

AGENDA

Regulated Entities Work Group

September 21, 2017

1 PM – 2:45 PM

Hearing Room 50 of the State Capitol (ground level)

https://www.oregonlegislature.gov/citizen_engagement/Pages/Legislative-Video.aspx

Welcome and Introductions – Senator Michael Dembrow and Representative Ken Helm

Work Group Charge and Questions and Guiding Principles – Senator Michael Dembrow

Background Presentations:

- *Overview of Cap-And-Invest Policy*

Colin McConnaha, Senior Climate Policy Advisor, Department of Environmental Quality

- *What are the Particular Needs of Energy-Intensive, Trade-Exposed Industries (EITE) and Why Do We Need to be Concerned about EITEs?*

Carl Fink, Principal, Blue Planet Energy Law

Roundtable Work Group Discussion – All

Opportunity for Public Comment

Wrap Up and Next Steps – Senator Michael Dembrow

Adjourn

Presentation on GHG
Cap and Trade
Program for RE Work
Group (McConnaha,
DEQ)

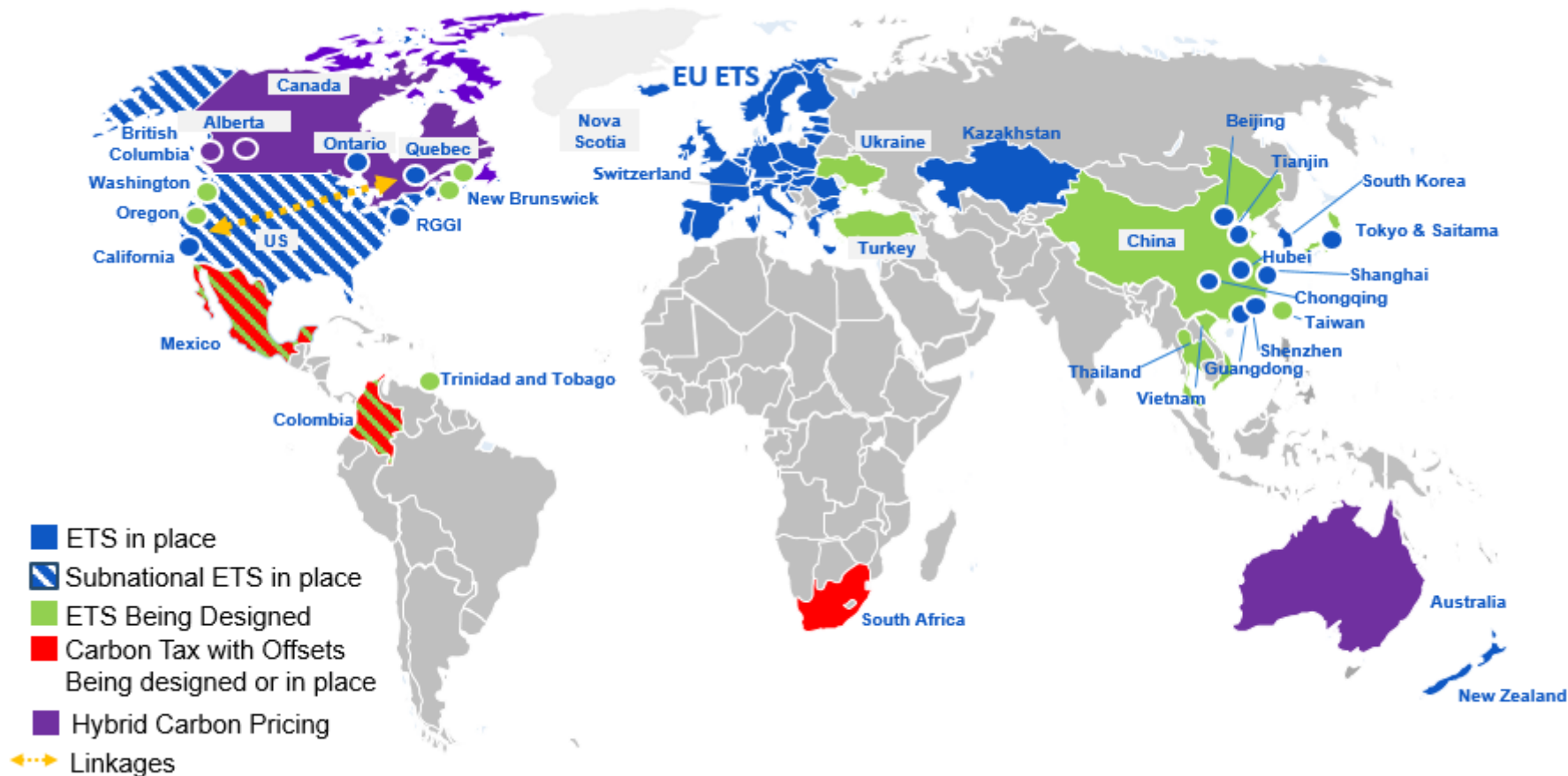
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Clean Energy Jobs Work Group on Regulated Entities

Energy-Intensive, Trade- Exposed Industry Issues



Bulk of World Economy Subject to Price on Carbon



Source: [IETA](#)



Three facets to carbon leakage:

(1) Highly competitive, price sensitive markets:

Industries that are not able to pass increased carbon costs on to consumers without loss of significant market share.

(2) High Emission Intensity Factor: Carbon cost make up a material percentage of overall costs

(3) Asymmetric carbon pricing: Competing with entities in jurisdictions with lower carbon costs.

Example Industries: Non-utility gas-fired electricity generation; Cement manufacturing, Pulp and paper.



EITE Can Be Mathematically Determined

Factor

Examples

Emission
Intensity
Indicator

$$\text{Carbon Intensity} = \frac{\text{Tonnes CO2e}}{\text{Value Added}}$$

$$\text{Carbon Intensity} = \frac{\text{Tonnes CO2e}}{\text{Revenues}}$$

Trade Intensity
Indicator

$$\text{Trade Intensity} = \frac{\text{Imports} + \text{Exports}}{\text{Shipments} + \text{Imports}}$$

$$\text{Trade Intensity} = \frac{\text{Imports} + \text{Exports}}{\text{Sales} + \text{Imports}}$$



Cost Containment Can Be Tiered Approach

Leakage Risk	Emissions Intensity	Trade Exposure
High	High	High, Medium, Low
	Medium	High
Medium	Medium	Medium, Low
	Low	High, Medium
Low	Low	Low
	Very Low	High, Medium, Low



Additional EITE Considerations

No double charge for same ton of carbon

- Harmonize Carbon price obligation with other states
- Recognize early action

Equality of treatment among competitors within Oregon

- IPPs should have same carbon cost structure as utilities for gas fired generation

Regulatory certainty

- Set a policy and stick with it

Robust Offset Policy

- Offsets are lowest cost mechanism to meet compliance obligations and should be encouraged to maximum extent possible



Clean Energy Jobs Work Group on Regulated Entities

Questions/comments?



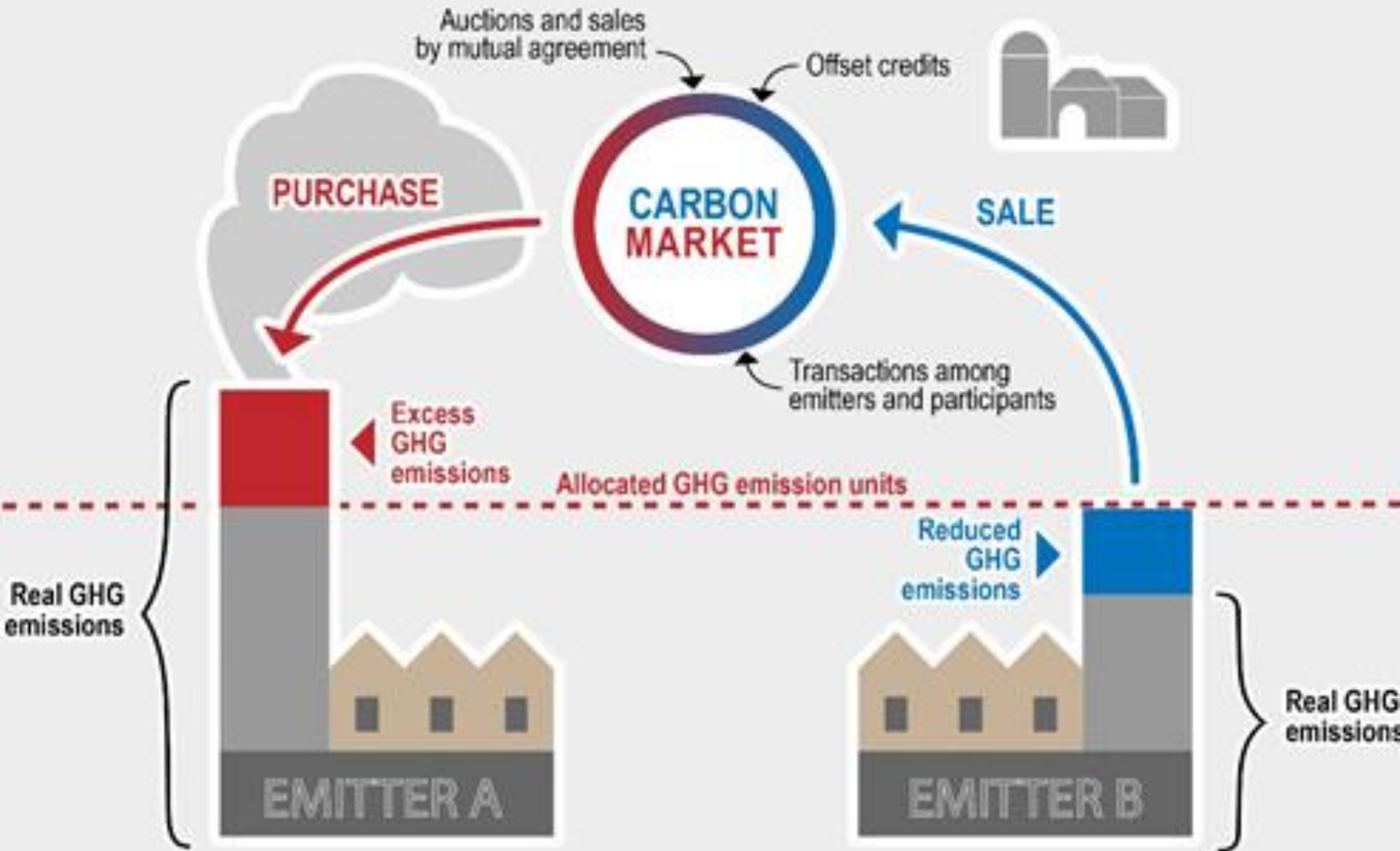
Presentation on
Energy-Intensive,
Trade Exposed
Industries
(Fink, Blue Planet
Energy Law)

9-21-17

Greenhouse Gas Cap & Trade Program

Colin McConnaha, DEQ Senior Climate Policy Advisor

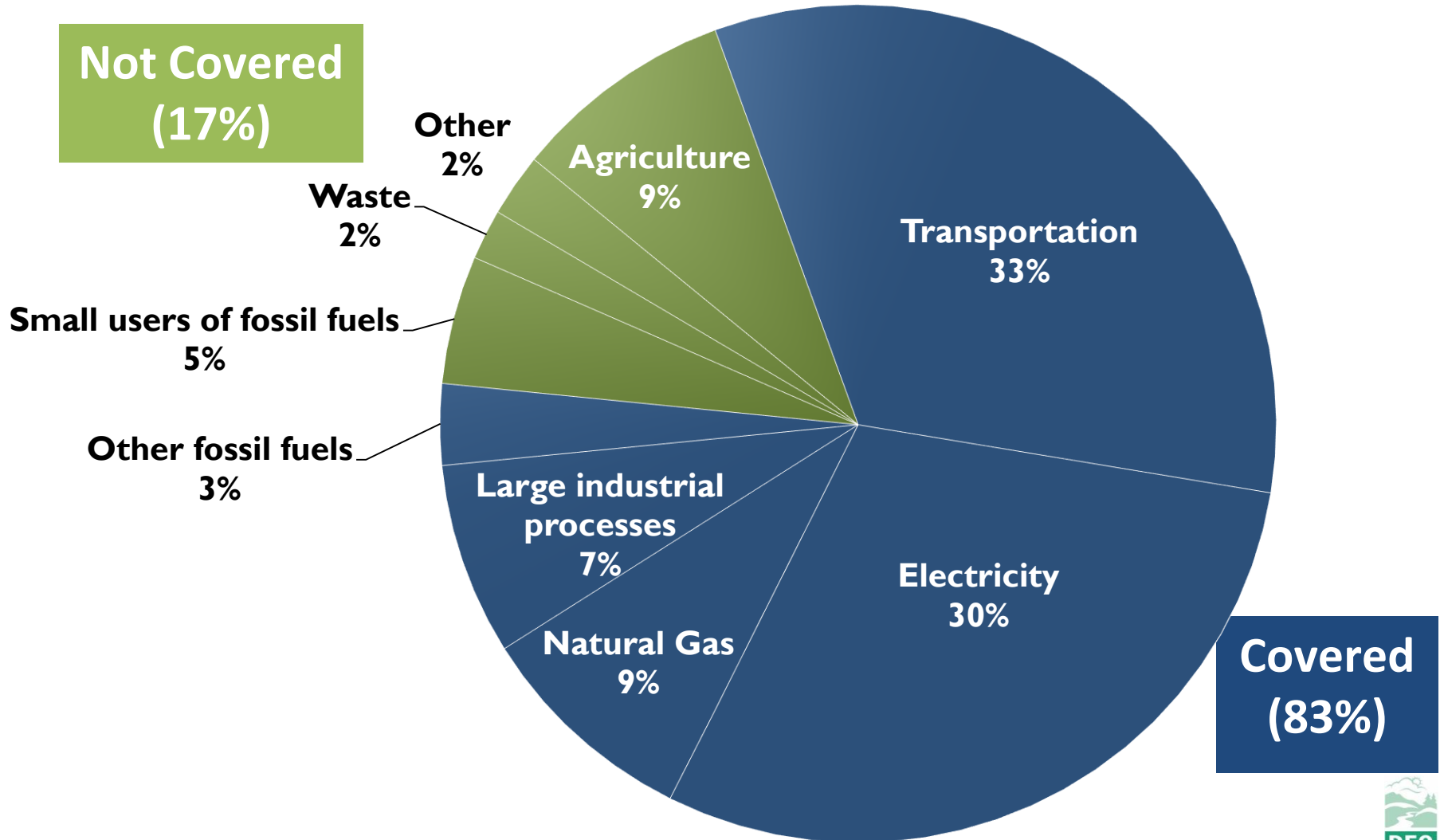
What is cap & trade?



Elements of a cap & trade program

- Scope
 - Point of regulation
- Emissions cap
- Allowance distribution
 - Minimize “leakage”
 - Revenue
- Cost containment
 - Offsets

Emissions covered by cap



Points of regulation

Transportation fuels

- Terminal racks
- Importers

Natural gas

- Utilities
- Pipelines
- Large industrial users

Electricity

- In-state generators
- Importers

High emitting facilities

- Industrial process
- Large natural gas users

Emissions cap

- Align with Oregon's GHG targets
- Cap declines over time
- Key consideration for linkage with other jurisdictions

Allowance distribution methods

- Auction
- Free
 - See next slide on minimizing leakage
- Consignment (hybrid)

“Leakage”

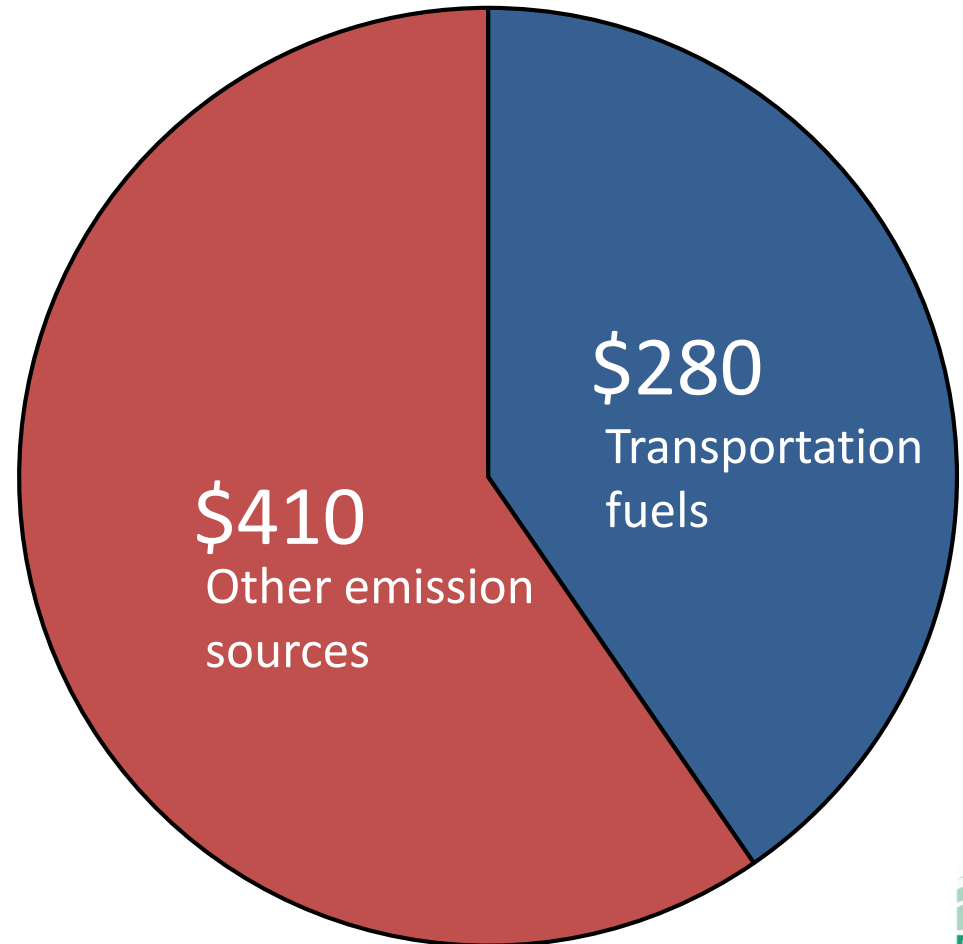
- **Issue:** Oregon industries may be at a disadvantage with firms in areas without a carbon price
 - Reduces jobs & economic output in Oregon
 - Does not reduce emissions
- **Response:**
 - Free allocation to firms competing with businesses in areas without a carbon price
 - Invest auction proceeds in these businesses

Revenue

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

Approx. revenue in 2021 (\$millions)

VERY rough
estimate of
potential revenue
generated by
auction of
allowances



Cost containment

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

Questions?

Colin McConnaha, DEQ Senior Climate Policy Advisor

Work Group
Homework Questions
to Answer for Next
Meeting

(9-21-17)

Clean Energy Jobs Work Groups

Meeting #1 -- Homework Questions

DIRECTIONS: No later than one week prior to the second work group meeting, please send your responses to the questions below to committee staff (beth.patrimo@oregonlegislature.gov or beth.reiley@oregonlegislature.gov). As you prepare your responses, please consult with others in your organization or industry, particularly any located in jurisdictions currently participating in the Western Climate Initiative.

Question 1: What aspects of a cap-and-invest policy as it is being discussed in Oregon are you most concerned about for your organization/industry/constituents/customers?

Question 2: What changes would you suggest be made to cap-and-invest as it is currently being discussed to address the concerns you have?

Question 3: What opportunities do you believe exist for your organization/industry/constituents/customers from implementation of a cap-and-invest policy as it is currently being discussed in Oregon?