



5 February 2018

The Honorable Ken Helm

Oregon State Assembly
900 Court Street NE, H-490
Salem, OR 97301
rep.kenhelm@oregonlegislature.gov

SUBJECT: IETA SUPPORT FOR SB 1507 AND HB 4001

Dear Assemblymember Helm,

IETA is a non-profit business organization supporting the development and success of market-based programs that produce real and verifiable greenhouse gas (GHG) emission reductions, while balancing economic efficiency with environmental results and social equity. IETA members include companies with emitting facilities in Oregon, including entrepreneurs delivering climate solutions, service providers, and carbon-focused (non-profit) registries that represent the backbone of environmental integrity for carbon offsets. Oregon's efforts on climate change are laudable, could provide revenues to local communities, and demonstrate that a positive economic picture can go hand in hand with robust environmental policy.

IETA enthusiastically supports SB 1507 and HB 4001. If passed, these bills will position Oregon as a leader in efforts to address climate change and cut air pollution while providing opportunities for economic growth. In addition to bringing critical regulatory certainty to Oregon's business community, this package will also incent entrepreneurs and industry to invest in innovative, lower-carbon technologies.

The cap and invest program has four fundamental advantages, summarized below. These core benefits include: flexibility, cost-effectiveness, linkability, and builds on a time-tested track record of success.

Flexibility: The cap and invest program has a broad scope, offering a wide range of emission reduction opportunities and market liquidity. By establishing a limit for the program overall rather than focusing on individual sources, the program gives companies flexibility to make the most cost-effective choices about when and how to reduce their emissions. The ability to trade allowances, bank allowances, and use offsets when appropriate will mean that emissions are reduced to the capped level, without a rigid, command-and-control regulation. A market mechanism also protects energy-intensive, trade exposed industries through allocations of allowances where necessary to avoid leakage. Offsets, in particular, offer cost-containment while also incentivizing emission reductions in sectors outside of the cap, such as agriculture. While HB 4001 limits offset usage to 4%, we strongly recommend that number be increased to 8% so that Oregon matches Ontario and Quebec's offset usage limits.

Cost-Effectiveness: The flexibility afforded by the cap and invest program will ensure that the needed emission reductions are cost-effective. Various cost-containment mechanisms, such as an auction reserve price and price ceiling, can guarantee that the price does not go above or below acceptable ranges. By



allowing companies to choose how to reduce emissions, the cap and invest program stimulates reductions for all covered sectors without requiring individual regulations for all emissions, thereby also reducing the administrative burden for the government.

Linkability: By designing a cap and trade program designed to link with additional jurisdictions, Oregon will be able to take advantage of economies of scale that will help Oregon businesses drastically reduce their cost of compliance while meeting overall GHG reduction goals – all without sacrificing Oregon’s autonomy or ability to act in the best interest of the state. Linkability will also allow Oregon to take advantage of systems such as the Compliance Instrument Tracking System Service (CITSS) management and tracking system for accounts and compliance instruments issued through participating Western Climate Initiative cap-and-trade programs, without the need to develop and operate new systems from scratch. Finally, linkability provides additional economic development opportunities for Oregon as linked jurisdictions seek to purchase offsets developed within the state.

Time-Tested: Programs like Oregon’s proposed cap and invest have had success and resulted in significant environmental and socio-economic benefits. California’s cap-and-trade program has resulted in emission reductions to the capped level, and there has been no measurable strain on the state’s economy – in fact, emissions have substantially declined during a period of significant economic expansion (see Appendix A). Quebec and Ontario’s programs, while newer, have similar stories from which to draw.

Oregon’s cap and invest program can demonstrate that economic growth and carbon reduction can work together. **Now Oregon finds itself in a special position, being willing and able to tackle the state’s climate policy architecture and cement cap and invest in place.**

As an organization with members worldwide, IETA is fully aware of the broad and powerful role that programs like cap and invest can play in efforts to address the climate challenge. Indeed, more than 50% of the world’s economy is now subject to some form of carbon pricing, including virtually all of Oregon’s major international trade partners, and this percentage is growing. Passing SB 1507 or HB 4001 is a critical step that Oregon must take in order to reduce emissions and air pollution. Especially while Washington DC shows a lack of leadership on this issue, Oregon’s progress could not come at a more important time.

We would be pleased to discuss these issues further by phone or in person. For any questions, please contact IETA Managing Director, Katie Sullivan, at sullivan@ieta.org.

Sincerely,

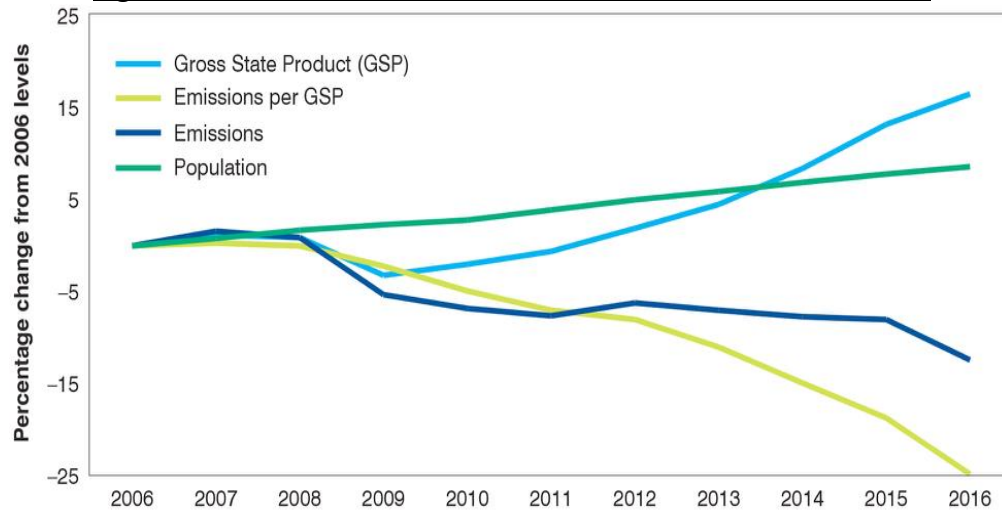
President & CEO, IETA



APPENDIX A

Before the start of California’s cap-and-trade program, many critics suggested that the program would stifle economic growth and job creation.¹ Those criticisms are no longer voiced because there is economic data (see Figure 1) showing that the economy is growing, while the state is reducing its emissions.

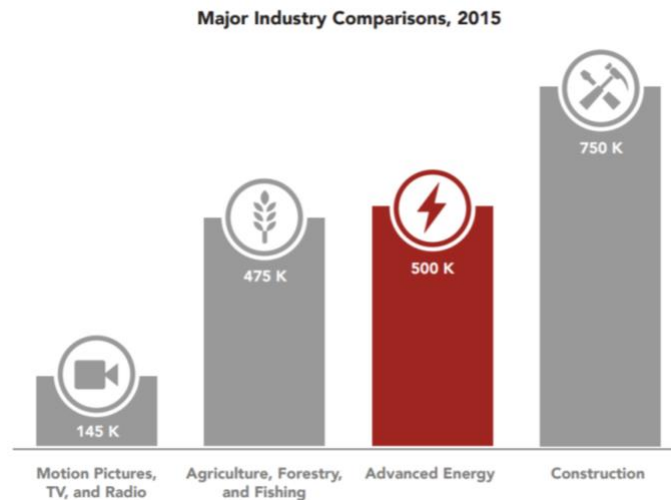
Figure 1: California Emissions and Economic Growth Since 2006



Source: California Air Resources Board, California Department of Finance

While 18,000 California residents work in fossil fuel generation, there are now more than 500,000 working in renewable energy, energy efficiency, and the clean vehicle industry (see Figure 2).

Figure 2: Comparison of Job Numbers between Industries



Source: AEE Institute, Advanced Energy Jobs in California 2016 Employment Survey, Available at: <http://info.aee.net/hubfs/PDF/california-jobs-report-2016.pdf?t=1462473190835>

¹ California Air Resources Board, California’s Cap-and-Trade Program Final Statement of Reasons, October 2011. “Opposition” comments available on page 1090 at <https://www.arb.ca.gov/reqact/2010/capandtrade10/fsor.pdf>
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