Quality Commission shall adopt rules necessary for the Department of Environmental
20 Quality to administer the auctions. Rules adopted under this subsection must, at a minimum:

21 (a) Require the department to hold a maximum of four auctions annually. An auction
22 may include allowances from the annual allowance budget of the current year and allowances
23 from the annual allowance budgets from prior years that remained unsold at previous auc-
24 tions. The department may auction allowances from future annual allowance budgets sepa-
25 rately from allowances from current and previous annual allowance budgets.

26 (b) Require the department to engage:

27 (A) A qualified, independent contractor to run the auctions; and

28 (B) A qualified financial services administrator to hold bid guarantees, evaluate bid
29 guarantees and inform the department of the value of bid guarantees once the bids are ac-
30 cepted.

31 (c) Require the department to issue notice for an upcoming auction at least 90 days prior
32 to the auction. The auction must consist of a single round of sealed bids submitted during
33 a three-hour open window and must be conducted through a secure online system.

34 (d) Set an auction floor price and a schedule for the floor price to increase by a prede-
35 termined amount each calendar year as necessary for proper functioning of the carbon pol-
36 lution market. The department may not sell allowances at bids lower than the auction floor
37 price.

38 (e) Specify, as holding limits, the maximum number of allowances that may be held for
39 use or trade by a registered entity at any one time.

40 (f) Require that allowances distributed free of charge to an electric utility or a natural
41 gas utility must be consigned to the state for auction and may not be surrendered under
42 section 11 of this 2017 Act to meet the utility's compliance obligation. Proceeds from the sale
43 of allowances consigned to the state for auction under this paragraph may be used by the
44 utility only as provided in section 12 of this 2017 Act.

45 (g) Require a registered entity intending to participate in an auction to submit an appli-

1 cation to participate at least 30 days prior to the auction.

2 (h) Include provisions to guard against bidder collusion and minimize the potential for
3 market manipulation.

4 (2)(a) The department shall conduct reserve auctions of allowances from the allowance
5 price containment reserve once each calendar quarter, separate from the auction of other
6 allowances. Allowances unsold at a reserve auction must be made available again at future
7 reserve auctions.

8 (b) Only covered entities may participate in reserve auctions.

9 (c) The department shall follow the procedures for auctions adopted by rule under sub-
10 section (1) of this section for reserve auctions, except that the department may choose to
11 establish multiple price tiers for the allowances from the allowance price containment re-
12 serve.

13 (3) Upon completion and verification of the results of an auction conducted under this
14 section, the financial services administrator shall notify winning bidders and transfer the
15 proceeds of the auction as follows:

16 (a) For auction proceeds from allowances consigned to the state for auction under sub-
17 section (1)(f) of this section, to the electric utilities and natural gas utilities that consigned
18 the allowances, to be used only as specified in section 12 of this 2017 Act;

19 (b) For auction proceeds that constitute revenues described in Article IX, section 3a, of
20 the Oregon Constitution, to the State Treasurer to be deposited in the Climate Investments
21 Account in the State Highway Fund; and

22 (c) For auction proceeds remaining after completion of the transfers under paragraphs
23 (a) and (b) of this subsection, to the State Treasurer to be deposited as follows:

24 (A) Eighty-five percent in the Oregon Climate Investments Fund; and

25 (B) Fifteen percent in the Just Transition Fund.

26 **SECTION 11.** (1) A covered entity subject to the carbon pollution market developed under
27 section 9 of this 2017 Act must surrender to the Department of Environmental Quality the
28 quantity of compliance instruments equal to the entity's compliance obligation no later than
29 the surrender date for a compliance period specified by the Environmental Quality Commis-
30 sion by rule or order.

31 (2) In addition to any other penalty provided by law, a covered entity that fails to timely
32 surrender to the department a sufficient quantity of allowances to meet the entity's com-
33 pliance obligation must, no later than six months after the specified surrender date for the
34 compliance period, surrender to the department a penalty of four allowances for every one
35 allowance that the entity failed to timely surrender.

36 (3) If a covered entity reasonably believes that it will be unable to meet a compliance
37 obligation, the entity shall immediately notify the Department of Environmental Quality.
38 Upon receiving notification, the department shall issue an order requiring the entity to sur-
39 render penalty allowances as provided for under subsection (2) of this section.

40 (4) Three out of every four penalty allowances surrendered by a covered entity to the
41 department pursuant to this section must be offered by the department for purchase in fu-
42 ture auctions conducted under section 10 of this 2017 Act. The remaining penalty allowances
43 surrendered must be retired by the department and counted toward fulfilling the compliance
44 obligation of the covered entity in the compliance period for which the penalty allowances
45 were surrendered.

(Climate Investments)

1
2
3 **SECTION 12.** (1) An electric utility or natural gas utility that receives the proceeds from
4 the sale of allowances consigned to the state for auction under section 10 of this 2017 Act
5 may use the auction proceeds only for the following activities, in the following order of pri-
6 ority, consistent with the purposes of sections 6 to 19 of this 2017 Act as stated in section 6
7 of this 2017 Act:

8 (a) Bill assistance for low-income residential customers;

9 (b) Bill assistance for energy intensive industrial customers that, at the time the bill
10 assistance is received, are not covered entities receiving allowances distributed directly and
11 free of charge to address leakage as allowed under section 9 of this 2017 Act; or

12 (c) Residential or small business climate credits.

13 (2) The Public Utility Commission shall adopt rules necessary to implement this section.
14 In adopting rules under this section, the commission shall consult with the advisory com-
15 mittee established under section 7 of this 2017 Act.

16 **SECTION 13.** (1) The Climate Investments Account is established within the State High-
17 way Fund. Interest earned by the Climate Investments Account shall be credited to the ac-
18 count. Moneys in the account are continuously appropriated to the Department of
19 Transportation to be used only for activities that further the purposes of sections 6 to 19 of
20 this 2017 Act as stated in section 6 of this 2017 Act.

21 (2) The Climate Investments Account shall consist of moneys deposited in the account
22 under section 10 (3)(b) of this 2017 Act.

23 (3)(a) Of the moneys deposited in the account each biennium:

24 (A) At least 20 percent must be used to support projects that are geographically located
25 in disadvantaged communities; and

26 (B) At least 20 percent must be used to support projects that otherwise benefit disad-
27 vantaged communities.

28 (b) For purposes of this section, the Department of Transportation shall designate dis-
29 advantaged communities using the methodology adopted by the Environmental Quality
30 Commission by rule under section 15 of this 2017 Act.

31 (4) In distributing moneys in the account, the Department of Transportation shall:

32 (a) Consult with the Climate Investments in Disadvantaged Communities Advisory Com-
33 mittee created under section 16 of this 2017 Act;

34 (b) Follow a methodology, as developed by the Department of Transportation, for ensur-
35 ing that a meaningful share of the moneys distributed under this section are used to fund
36 projects that involve the participation of businesses owned by women and members of mi-
37 nority groups; and

38 (c) To the maximum extent feasible and practicable, give funding preference to projects
39 that will result in the greatest greenhouse gas emissions reductions.

40 (5) If a construction project is funded in whole or in part by moneys from the account,
41 the primary contractor participating in the construction project:

42 (a) Must participate in an apprenticeship program registered with the State Apprentice-
43 ship and Training Council;

44 (b) May not be a contractor listed by the Commissioner of the Bureau of Labor and In-
45 dustries under ORS 279C.860 as ineligible to receive a contract or subcontract for public

1 works;

2 (c) Must demonstrate a history of compliance with the rules and other requirements of
3 the Construction Contractors Board and of the Workers' Compensation Division and the
4 Occupational Safety and Health Division of the Department of Consumer and Business Ser-
5 vices; and

6 (d) Must demonstrate a history of compliance with federal and state wage and hour laws.

7 (6) If a construction project is funded in whole or in part by moneys from the account,
8 the Department of Transportation may, on a project-by-project basis, require the use of a
9 high road agreement or a project labor agreement if the use of either type of agreement
10 would advance the public interest and be consistent with law.

11 **SECTION 14.** (1) The Oregon Climate Investments Fund is established in the State
12 Treasury, separate and distinct from the General Fund. Interest earned by the Oregon Cli-
13 mate Investments Fund shall be credited to the fund. Moneys in the fund are continuously
14 appropriated to the Department of Environmental Quality to be distributed pursuant to the
15 Climate Investments Grant Program adopted under section 15 of this 2017 Act.

16 (2) The Oregon Climate Investments Fund shall consist of moneys deposited in the fund
17 under section 10 (3)(c)(A) of this 2017 Act.

18 (3) Moneys in the fund may be used only for activities that further the purposes of
19 sections 6 to 19 of this 2017 Act as stated in section 6 of this 2017 Act.

20 **SECTION 15.** (1) The Environmental Quality Commission shall adopt by rule a Climate
21 Investments Grant Program for distributing moneys in the Oregon Climate Investments
22 Fund. The grant program must carry out the purposes of sections 6 to 19 of this 2017 Act
23 as stated in section 6 of this 2017 Act.

24 (2)(a) Moneys must be distributed through the grant program developed under this sec-
25 tion such that, of the moneys deposited in or credited to the Oregon Climate Investments
26 Fund each biennium:

27 (A) At least 50 percent of the moneys are distributed to projects or programs that are
28 geographically located in disadvantaged communities; and

29 (B) At least 40 percent of the moneys are distributed to projects or programs that are
30 geographically located in economically distressed areas, with an emphasis placed on projects
31 or programs that support job creation and job education and training opportunities.

32 (b) Disadvantaged communities and economically distressed areas may be, but need not
33 be, considered mutually exclusive for purposes of this subsection.

34 (c) The commission shall consult with the Environmental Justice Task Force, the Oregon
35 Health Authority, other state agencies, local agencies and local officials in adopting by rule
36 a methodology for designating disadvantaged communities for purposes of this subsection.

37 (3) The grant program shall include the appointment of a grant committee. Members of
38 the grant committee shall be appointed by the Governor. The appointment of members of the
39 grant committee is subject to confirmation by the Senate in the manner prescribed in ORS
40 171.562 and 171.565. The grant committee may be composed of any number of individuals that
41 the Governor determines necessary. However, in making appointments to the grant com-
42 mittee under this section, the Governor shall:

43 (a) Appoint only members who are residents of this state and ensure that at least one
44 member is appointed from each congressional district in this state;

45 (b) Appoint members with experience in administering state grant programs;

1 (c) Appoint members who reflect the racial, ethnic and economic diversity of experience
2 and background necessary to support successful implementation of the grant program and
3 who have a demonstrated interest in reducing greenhouse gas emissions and taking other
4 actions to promote adaptation and resilience by this state's communities and economy in the
5 face of climate change; and

6 (d) Ensure that members of the grant committee have expertise in the following fields:

7 (A) Residential or commercial renewable energy;

8 (B) Promotion of civil rights or racial equality;

9 (C) Weatherization, energy efficiency and climate resilience for low-income residents;

10 (D) Water conservation;

11 (E) Financing tools for making renewable energy, energy efficiency and climate resilience
12 strategies available to a broad spectrum of the public;

13 (F) Job training and contracting with businesses owned by women and members of mi-
14 nority groups;

15 (G) Climate justice or environmental justice; and

16 (H) Climate science, with particular expertise in quantifying greenhouse gas emissions
17 reductions.

18 (4) The commission shall determine the form and method of applying for grants from the
19 grant program, the eligibility requirements for grant applicants and general terms and con-
20 ditions of the grants.

21 (5) The rules adopted by the commission under this section shall provide that the grant
22 committee consult with the Climate Investments in Disadvantaged Communities Advisory
23 Committee created under section 16 of this 2017 Act in reviewing grant applications and
24 making determinations of funding based on a scoring system developed by the commission.
25 The scoring system shall give funding preference to projects and programs that:

26 (a) Maximize multiple benefits in this state, including but not limited to environmental,
27 social and economic benefits;

28 (b) Result in greenhouse gas emissions reductions that are cost effective or that are the
29 product of business and research development interests in this state;

30 (c) Constitute investments in, and facilitate the development of, clean energy
31 infrastructure and technologies in this state;

32 (d) Complement efforts to achieve and maintain federal and state air quality standards;

33 (e) Protect disadvantaged communities and economically distressed areas from economic
34 uncertainties associated with climate change or climate change policies; or

35 (f) Make use of domestically produced products to the maximum extent feasible.

36 (6) The grant program adopted under this section may:

37 (a) To the extent feasible, require that a grant applicant provide matching funds for
38 completion of the project or program for which a grant is awarded.

39 (b) Allow an applicant to appeal to the commission for reevaluation of any determination
40 of grant funding.

41 (c) Allow for the provision of technical assistance during the grant application process
42 to applicants that are businesses owned by women or members of minority groups.

43 (7) If a construction project is funded in whole or in part by a grant awarded under the
44 grant program, the grant agreement shall require that the primary contractor participating
45 in the construction project:

1 (a) Must participate in an apprenticeship program registered with the State Apprenticeship and Training Council;

2
3 (b) May not be a contractor listed by the Commissioner of the Bureau of Labor and Industries under ORS 279C.860 as ineligible to receive a contract or subcontract for public works;

4
5
6 (c) Must demonstrate a history of compliance with the rules and other requirements of the Construction Contractors Board and of the Workers' Compensation Division and the Occupational Safety and Health Division of the Department of Consumer and Business Services; and

7
8
9
10 (d) Must demonstrate a history of compliance with federal and state wage and hour laws.

11 (8) If a construction project is funded in whole or in part by a grant awarded under the grant program, the Department of Environmental Quality may, on a project-by-project basis, require the use of a high road agreement or a project labor agreement if the use of either type of agreement would advance the public interest and be consistent with law.

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15 (9) Subject to the rules adopted by the commission, and subject to reevaluation by the commission on appeal, the grant committee has the responsibility to review grant applications and make funding determinations under the grant program adopted pursuant to this section.

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19 **SECTION 16.** (1) There is created a Climate Investments in Disadvantaged Communities Advisory Committee consisting of 17 members appointed by the Governor, with at least one member from each congressional district in this state. The Governor shall appoint members to the advisory committee as follows:

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21
22
23 (a) Eight members must be recommended by the Environmental Justice Task Force and have experience in working to support environmental justice in disadvantaged communities;

24 (b) Three members must represent labor interests;

25 (c) Three members must have experience in sustainable development;

26 (d) One member must represent the interests of cities;

27 (e) One member must represent the interests of counties; and

28 (f) One member must represent the interests of business.

29
30 (2) The advisory committee shall consult with and make recommendations to the following public bodies regarding the investment of funds in projects and programs that are geographically located in disadvantaged communities or that otherwise directly benefit households located in disadvantaged communities:

31
32
33
34 (a) The Department of Transportation with relation to the use of moneys in the Climate Investments Account; and

35
36 (b) The grant committee appointed by the Governor under section 15 of this 2017 Act with relation to the award of grants under the Climate Investments Grant Program.

37
38 (3) A majority of the members of the advisory committee constitutes a quorum for the transaction of business.

39
40 (4) The advisory committee shall elect one of its members to serve as chairperson.

41 (5) The term of a member of the advisory committee shall be four years. Members of the advisory committee may be reappointed. If there is a vacancy for any cause, the Governor shall make an appointment to become immediately effective.

42
43
44 (6) The advisory committee shall meet at times and places specified by the call of the chairperson or of a majority of the members of the advisory committee.

1 **SECTION 17.** Notwithstanding the term of office specified by section 16 of this 2017 Act,
2 of the members first appointed to the Climate Investments in Disadvantaged Communities
3 Advisory Committee:

4 (1) Four shall serve for a term ending January 1, 2022.

5 (2) Four shall serve for a term ending January 1, 2023.

6 (3) Four shall serve for a term ending January 1, 2024.

7 (4) Five shall serve for a term ending January 1, 2025.

8 **SECTION 18.** (1) The Just Transition Fund is established in the State Treasury, separate
9 and distinct from the General Fund. Interest earned by the Just Transition Fund shall be
10 credited to the fund. Moneys in the fund are continuously appropriated to the Oregon Busi-
11 ness Development Department to be distributed pursuant to the Just Transition Grant Pro-
12 gram developed under section 19 of this 2017 Act.

13 (2) The Just Transition Fund shall consist of moneys deposited in the fund under section
14 10 (3)(c)(B) of this 2017 Act.

15 (3) Moneys in the fund may be used only for activities that further the purposes of
16 sections 6 to 19 of this 2017 Act as stated in section 6 of this 2017 Act.

17 **SECTION 19.** (1) The Oregon Business Development Department shall adopt by rule a
18 Just Transition Grant Program for the disbursement of moneys in the Just Transition Fund.
19 In developing the grant program, the department shall consult with the advisory committee
20 created under section 7 of this 2017 Act. The purpose of the grant program shall be to sup-
21 port economic diversification, job creation, job training and other employment and mental
22 health services for workers and communities in this state that are adversely affected by
23 climate change or climate change policies.

24 (2) The grant program shall include the appointment of a grant committee. Members of
25 the grant committee shall be appointed by the Governor, subject to confirmation by the
26 Senate in the manner provided in ORS 171.562 and 171.565. The grant committee may be
27 composed of any number of individuals with qualifications that the Governor determines
28 necessary and that represent the demographic and geographic diversity in this state. How-
29 ever, the Governor shall include on the grant committee:

30 (a) Individuals who have experience in administering state grant programs;

31 (b) Individuals recommended by the Environmental Justice Task Force who have experi-
32 ence in working to support environmental justice in disadvantaged communities;

33 (c) Representatives of labor organizations;

34 (d) Individuals with energy and climate policy expertise;

35 (e) At least one individual from each congressional district in this state; and

36 (f) Representatives of industries impacted by climate change.

37 (3) Subject to the rules adopted by the department, and subject to reevaluation by the
38 department on appeal, the grant committee has the responsibility to review grant applica-
39 tions and make funding determinations under the grant program adopted pursuant to this
40 section.

41 (4) The department shall determine the form and method of applying for grants from the
42 grant program, the eligibility requirements for grant applicants and general terms and con-
43 ditions of the grants.

44 (5) The grant program adopted under this section may:

45 (a) Require that a grant applicant provide matching funds for completion of the project

1 **or program for which a grant is awarded; and**

2 **(b) Allow an applicant to appeal to the department for reevaluation of any determination**
 3 **of grant funding.**

4
 5 **GREENHOUSE GAS EMISSIONS REGISTRATION AND REPORTING**

6
 7 **SECTION 20.** ORS 468A.280 is amended to read:

8 468A.280. (1) In addition to any registration and reporting that may be required under ORS
 9 468A.050, the Environmental Quality Commission by rule may require registration and reporting by:

10 (a) Any person who imports, sells, allocates or distributes for use in this state electricity, the
 11 generation of which emits greenhouse gases.

12 (b) Any person who imports, sells or distributes for use in this state fossil fuel that generates
 13 greenhouse gases when combusted.

14 (2) Rules adopted by the commission under this section for electricity that is imported, sold, al-
 15 located or distributed for use in this state may require reporting of information necessary to deter-
 16 mine greenhouse gas emissions from generating facilities used to produce the electricity and related
 17 electricity transmission line losses.

18 (3)(a) The commission shall allow consumer-owned utilities, as defined in ORS 757.270, to comply
 19 with reporting requirements imposed under this section by the submission of a report prepared by
 20 a third party. A report submitted under this paragraph may include information for more than one
 21 consumer-owned utility, but must include all information required by the commission for each indi-
 22 vidual utility.

23 (b) For the purpose of determining greenhouse gas emissions related to electricity purchased
 24 from the Bonneville Power Administration by a consumer-owned utility, as defined in ORS 757.270,
 25 the commission may require only that the utility report:

26 (A) The number of megawatt-hours of electricity purchased by the utility from the Bonneville
 27 Power Administration, segregated by the types of contracts entered into by the utility with the
 28 Bonneville Power Administration; and

29 (B) The percentage of each fuel or energy type used to produce electricity purchased under each
 30 type of contract.

31 (4)(a) Rules adopted by the commission pursuant to this section for electricity that is purchased,
 32 imported, sold, allocated or distributed for use in this state by an electric company, as defined in
 33 ORS 757.600, must be limited to the reporting of:

34 (A) Greenhouse gas emissions emitted from generating facilities owned or operated by the elec-
 35 tric company;

36 (B) Greenhouse gas emissions emitted from transmission equipment owned or operated by the
 37 electric company;

38 (C) The number of megawatt-hours of electricity purchased by the electric company for use in
 39 this state, including information, if known, on:

40 (i) The seller of the electricity to the electric company; and

41 (ii) The original generating facility fuel type or types; and

42 (D) An estimate of the amount of greenhouse gas emissions, using default greenhouse gas emis-
 43 sions factors established by the commission by rule, attributable to:

44 (i) Electricity purchases made by a particular seller to the electric company;

45 (ii) Electricity purchases from an unknown origin or from a seller who is unable to identify the

1 original generating facility fuel type or types;

2 (iii) Electricity purchases for which a renewable energy certificate under ORS 469A.130 has
3 been issued but subsequently transferred or sold to a person other than the electric company;

4 (iv) Electricity transmitted for others by the electric company; and

5 (v) Total energy losses from electricity transmission and distribution equipment owned or oper-
6 ated by the electric company.

7 (b) Pursuant to paragraph (a) of this subsection, a multijurisdictional electric company may rely
8 upon a cost allocation methodology approved by the Public Utility Commission for reporting emis-
9 sions allocated in this state.

10 (5) Rules adopted by the commission under this section for fossil fuel that is imported, sold or
11 distributed for use in this state may require reporting of the type and quantity of the fuel and any
12 additional information necessary to determine the carbon content of the fuel. For the purpose of
13 determining greenhouse gas emissions related to liquefied petroleum gas, the commission shall allow
14 reporting using publications or submission of data by the American Petroleum Institute but may
15 require reporting of such other information necessary to achieve the purposes of the rules adopted
16 by the commission under this section.

17 (6) To an extent that is consistent with the purposes of the rules adopted by the commission
18 under this section, the commission shall minimize the burden of the reporting required under this
19 section by:

20 (a) Allowing concurrent reporting of information that is also reported to another state agency;

21 (b) Allowing electronic reporting;

22 (c) Allowing use of good engineering practice calculations in reports, or of emission factors
23 published by the United States Environmental Protection Agency;

24 (d) Establishing thresholds for the amount of specific greenhouse gases that may be emitted or
25 generated without reporting;

26 (e) Requiring reporting by the fewest number of persons in a fuel distribution system that will
27 allow the commission to acquire the information needed by the commission; or

28 (f) Other appropriate means and procedures determined by the commission.

29 **(7)(a) Rules adopted under this section must support implementation of the carbon pol-
30 lution market developed under section 9 of this 2017 Act.**

31 **(b) If a person that has a compliance obligation under the carbon pollution market de-
32 veloped under section 9 of this 2017 Act fails to submit a report under this section, the de-
33 partment shall develop an assigned greenhouse gas emissions level for that person for
34 purposes of participation in the carbon pollution market.**

35 [(7)] **(8) As used in this section, "greenhouse gas" [has the meaning given that term in ORS
36 468A.210] means any gas that contributes to anthropogenic climate change, including but not
37 limited to carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and
38 sulfur hexafluoride.**

39 **SECTION 21.** ORS 468A.050 is amended to read:

40 468A.050. (1) By rule the Environmental Quality Commission may classify air contamination
41 sources according to levels and types of emissions and other characteristics *[which]* **that** cause or
42 tend to cause or contribute to air pollution and may require registration or reporting or both for
43 any such class or classes.

44 (2) Any person in control of an air contamination source of any class for which registration and
45 reporting is required under subsection (1) of this section shall register with the Department of En-

1 vironmental Quality and make reports containing such information as the commission by rule may
 2 require concerning location, size and height of air contaminant outlets, processes employed, fuels
 3 used and the amounts, nature and duration of air contaminant emissions and such other information
 4 as is relevant to air pollution.

5 **(3)(a) In addition to any other registration or reporting required under subsection (1) of**
 6 **this section, the commission shall by rule require registration and reporting of greenhouse**
 7 **gas emissions by air contamination sources classified pursuant to subsection (1) of this sec-**
 8 **tion. Rules adopted under this subsection must support implementation of the carbon pol-**
 9 **lution market developed under section 9 of this 2017 Act.**

10 **(b) If an air contamination source that has a compliance obligation under the carbon**
 11 **pollution market developed under section 9 of this 2017 Act fails to submit a report under**
 12 **this section, the department shall develop an assigned emissions level for that air contam-**
 13 **ination source for purposes of participation in the carbon pollution market.**

14 [(3)] **(4)** By rule the commission may establish a schedule of fees for the registration of any class
 15 of air contamination sources classified pursuant to subsection (1) of this section for which a person
 16 is required to obtain a permit under ORS 468A.040 or 468A.155 but chooses instead to register if
 17 allowed by the commission by rule. The commission shall base the fees on the anticipated cost of
 18 developing and implementing programs related to the different classes, including but not limited to
 19 the cost of processing registrations, compliance inspections and enforcement. A registration must
 20 be accompanied by any fee specified by the commission by rule, and a subsequent annual registra-
 21 tion fee is payable as prescribed by rule of the commission.

22 [(4)(a)] **(5)(a)** By rule the commission may establish a schedule of fees for reporting of any class
 23 of air contamination sources classified pursuant to subsection (1) of this section for which a person
 24 is required to obtain permits under ORS 468A.040 or 468A.155 or is subject to the federal operating
 25 permit program pursuant to ORS 468A.310.

26 (b) Before establishing fees pursuant to this subsection, the commission shall consider the total
 27 fees for each class of sources subject to reporting under this subsection and for which permits are
 28 required under ORS 468A.040 or 468A.155 or the federal operating permit program under ORS
 29 468A.315.

30 (c) The commission shall limit the fees established under this subsection to the anticipated cost
 31 of developing and implementing reporting programs. Any fees collected under this subsection for any
 32 air contamination source issued a permit under ORS 468A.040 or 468A.155 or sources subject to the
 33 federal operating permit program under ORS 468A.310 must be collected as part of the fee for that
 34 specific permit.

35 **SECTION 22. (1) The Department of Environmental Quality shall study the feasibility of**
 36 **requiring greenhouse gas emissions reported under ORS 468A.050 and 468A.280 to be quanti-**
 37 **fied and reported in a manner that meets:**

38 **(a) The standards established by the International Organization for Standardization un-**
 39 **der ISO 14064; or**

40 **(b) Other standards that meet criteria identified by the department for calculating**
 41 **emissions on a complete life cycle basis, including the emissions attributable to the ex-**
 42 **traction, production, storage, transportation, delivery and final use combustion of a**
 43 **greenhouse gas and fugitive losses, expressed in carbon dioxide equivalents.**

44 **(2) If the department determines that it is feasible, pursuant to the study required by**
 45 **subsection (1) of this section, the Environmental Quality Commission may require**

1 **greenhouse gas emissions to be quantified and reported under ORS 468A.050 and 468A.280 in**
 2 **a manner that meets the standards specified in subsection (1)(a) or (b) of this section.**

3
 4 **OREGON GLOBAL WARMING COMMISSION NAME CHANGE**

5
 6 **SECTION 23.** ORS 468A.200 is amended to read:

7 468A.200. The Legislative Assembly finds that:

8 (1) In December 2004 the Governor's Advisory Group on Global Warming issued its report call-
 9 ing for immediate and significant action to address [*global warming*] **climate change**, to reduce
 10 Oregon's exposure to the risks of [*global warming*] **climate change** and to begin to prepare for the
 11 effects of [*global warming*] **climate change**. The advisory group also identified 46 specific recom-
 12 mendations for measurable reductions in the state's greenhouse gas emissions.

13 (2) In partnership with the Governor's advisory group, 50 scientists signed the "Scientific Con-
 14 sensus Statement on the Likely Impacts of Climate Change on the Pacific Northwest," which exam-
 15 ined the potential effects of climate change on temperature, precipitation, sea level, marine
 16 ecosystems and terrestrial ecosystems. The scientists recommended additional, improved scientific
 17 studies and modeling of the effects of climate change on the atmosphere, oceans and land, as well
 18 as modeling of the effects of economic and management policies.

19 (3) [*Global warming*] **Climate change** poses a serious threat to the economic well-being, public
 20 health, natural resources and environment of Oregon.

21 (4) Oregon relies on snowpack for summer stream flows to provide energy, municipal water,
 22 watershed health and irrigation. Also, a potential rise in sea levels threatens Oregon's coastal
 23 communities. Reduced snowpack, changes in the timing of stream flows, extreme or unusual weather
 24 events, rising sea levels, increased occurrences of vector-borne diseases and impacts on forest health
 25 could significantly impact the economy, environment and quality of life in Oregon.

26 (5) Oregon forests play a significant role in sequestering atmospheric carbon, and losing this
 27 potential to sequester carbon will have a significant negative effect on the reduction of carbon lev-
 28 els in the atmosphere.

29 (6) [*Global warming*] **Climate change** will have detrimental effects on many of Oregon's largest
 30 industries, including agriculture, wine making, tourism, skiing, recreational and commercial fishing,
 31 forestry and hydropower generation, and will therefore negatively impact the state's workers, con-
 32 sumers and residents.

33 (7) There is a need to assess the current level of greenhouse gas emissions in Oregon, to monitor
 34 the trend of greenhouse gas emissions in Oregon over the next several decades and to take neces-
 35 sary action to begin reducing greenhouse gas emissions in order to prevent disruption of Oregon's
 36 economy and quality of life and to meet Oregon's responsibility to reduce the impacts and the pace
 37 of [*global warming*] **climate change**.

38 (8) Oregon has been a national leader in energy conservation and environmental stewardship,
 39 including the areas of energy efficiency requirements and investments, renewable energy invest-
 40 ments, natural resource conservation, greenhouse gas offset requirements and investments, and
 41 global warming pollution standards for passenger vehicles. Significant opportunities remain to re-
 42 duce greenhouse gas emissions statewide, especially from major contributors of greenhouse gas
 43 emissions, including electricity production, transportation, building construction and operation, and
 44 the residential and consumer sectors.

45 (9) Actions to reduce greenhouse gas emissions will reduce Oregon's reliance on foreign sources

1 of energy, lead to the development of technology, attract new businesses to Oregon and increase
 2 energy efficiency throughout the state, resulting in benefits to the economy and to individual busi-
 3 nesses and residents.

4 (10) In devising measures to achieve reduction of greenhouse gas emissions, Oregon must strive
 5 to not disadvantage Oregon businesses as compared to businesses in other states with which Oregon
 6 cooperates on regional greenhouse gas emissions reduction strategies.

7 (11) Policies pursued, and actions taken, by Oregon will:

8 (a) In concert with complementary policies and actions by other states and the federal govern-
 9 ment, substantially reduce the global levels of greenhouse gas emissions and the impacts of those
 10 emissions;

11 (b) Encourage similar policies and actions by various stakeholders;

12 (c) Inform and shape national policies and actions in ways that are advantageous to Oregon
 13 residents and businesses; and

14 (d) Directly benefit the state and local governments, businesses and residents.

15 **SECTION 24.** ORS 468A.210 is amended to read:

16 468A.210. As used in ORS 352.823 and 468A.200 to 468A.260:

17 (1) [*“Global warming”*] **“Climate change”** means an increase in the average temperature of the
 18 earth’s atmosphere that is associated with the release of greenhouse gases.

19 (2) “Greenhouse gas” means any gas that contributes to anthropogenic global warming,
 20 including[,] but not limited to[,] carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,
 21 perfluorocarbons and sulfur hexafluoride.

22 [(3) *“Greenhouse gas cap-and-trade system” means a system that:*]

23 [(a) *Establishes a total cap on greenhouse gas emissions from an identified group of emitters;*]

24 [(b) *Establishes a market for allowances that represent emissions; and*]

25 [(c) *Allows trading of allowances among greenhouse gas emitters.*]

26 **SECTION 25.** ORS 468A.215 is amended to read:

27 468A.215. (1) There is created the [*Oregon Global Warming Commission*] **Oregon Commission**
 28 **on Climate Change**. The commission shall consist of 25 members, including 11 voting members ap-
 29 pointed by the Governor under this section and 14 ex officio nonvoting members specified in ORS
 30 468A.220.

31 (2) Members of the commission appointed under this section shall be appointed so as to be rep-
 32 resentative of the social, environmental, cultural and economic diversity of the state and to be rep-
 33 resentative of the policy, science, education and implementation elements of the efforts to reduce
 34 greenhouse gas emissions and to prepare Oregon for the effects of [*global warming*] **climate**
 35 **change**. Of the members appointed by the Governor under this section:

36 (a) One member shall have significant experience in manufacturing;

37 (b) One member shall have significant experience in energy;

38 (c) One member shall have significant experience in transportation;

39 (d) One member shall have significant experience in forestry;

40 (e) One member shall have significant experience in agriculture; and

41 (f) One member shall have significant experience in environmental policy.

42 (3) The Governor shall select a chairperson and a vice chairperson from among the members
 43 appointed under this section.

44 (4) The term of office of a member appointed under this section is four years. Before the expi-
 45 ration of the term of a member, the Governor shall appoint a successor whose term begins on Jan-

1 uary 31 next following. A member appointed under this section is eligible for reappointment. In case
 2 of vacancy for any cause, the Governor shall make an appointment to become immediately effective
 3 for the unexpired term.

4 (5) The members of the commission appointed under this section must be residents of this state.
 5 Failure of a member to maintain compliance with the eligibility requirements related to the
 6 member's appointment shall result in disqualification from serving on the commission.

7 (6) Voting members of the commission appointed under this section are entitled to expenses as
 8 provided in ORS 292.495 (2).

9 **SECTION 26.** ORS 468A.220 is amended to read:

10 468A.220. (1) In addition to the members appointed under ORS 468A.215, the [*Oregon Global*
 11 *Warming Commission*] **Oregon Commission on Climate Change** includes the following ex officio
 12 nonvoting **members and additional nonvoting** members:

13 (a) The Director of the State Department of Energy;

14 (b) The Director of Transportation;

15 (c) The chairperson of the Public Utility Commission of Oregon;

16 (d) The Director of the Department of Environmental Quality;

17 (e) The Director of Agriculture;

18 (f) The State Forester;

19 (g) The Water Resources Director; and

20 (h) Three additional [*ex officio*] nonvoting members, each from a state agency or an academic
 21 institution.

22 (2) The following representatives of the Legislative Assembly also shall serve as ex officio non-
 23 voting members:

24 (a) Two members of the Senate, not from the same political party, appointed by the President
 25 of the Senate; and

26 (b) Two members of the House of Representatives, not from the same political party, appointed
 27 by the Speaker of the House of Representatives.

28 [(3) *Each legislative member serves at the pleasure of the appointing authority and may serve so*
 29 *long as the member remains in the chamber of the Legislative Assembly from which the member was*
 30 *appointed.*]

31 [(4)] (3) Notwithstanding ORS 171.072, members of the commission who are members of the
 32 Legislative Assembly are not entitled to mileage expenses or a per diem and serve as volunteers on
 33 the commission.

34 **SECTION 27.** ORS 468A.225 is amended to read:

35 468A.225. (1) A majority of the members of the [*Oregon Global Warming Commission*] **Oregon**
 36 **Commission on Climate Change** constitutes a quorum for the transaction of business.

37 (2) The commission shall meet at times and places specified by a majority of the members of the
 38 commission.

39 (3) **Official action by the commission requires the approval of a majority of the voting**
 40 **members of the commission.**

41 [(3)] (4) The State Department of Energy shall provide clerical, technical and management per-
 42 sonnel to serve the commission. Other agencies shall provide support as requested by the depart-
 43 ment or the commission.

44 **SECTION 28.** ORS 468A.230 is amended to read:

45 468A.230. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**

1 may adopt by rule such standards and procedures as it considers necessary for the operation of the
2 commission.

3 **SECTION 29.** ORS 468A.235 is amended to read:

4 468A.235. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
5 shall recommend ways to coordinate state and local efforts to reduce greenhouse gas emissions in
6 Oregon consistent with the **levels of** greenhouse gas emissions [*reduction goals*] established by [*ORS*
7 *468A.205*] **section 4 of this 2017 Act** and shall recommend efforts to help Oregon prepare for the
8 effects of [*global warming*] **climate change**. The Office of the Governor and state agencies working
9 on multistate and regional efforts to reduce greenhouse gas emissions shall inform the commission
10 about these efforts and shall consider input from the commission for such efforts.

11 **SECTION 30.** ORS 468A.240 is amended to read:

12 468A.240. (1) In furtherance of the **levels of** greenhouse gas emissions [*reduction goals*] estab-
13 lished by [*ORS 468A.205*] **section 4 of this 2017 Act**, the [*Oregon Global Warming Commission*]
14 **Oregon Commission on Climate Change** may recommend statutory and administrative changes,
15 policy measures and other recommendations to be carried out by state and local governments,
16 businesses, nonprofit organizations or residents. In developing its recommendations, the commission
17 shall consider economic, environmental, health and social costs, and the risks and benefits of alter-
18 native strategies, including least-cost options. The commission shall solicit and consider public
19 comment relating to statutory, administrative or policy recommendations.

20 [(2) *The commission shall examine greenhouse gas cap-and-trade systems, including a statewide*
21 *and multistate carbon cap-and-trade system and market-based mechanisms, as a means of achieving the*
22 *greenhouse gas emissions reduction goals established by ORS 468A.205.*]

23 [(3)] (2) The commission shall examine possible funding mechanisms to obtain low-cost
24 greenhouse gas emissions reductions and energy efficiency enhancements, including but not limited
25 to those in the natural gas industry.

26 **SECTION 31.** ORS 468A.245 is amended to read:

27 468A.245. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
28 shall develop an outreach strategy to educate Oregonians about the scientific aspects and economic
29 impacts of [*global warming*] **climate change** and to inform Oregonians of ways to reduce greenhouse
30 gas emissions and ways to prepare for the effects of [*global warming*] **climate change**. The com-
31 mission, at a minimum, shall work with state and local governments, the State Department of En-
32 ergy, the Department of Education, the Higher Education Coordinating Commission and businesses
33 to implement the outreach strategy.

34 **SECTION 32.** ORS 468A.250 is amended to read:

35 468A.250. (1) The [*Oregon Global Warming Commission*] **Oregon Commission on Climate**
36 **Change** shall track and evaluate:

37 (a) Economic, environmental, health and social assessments of [*global warming*] **climate change**
38 impacts on Oregon and the Pacific Northwest;

39 (b) Existing greenhouse gas emissions reduction policies and measures;

40 (c) Economic, environmental, health and social costs, and the risks and benefits of alternative
41 strategies, including least-cost options;

42 (d) The physical science of [*global warming*] **climate change**;

43 (e) Progress toward **preventing exceedance of** the greenhouse gas emissions [*reduction goals*]
44 **levels** established by [*ORS 468A.205*] **section 4 of this 2017 Act**;

45 (f) Greenhouse gases emitted by various sectors of the state economy, including but not limited

1 to industrial, transportation and utility sectors;

2 (g) Technological progress on sources of energy the use of which generates no or low
3 greenhouse gas emissions and methods for carbon sequestration;

4 (h) Efforts to identify the greenhouse gas emissions attributable to the residential and commer-
5 cial building sectors;

6 (i) The carbon sequestration potential of Oregon's forests, alternative methods of forest man-
7 agement that can increase carbon sequestration and reduce the loss of carbon sequestration to
8 wildfire, changes in the mortality and distribution of tree and other plant species and the extent to
9 which carbon is stored in tree-based building materials;

10 (j) The advancement of regional, national and international policies to reduce greenhouse gas
11 emissions;

12 (k) Local and regional efforts to prepare for the effects of [*global warming*] **climate change**; and

13 (L) Any other information, policies or analyses that the commission determines will aid in [*the*
14 *achievement of the greenhouse gas emissions reduction goals established by ORS 468A.205*] **preventing**
15 **exceedance of the greenhouse gas emissions levels established by section 4 of this 2017 Act.**

16 (2) The commission shall:

17 (a) Work with the State Department of Energy and the Department of Environmental Quality
18 to evaluate all gases with the potential to be greenhouse gases and to determine a carbon dioxide
19 equivalency for those gases; and

20 (b) Use regional and national baseline studies of building performance to identify incremental
21 targets for the reduction of greenhouse gas emissions attributable to residential and commercial
22 building construction and operations.

23 **SECTION 33.** ORS 468A.255 is amended to read:

24 468A.255. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
25 may recommend to the Governor the formation of citizen advisory groups to explore particular areas
26 of concern with regard to the reduction of greenhouse gas emissions and the effects of [*global*
27 *warming*] **climate change**.

28 **SECTION 34.** ORS 468A.260 is amended to read:

29 468A.260. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
30 shall submit a report to the Legislative Assembly, in the manner provided by ORS 192.245, by
31 [*March 31 of each odd-numbered year*] **September 15 of each even-numbered year** that describes
32 Oregon's progress toward [*achievement of the greenhouse gas emissions reduction goals established*
33 *by ORS 468A.205*] **preventing exceedance of the greenhouse gas emissions levels established**
34 **by section 4 of this 2017 Act.** The report may include relevant issues and trends of significance,
35 including trends of greenhouse gas emissions, emerging public policy and technological advances.
36 The report also may discuss measures the state may adopt to mitigate the impacts of [*global warm-*
37 *ing*] **climate change** on the environment, the economy and the residents of Oregon and to prepare
38 for those impacts.

40 CONFORMING AMENDMENTS OPERATIVE IN 2018

41 **SECTION 35.** ORS 184.889 is amended to read:

42 184.889. (1) The Oregon Transportation Commission, after consultation with and in cooperation
43 with metropolitan planning organizations, other state agencies, local governments and stakeholders,
44 as a part of the state transportation policy developed and maintained under ORS 184.618, shall adopt
45

1 a statewide transportation strategy on greenhouse gas emissions to aid in [*achieving the greenhouse*
 2 *gas emissions reduction goals set forth in ORS 468A.205*] **preventing exceedance of the greenhouse**
 3 **gas emissions levels established by section 4 of this 2017 Act.** The commission shall focus on
 4 reducing greenhouse gas emissions resulting from transportation. In developing the strategy, the
 5 commission shall take into account state and federal programs, policies and incentives related to
 6 reducing greenhouse gas emissions.

7 (2) The commission shall actively solicit public review and comment in the development of the
 8 strategy.

9 **SECTION 36.** ORS 352.823 is amended to read:

10 352.823. (1) The Oregon Climate Change Research Institute is established at Oregon State Uni-
 11 versity. In administering the institute, Oregon State University may seek the cooperation of other
 12 public universities listed in ORS 352.002.

13 (2) The purpose of the Oregon Climate Change Research Institute is to:

14 (a) Facilitate research by faculty at public universities listed in ORS 352.002 on climate change
 15 and its effects on natural and human systems in Oregon;

16 (b) Serve as a clearinghouse for climate change information;

17 (c) Provide climate change information to the public in integrated and accessible formats;

18 (d) Support the [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
 19 in developing strategies to prepare for and to mitigate the effects of climate change on natural and
 20 human systems; and

21 (e) Provide technical assistance to local governments to assist them in developing climate
 22 change policies, practices and programs.

23 (3) The Oregon Climate Change Research Institute shall assess, at least once each biennium, the
 24 state of climate change science, including biological, physical and social science, as it relates to
 25 Oregon and the likely effects of climate change on the state. The institute shall submit the assess-
 26 ment to the Legislative Assembly in the manner provided in ORS 192.245 and to the Governor.

27 (4) State agencies may contract with the Oregon Climate Change Research Institute to fulfill
 28 agency needs regarding the collection, storage, integration, analysis, dissemination and monitoring
 29 of climate change information, research and training.

30 **SECTION 37.** Section 9, chapter 751, Oregon Laws 2009, is amended to read:

31 **Sec. 9.** (1) The Public Utility Commission shall develop estimates of the rate impacts for electric
 32 companies and natural gas companies to meet the following alternative greenhouse gas emission
 33 reduction goals for 2020:

34 (a) Ten percent below 1990 levels[, *as specified in ORS 468A.205*]; and

35 (b) Fifteen percent below 2005 levels.

36 (2) The commission shall submit a report presenting the estimates and explaining the analysis
 37 used to develop the estimates to the appropriate interim committee of the Legislative Assembly prior
 38 to November 1 of each even-numbered year.

39 **SECTION 38.** Section 20, chapter 28, Oregon Laws 2016, is amended to read:

40 **Sec. 20.** (1) As used in this section:

41 (a) "Electric company" has the meaning given that term in ORS 757.600.

42 (b) "Transportation electrification" means:

43 (A) The use of electricity from external sources to provide power to all or part of a vehicle;

44 (B) Programs related to developing the use of electricity for the purpose described in subpara-
 45 graph (A) of this paragraph; and

1 (C) Infrastructure investments related to developing the use of electricity for the purpose de-
2 scribed in subparagraph (A) of this paragraph.

3 (c) "Vehicle" means a vehicle, vessel, train, boat or any other equipment that is mobile.

4 (2) The Legislative Assembly finds and declares that:

5 (a) Transportation electrification is necessary to reduce petroleum use, achieve optimum levels
6 of energy efficiency and carbon reduction, meet federal and state air quality standards, [*meet this*
7 *state's greenhouse gas emissions reduction goals described in ORS 468A.205*] **prevent exceedance**
8 **of the greenhouse gas emissions levels established by section 4 of this 2017 Act** and improve
9 the public health and safety;

10 (b) Widespread transportation electrification requires that electric companies increase access to
11 the use of electricity as a transportation fuel;

12 (c) Widespread transportation electrification requires that electric companies increase access to
13 the use of electricity as a transportation fuel in low and moderate income communities;

14 (d) Widespread transportation electrification should stimulate innovation and competition, pro-
15 vide consumers with increased options in the use of charging equipment and in procuring services
16 from suppliers of electricity, attract private capital investments and create high quality jobs in this
17 state;

18 (e) Transportation electrification and the purchase and use of electric vehicles should assist in
19 managing the electrical grid, integrating generation from renewable energy resources and improving
20 electric system efficiency and operational flexibility, including the ability of an electric company to
21 integrate variable generating resources;

22 (f) Deploying transportation electrification and electric vehicles creates the opportunity for an
23 electric company to propose, to the Public Utility Commission, that a net benefit for the customers
24 of the electric company is attainable; and

25 (g) Charging electric vehicles in a manner that provides benefits to electrical grid management
26 affords fuel cost savings for vehicle drivers.

27 (3) The Public Utility Commission shall direct each electric company to file applications, in a
28 form and manner prescribed by the commission, for programs to accelerate transportation
29 electrification. A program proposed by an electric company may include prudent investments in or
30 customer rebates for electric vehicle charging and related infrastructure.

31 (4) When considering a transportation electrification program and determining cost recovery for
32 investments and other expenditures related to a program proposed by an electric company under
33 subsection (3) of this section, the commission shall consider whether the investments and other
34 expenditures:

35 (a) Are within the service territory of the electric company;

36 (b) Are prudent as determined by the commission;

37 (c) Are reasonably expected to be used and useful as determined by the commission;

38 (d) Are reasonably expected to enable the electric company to support the electric company's
39 electrical system;

40 (e) Are reasonably expected to improve the electric company's electrical system efficiency and
41 operational flexibility, including the ability of the electric company to integrate variable generating
42 resources; and

43 (f) Are reasonably expected to stimulate innovation, competition and customer choice in electric
44 vehicle charging and related infrastructure and services.

45 (5)(a) Tariff schedules and rates allowed pursuant to subsection (3) of this section:

1 (A) May allow a return of and a return on an investment made by an electric company under
2 subsection (3) of this section; and

3 (B) Shall be recovered from all customers of an electric company in a manner that is similar to
4 the recovery of distribution system investments.

5 (b) A return on investment allowed under this subsection may be earned for a period of time
6 that does not exceed the depreciation schedule of the investment approved by the commission. When
7 an electric company's investment is fully depreciated, the commission may authorize the electric
8 company to donate the electric vehicle charging infrastructure to the owner of the property on
9 which the infrastructure is located.

10 (6) For purposes of ORS 757.355, electric vehicle charging infrastructure provides utility service
11 to the customers of an electric company.

12 (7) In authorizing programs described in subsection (3) of this section, the commission shall re-
13 view data concerning current and future adoption of electric vehicles and utilization of electric ve-
14 hicle charging infrastructure. If market barriers unrelated to the investment made by an electric
15 company prevent electric vehicles from adequately utilizing available electric vehicle charging
16 infrastructure, the commission may not permit additional investments in transportation
17 electrification without a reasonable showing that the investments would not result in long-term
18 stranded costs recoverable from the customers of electric companies.

19
20 **CONFORMING AMENDMENTS OPERATIVE IN 2021**

21
22 **SECTION 39. ORS 468A.210 is repealed.**

23 **SECTION 40.** ORS 468A.270 is amended to read:

24 468A.270. (1) As used in this section:

25 (a) "Greenhouse gas" has the meaning given that term in [*ORS 468A.210*] **section 8 of this 2017**
26 **Act.**

27 (b) "Motor vehicle" has the meaning given that term in ORS 801.360.

28 (2) The Environmental Quality Commission may adopt by rule standards and requirements de-
29 scribed in this section to reduce greenhouse gas emissions.

30 (3)(a) The commission may adopt requirements to prevent the tampering, alteration and modifi-
31 cation of the original design or performance of motor vehicle pollution control systems.

32 (b) Before adopting requirements under this section, the commission shall consider the anti-
33 tampering requirements and exemptions of the State of California.

34 (4) The commission may adopt requirements for motor vehicle service providers to check and
35 inflate tire pressure according to the tire manufacturer's or motor vehicle manufacturer's recom-
36 mended specifications, provided that the requirements:

37 (a) Do not apply when the primary purpose of the motor vehicle service is fueling vehicles; and

38 (b) Do not require motor vehicle service providers to purchase equipment to check and inflate
39 tire pressure.

40 (5) The commission may adopt restrictions on engine use by commercial ships while at port, and
41 requirements that ports provide alternatives to engine use such as electric power, provided that:

42 (a) Engine use shall be allowed when necessary to power mechanical or electrical operations if
43 alternatives are not reasonably available;

44 (b) Engine use shall be allowed when necessary for reasonable periods due to emergencies and
45 other considerations as determined by the commission; and

1 (c) The requirements must be developed in consultation with representatives of Oregon ports
 2 and take into account operational considerations, operational agreements, international protocols
 3 and limitations, the ability to fund the purchase and use of electric power equipment and the po-
 4 tential effect of the requirements on competition with other ports.

5 (6) In adopting rules under this section, the commission shall evaluate:

6 (a) Safety, feasibility, net reduction of greenhouse gas emissions and cost-effectiveness;

7 (b) Potential adverse impacts to public health and the environment, including but not limited to
 8 air quality, water quality and the generation and disposal of waste in this state;

9 (c) Flexible implementation approaches to minimize compliance costs; and

10 (d) Technical and economic studies of comparable greenhouse gas emissions reduction measures
 11 implemented in other states and any other studies as determined by the commission.

12 (7) The provisions of this section do not apply to:

13 (a) Motor vehicles registered as farm vehicles under the provisions of ORS 805.300.

14 (b) Farm tractors, as defined in ORS 801.265.

15 (c) Implements of husbandry, as defined in ORS 801.310.

16 (d) Motor trucks, as defined in ORS 801.355, used primarily to transport logs.

17 **SECTION 41.** ORS 468A.275 is amended to read:

18 468A.275. (1) As used in this section:

19 (a) "Greenhouse gas" has the meaning given that term in [*ORS 468A.210*] **section 8 of this 2017**
 20 **Act.**

21 (b) "Low carbon fuel standards" means standards for the reduction of greenhouse gas emissions,
 22 on average, per unit of fuel energy.

23 (c) "Motor vehicle" has the meaning given that term in ORS 801.360.

24 (2)(a) The Environmental Quality Commission shall adopt by rule low carbon fuel standards for
 25 gasoline, diesel and fuels used as substitutes for gasoline or diesel.

26 (b) The commission may adopt the following related to the standards, including but not limited
 27 to:

28 (A) A schedule to phase in implementation of the standards in a manner that reduces the aver-
 29 age amount of greenhouse gas emissions per unit of fuel energy of the fuels by 10 percent below 2010
 30 levels by the year 2025 or by a later date if the commission determines that an extension is appro-
 31 priate to implement the standards;

32 (B) Standards for greenhouse gas emissions attributable to the fuels throughout their lifecycles,
 33 including but not limited to emissions from the production, storage, transportation and combustion
 34 of the fuels and from changes in land use associated with the fuels;

35 (C) Provisions allowing the use of all types of low carbon fuels to meet the low carbon fuel
 36 standards, including but not limited to biofuels, biogas, natural gas, liquefied petroleum gas, gaso-
 37 line, diesel, hydrogen and electricity;

38 (D) Standards for the issuance of deferrals, established with adequate lead time, as necessary
 39 to ensure adequate fuel supplies;

40 (E) Exemptions for fuels that are used in volumes below thresholds established by the commis-
 41 sion;

42 (F) Standards, specifications, testing requirements and other measures as needed to ensure the
 43 quality of fuels produced in accordance with the low carbon fuel standards, including but not limited
 44 to the requirements of ORS 646.910 to 646.923 and administrative rules adopted by the State De-
 45 partment of Agriculture for motor fuel quality; and

1 (G) Adjustments to the amounts of greenhouse gas emissions per unit of fuel energy assigned to
2 fuels for combustion and drive train efficiency.

3 (c) Before adopting standards under this section, the commission shall consider the low carbon
4 fuel standards of other states, including but not limited to Washington, for the purpose of deter-
5 mining schedules and goals for the reduction of the average amount of greenhouse gas emissions per
6 unit of fuel energy and the default values for these reductions for applicable fuels.

7 (d) The commission shall adopt by rule provisions for managing and containing the costs of
8 compliance with the standards, including but not limited to provisions to facilitate compliance with
9 the standards by ensuring that persons may obtain credits for fuels used as substitutes for gasoline
10 or diesel and by creating opportunities for persons to trade credits.

11 (e) The commission shall exempt from the standards any person who imports in a calendar year
12 less than 500,000 gallons of gasoline and diesel fuel, in total. Any fuel imported by persons that are
13 related or share common ownership or control shall be aggregated together to determine whether
14 a person is exempt under this paragraph.

15 (f)(A) The commission by rule shall prohibit fuels that contain biodiesel from being considered
16 an alternative fuel under these standards unless the fuel meets the following standards:

17 (i) Fuel that consists entirely of biodiesel, designated as B100, shall comply with ASTM D 6751
18 and shall have an oxidation stability induction period of not less than eight hours as determined by
19 the test method described in European standard EN 15751; and

20 (ii) Fuel that consists of a blend of diesel fuel and between 6 and 20 volume percent biodiesel,
21 and designated as biodiesel blends B6 to B20, shall comply with ASTM D 7467 and shall have an
22 oxidation stability induction period of not less than 20 hours as determined by the test method de-
23 scribed in European standard EN 15751.

24 (B) The commission may adopt rules different from those required under subparagraph (A) of
25 this paragraph if an ASTM or EN standard applicable to biodiesel is approved or amended after
26 March 12, 2015, or if the commission finds that different rules are necessary due to changes in
27 technology or fuel testing or production methods.

28 (C) As used in this subsection, "biodiesel" means a motor vehicle fuel consisting of mono-alkyl
29 esters of long chain fatty acids derived from vegetable oils, animal fats or other nonpetroleum re-
30 sources, not including palm oil.

31 (3) In adopting rules under this section, the Environmental Quality Commission shall evaluate:

32 (a) Safety, feasibility, net reduction of greenhouse gas emissions and cost-effectiveness;

33 (b) Potential adverse impacts to public health and the environment, including but not limited to
34 air quality, water quality and the generation and disposal of waste in this state;

35 (c) Flexible implementation approaches to minimize compliance costs; and

36 (d) Technical and economic studies of comparable greenhouse gas emissions reduction measures
37 implemented in other states and any other studies as determined by the commission.

38 (4)(a) The provisions of this section do not apply to fuel that is demonstrated to have been used
39 in any of the following:

40 (A) Motor vehicles registered as farm vehicles under the provisions of ORS 805.300.

41 (B) Farm tractors, as defined in ORS 801.265.

42 (C) Implements of husbandry, as defined in ORS 801.310.

43 (D) Motor trucks, as defined in ORS 801.355, used primarily to transport logs.

44 (E) Motor vehicles that are not designed primarily to transport persons or property, that are
45 operated on highways only incidentally, and that are used primarily for construction work.

1 (F) Watercraft.

2 (G) Railroad locomotives.

3 (b) The Environmental Quality Commission shall by rule adopt standards for persons to qualify
4 for the exemptions provided in this subsection.

5 **SECTION 42.** ORS 757.528 is amended to read:

6 757.528. (1) Unless modified by rule by the State Department of Energy as provided in this sec-
7 tion, the greenhouse gas emissions standard that applies to consumer-owned utilities is 1,100 pounds
8 of greenhouse gases per megawatt-hour for a generating facility.

9 (2) Unless modified pursuant to subsection (4) of this section, the greenhouse gas emissions
10 standard includes only carbon dioxide emissions.

11 (3) For purposes of applying the emissions standard to cogeneration facilities, the department
12 shall establish an output-based methodology to ensure that the calculation of emissions of
13 greenhouse gases for cogeneration facilities recognizes the total usable energy output of the process
14 and includes all greenhouse gases emitted by the facility in the production of both electrical and
15 thermal energy.

16 (4) The department shall review the greenhouse gas emissions standard established under this
17 section no more than once every three years. After public notice and hearing, and consultation with
18 the Public Utility Commission, the department may:

19 (a) Modify the emissions standard to include other greenhouse gases as defined in [ORS
20 468A.210] **section 8 of this 2017 Act**, with the other greenhouse gases expressed as their carbon
21 dioxide equivalent; and

22 (b) Modify the emissions standard based upon current information on the rate of greenhouse gas
23 emissions from a commercially available combined-cycle natural gas generating facility that:

24 (A) Employs a combination of one or more gas turbines and one or more steam turbines and
25 produces electricity in the steam turbines from waste heat produced by the gas turbines;

26 (B) Has a heat rate at high elevation within the boundaries of the Western Electricity Coordi-
27 nating Council; and

28 (C) Has a heat rate at ambient temperatures when operating during the hottest day of the year.

29 (5) In modifying the greenhouse gas emissions standard, the department shall:

30 (a) Use an output-based methodology to ensure that the calculation of greenhouse gas emissions
31 through cogeneration recognizes the total usable energy output of the process and includes all
32 greenhouse gases emitted by the generating facility in the production of both electrical and thermal
33 energy; and

34 (b) Consider the effects of the emissions standard on system reliability and overall costs to
35 electricity consumers.

36 (6) If upon a review conducted pursuant to subsection (4) of this section, the department deter-
37 mines that a mandatory greenhouse gas emissions limit has been established pursuant to state or
38 federal law, the department shall issue a report to the appropriate legislative committees of the
39 Legislative Assembly stating which portions, if any, of the greenhouse gas emissions standard are
40 no longer necessary as a matter of state law.

41 **SECTION 43.** ORS 468A.020 is amended to read:

42 468A.020. (1) Except as provided in subsection (2) of this section, the air pollution laws con-
43 tained in ORS chapters 468, 468A and 468B do not apply to:

44 (a) Agricultural operations, including but not limited to:

45 (A) Growing or harvesting crops;

1 (B) Raising fowl or animals;

2 (C) Clearing or grading agricultural land;

3 (D) Propagating and raising nursery stock;

4 (E) Propane flaming of mint stubble; and

5 (F) Stack or pile burning of residue from Christmas trees, as defined in ORS 571.505, during the
6 period beginning October 1 and ending May 31 of the following year.

7 (b) Equipment used in agricultural operations, except boilers used in connection with propagat-
8 ing and raising nursery stock.

9 (c) Barbecue equipment used in connection with any residence.

10 (d) Heating equipment in or used in connection with residences used exclusively as dwellings for
11 not more than four families, except solid fuel burning devices, as defined in ORS 468A.485, that are
12 subject to regulation under this section and ORS 468A.140 and 468A.460 to 468A.515.

13 (e) Fires set or permitted by any public agency when such fire is set or permitted in the per-
14 formance of its official duty for the purpose of weed abatement, prevention or elimination of a fire
15 hazard, or instruction of employees in the methods of fire fighting, which in the opinion of the
16 agency is necessary.

17 (f) Fires set pursuant to permit for the purpose of instruction of employees of private industrial
18 concerns in methods of fire fighting, or for civil defense instruction.

19 (2) Subsection (1) of this section does not apply to the extent:

20 (a) Otherwise provided in ORS 468A.555 to 468A.620, 468A.790, 468A.992, 476.380 and 478.960;

21 (b) Necessary to implement the federal Clean Air Act (P.L. 88-206 as amended) under ORS
22 468A.025, 468A.030, 468A.035, 468A.040, 468A.045 and 468A.300 to 468A.330; or

23 (c) Necessary for the Environmental Quality Commission, in the commission's discretion, to im-
24 plement a recommendation of the Task Force on Dairy Air Quality created under section 3, chapter
25 799, Oregon Laws 2007, for the regulation of dairy air contaminant emissions.

26 (3)(a) Except to the extent necessary to implement the federal Clean Air Act (P.L. 88-206 as
27 amended), *[the air pollution laws contained in]* ORS 468A.025, 468A.030, 468A.035, 468A.040, 468A.045
28 and 468A.300 to 468A.330 **and sections 6 to 19 of this 2017 Act** do not apply to carbon dioxide
29 emissions from the combustion or decomposition of biomass.

30 (b) As used in this subsection, "biomass" means:

31 (A) Nonfossilized and biodegradable organic materials that originate from plants, animals and
32 microorganisms and that are products, byproducts, residues or wastes from agriculture, forestry and
33 related industries;

34 (B) Nonfossilized and biodegradable organic fractions of industrial and municipal wastes; and

35 (C) Gases and liquids recovered from the decomposition of nonfossilized and biodegradable or-
36 ganic matter.

37 38 OPERATIVE DATES

39
40 **SECTION 44. (1)(a) Sections 1, 3 and 4 of this 2017 Act, the amendments to ORS 184.889,**
41 **352.823, 468A.050, 468A.200, 468A.210, 468A.215, 468A.220, 468A.225, 468A.230, 468A.235,**
42 **468A.240, 468A.245, 468A.250, 468A.255, 468A.260 and 468A.280 and section 9, chapter 751,**
43 **Oregon Laws 2009, and section 20, chapter 28, Oregon Laws 2016, by sections 20, 21 and 23**
44 **to 38 of this 2017 Act and the repeal of ORS 468A.205 by section 2 of this 2017 Act become**
45 **operative on January 1, 2018.**

1 (b) The Environmental Quality Commission may adopt rules or take any actions before
 2 the operative date specified in paragraph (a) of this subsection that are necessary to carry
 3 out the provisions of section 4 of this 2017 Act. Any rules adopted by the commission under
 4 this subsection may not become operative until January 1, 2018.

5 (2)(a) Sections 5, 6 to 19 and 22 of this 2017 Act, the amendments to ORS 468A.020,
 6 468A.270, 468A.275 and 757.528 by sections 40 to 43 of this 2017 Act and the repeal of ORS
 7 468A.210 by section 39 of this 2017 Act become operative on January 1, 2021.

8 (b) The Environmental Quality Commission, the Public Utility Commission, the Depart-
 9 ment of Transportation and the Oregon Business Development Department may adopt rules
 10 or take any actions before the operative date specified in paragraph (a) of this subsection
 11 that are necessary to carry out the provisions of sections 6 to 19 and 22 of this 2017 Act.
 12 Any rules adopted by the Environmental Quality Commission, the Public Utility Commission,
 13 the Department of Transportation or the Oregon Business Development Department under
 14 this subsection may not become operative until January 1, 2021.

15 REPORT

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 17
 18 SECTION 45. The Department of Environmental Quality shall report on the implemen-
 19 tation of sections 6 to 19 and 22 of this 2017 Act to the interim legislative committees on the
 20 environment and natural resources on or before September 15, 2019.

21 CAPTIONS

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 23
 24 SECTION 46. The unit captions used in this 2017 Act are provided only for the conven-
 25 ience of the reader and do not become part of the statutory law of this state or express any
 26 legislative intent in the enactment of this 2017 Act.

27 NAME CHANGE

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 29
 30 SECTION 47. (1) The amendments to ORS 352.823, 468A.215, 468A.220, 468A.225, 468A.230,
 31 468A.235, 468A.240, 468A.245, 468A.250, 468A.255 and 468A.260 by sections 25 to 34 and 36 of
 32 this 2017 Act are intended to change the name of the “Oregon Global Warming
 33 Commission” to the “Oregon Commission on Climate Change.”

34 (2) For the purpose of harmonizing and clarifying statutory law, the Legislative Counsel
 35 may substitute for words designating the “Oregon Global Warming Commission,” wherever
 36 they occur in statutory law, other words designating the “Oregon Commission on Climate
 37 Change.”

38 EMERGENCY CLAUSE

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 41 SECTION 48. This 2017 Act being necessary for the immediate preservation of the public
 42 peace, health and safety, an emergency is declared to exist, and this 2017 Act takes effect
 43 on its passage.