

Chair Dembrow and Committee Members:
Chair Helm and Committee Members:

February 5, 2018

COMMENTS REGARDING

HB 400I and SB 1507

CAP AND TRADE

This cap and trade bill is bad for Oregon, and its impacts will be the most significant for poor people and those with limited income as it directly impacts the cost of gas and electricity which directly impacts the transportation, heat and electric bills which are the most significant commodities impacting underprivileged Oregonians. Our economy is already under stress due to the multitude of tax credits, taxes, fees, regulations and government overreach which seems to be the norm under the heading of green energy and climate change. This bill creates a tax that is being extracted from utilities who pass the cost on to customers so government can dictate how the money is spent under the false claim that it will impact Global Warming. I see very little indication that the money generated will make any measurable change in Oregon's emissions.

GENERAL COMMENTS REGARDING THIS BILL:

The bill appears to be crafted by individuals who have even less understanding of how an effective program would need to be crafted than I do. According to my research, it needs to be fair, efficient and effective. The components which form the basis of my evaluation of the many weaknesses of this bill include:

1 Comprehensive—It should cover all measurable emissions of greenhouse gases.

This bill exempts: Landfill Methane emissions when producing electricity (No other electricity generating fuel is exempt). It also exempts watercraft or aviation fuel and fuel gases generated during semiconductor and related device manufacture. It exempts those importing "de minimus" amounts of gasoline or diesel fuel and identifies specific occupations which are subject to the bill while others are not.

2 Impacts need to occur upstream—Identification of occupations that are subject to the bill does not meet the test of impacts occurring up stream. In fact, applying this cap and trade bill to occupations when the tax has already been extracted from those providing electricity and fuel to those occupations represents double taxation of the carbon generated.

3 Permits should be Auctioned, not Grandfathered and auctions should occur frequently. Requiring auctions annually is not "frequently". This bill provides for "play money" in the form of allowances which are not purchased by the utility being given to selective groups, but not to others.

4 There Should be Limited Offsets: Not only does this bill use offsets, but they allow them to occur anywhere in the United States. It also allows a percentage of offsets that do not provide environmental impacts to Oregon. This is not a national bill! It is an Oregon bill that will increase costs to Oregon citizens. Any "benefits" need to reduce the negative impacts to Oregon citizens.

5 Built-In Protections: Revenue generated from the program should go first to compensate families for the burden of the expensive energy it will create. It should not be an indirect way of funneling money to school districts so that the general fund budget needs are reduced.

Lacks Fairness: This bill would “tax” carbon emissions from electricity generated in other states after the electricity is imported into Oregon. The emissions are not occurring in Oregon, nor do the citizens of this state have any control over the utilities that bring this energy into the state. According to the US Energy Information Administration, Oregon produces more energy than we can use. We are net exporters of electricity. Of the energy generated in Oregon, with the closure of the Boardman Coal Plant, the only energy not considered renewable is that produced by Natural Gas. Over 70% is from hydro and other renewables. Renewable energy generated in Oregon is sent to other states, and electric companies servicing Oregon purchase electricity with a larger carbon production to bring back for sale in Oregon. As a result, over 45% of the energy we consume is from fuels subject to the carbon pricing when all of the carbon was generated prior to the electricity entering Oregon. It does not meet the fairness test for Oregon citizens to be punished for pollution occurring outside our state and outside our control. In addition, in reading “Carbon taxation and the Oregon Constitution” it appears that the taxes may only be allowed if the energy is produced or used in Oregon.

There is a lack of fairness in the membership of the Joint Legislative Committee on Climate as all members are appointed by the President of the Senate and the Speaker of the House. Committee membership should require representatives from both the republican and democratic parties to be “fair”.

Most covered entities receive these “free” allocations, however, none are provided for fossil fuel distribution storage, infrastructure or electric generating units. These people are being hit hardest by these rules, and this bill adds an additional layer. How do you think the natural gas coming into Oregon is being used? It is being used to support wind and solar developments which cannot stand on their own and it is being used to heat homes. This practice does not meet the “fairness test”, and represents double taxing as the fuel would be taxed when it came into the state for sale, and now it will be again taxed absent any “free” credits when it is used to produce electricity.

SPECIFIC PROBLEMS WITH SECTIONS OF THE BILL

In Section 25, allowing proceeds of an electric company or natural gas company to be spent anywhere in their service area again does not meet the fairness test. The customers in the area (Oregon) where the economic costs occur is where the money should be spent, not surrounding states.

Department of Environmental Quality members should be limited to no more than 2 terms.

There should be accountability built in by requiring an accounting of greenhouse gas reduction attributable to this policy and an evaluation completed within three years which looks at the costs to the state and local economy compared to any measurable change in the emission levels in the state.

No “linkage” should occur. Oregon has enough problems with supporting this program without having benefits needed to compensate for the damages to Oregon citizens being siphoned off due to a linkage agreement.

It appears to me that if you plan to forward this bill from committee, the amounts of funds going into any specific funding pot needs to have very clear statutes indicating what percentage of the money can be used for what items. While I am not spending the time to figure that out exactly what percentage is required to go where, I am certain that there will be people who will want to make sure that the exact amounts are going to the specific areas required by the Oregon Constitution.

The requirement in Section 22 to require groups you are mandating participate in this costly program to pay a program and development fee is adding injury to insult. Even the Internal Revenue Service does not require a fee in order to be subjected to their unsolicited taking of people's money.

SUMMARY:

This is a very costly program for the citizens of Oregon and it will have the largest negative impact on the poorest citizens and small employers. It is publicized as a bill that will reduce greenhouse gases and establish emission standards. These standards will be impossible to meet and I can see no relationship between some of the things being funded and global warming. It will refund money to electric users, pay for training, economic diversification, and job services, as well as offsetting funds for Public Schools. These do not match my definition of the things the funds should be going toward if you really wanted this bill to have any impact on global warming. Given the minute amount of pollutants Oregon contributes, I question that there is anything this state could do to impact it other than reducing the number and severity of wildfires we are experiencing.

I am extremely concerned regarding the legitimacy of having the Oregon Legislature determine what must be included in an appeal of this statute, where it must be filed and when it must be filed. This is very objectionable due to the infringement it represents on the public access to due process. Many of the details regarding the implementation of this bill will not be known until after the January 1, 2019 date has passed. Part of the bill is not operative until January 1, 2019 or later. Individuals and groups will not know how they will be impacted by the provisions of the bill until it is implemented. Provisions regarding distribution of proceeds do not become operative until January 1, 2021, emission limits do not apply until 2035, and the impacts of the bill will increase over time to the extent that while the impacts may not be felt immediately, they will be at a future date. I also question the legislature overruling the state and federal constitutions by limiting access to judicial review of whether or not they have infringed upon constitutional rights of a party.

This bill does not represent a "win-win". It represents a "lose-lose" and should die in this committee.

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This bill may provide a talking point regarding a cap and trade bill at some future date. It is not a bill that will impact anything other than the cost of fuels to individuals and businesses trying to make a living in this state.