February 7, 2018

Chair Dembrow and Chair Helm,
Members of the Senate Committee on Environment and Natural Resources
Members of the House Committee on Energy and Environment
Oregon State Capitol
Salem, OR 97301

Re: Strong Support for Senate Bill 1507 and House Bill 4001

Dear Chair Dembrow, Chair Helm, and Members of the Committees:

We write in **strong support of SB 1507 and HB 4001** as economically sound and urgently needed approaches to curbing our climate pollution and furthering climate leadership in Oregon. Oregon is poised to reap the rewards of more jobs, clean air, affordable renewable energy, and clean energy innovation if we place a limit and price on the largest sources of climate pollution. Capping and pricing climate pollution is a cost-effective, market-based solution that benefits the economy. Proceeds will be reinvested across the state to accelerate clean energy technologies and solutions and build healthy, resilient communities and workforces. The bills have been worked on over the last three years, including a 3-month long public working group process that took input from hundreds of rural stakeholders, regulated parties, and communities most impacted by climate change. **The Clean Energy Jobs bills are ready to pass and tailored to benefit Oregon.**

We support HB 4001 and SB 1507 as carbon pricing policies that adhere to the following principles: science-based, creates long-term business and policy certainty, is comprehensive in scope, reinvests in addressing the problem and creating benefits for under-served and economically-distressed communities, is equitable for most impacted communities, supports workers, and is transparent and accountable. In particular, it is critical that HB 4001 and SB 1507 continue to reflect the following features:

An enforceable cap
Oregon adopted climate reduction targets a decade ago. And while Oregon made temporary progress arresting the growth of emissions, climate pollution has been on the rise again – contributing to the climate crisis impacting our state and beyond our borders. Oregon currently has no enforcement or accountability mechanisms that ensure our 2050 goals are achieved; indeed, we are falling far short of our 2020 aspirations. For these reasons, we strongly support the enforceable cap that is authorized through 2050 and declines steadily in HB 4001 and SB 1507. An enforceable cap ensures environmental outcomes and a long time horizon creates adequate planning time for businesses.

A cap should also cover all major sources of Oregon's greenhouse gas emissions, including in-state and imported power; transportation; and industrial emissions. This economy-wide approach will encourage more cost-effective emissions reductions and enables linkage with other jurisdictions.

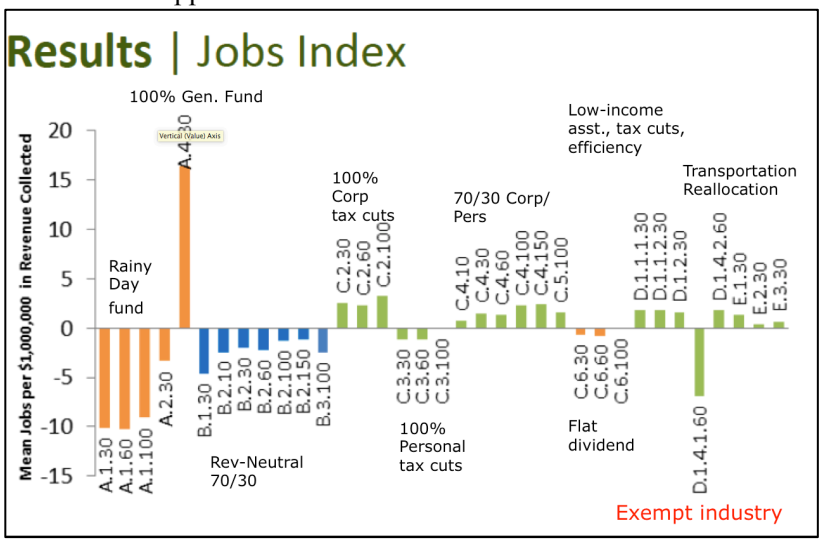
Invests in solutions and a vibrant Oregon
Pricing pollution creates opportunities for Oregon to invest in the transition to a clean energy economy. Climate change, however, disproportionately impacts some communities more than

others. The Clean Energy Jobs bills, as well as the extensive workgroup process, have prioritized investment in communities hit first and worst by climate pollution (as well as the negative health impacts of fossil fuel combustion). This also creates major new opportunities for economic development in rural parts of the state, and we are glad to see significant resources dedicated to these communities. **We support the current investment allocations in SB 1507 and HB 4001, and strongly support an allocation directly to Oregon Tribes**.

A policy should invest in maximizing reductions in climate pollution, assisting Oregon homes and businesses to become more efficient and the transportation sector to switch to lower-carbon fuels. It should provide support for low-income households, and aid in the decarbonization of energy sectors. These investments will lead to a healthier, more vibrant and resilient Oregon. We greatly appreciate the Rural Working Group last fall that highlighted the many ways rural Oregon can be a part of the solution—and the tremendous need for resources to build resiliency. **This policy—just like other existing cap and invest programs—can leverage funding.** The program could support efficient and affordable housing throughout the state, resilient infrastructure—like covered irrigation systems that generate their own renewable energy—and carbon sequestration and natural resource restoration projects that not only create jobs but also create vital co-benefits for clean water and fish habitat.

Data-driven approach

Like many cap & trade programs, HB 4001 and SB 1507 have flexibility features built in to accommodate "energy-intensive, trade-exposed" (EITE) industries. However, **we strongly support provisions in HB 4001 that require a data-driven approach for assessing leakage risk**. No industries emitting over 25,000 tons of climate pollution should be exempt. As the PSU/NERC carbon tax study showed, exempting industries leads to negative economic outcomes. (See green bar, D.1.4.1.60 below. Bar labels added by Oregon Environmental Council). Exemptions decrease the overall efficiency of the program, reduce energy efficiency opportunities, and reduce reinvestment opportunities.



Source: Northwest Economic Research Council, "Carbon Tax and Shift" report, commissioned by Oregon Legislature (SB 306)

Job training and worker assistance

Transitioning to a low-carbon economy will require support from engineers, construction workers, secretaries, electricians, project developers and many others. It is important that Oregon's labor

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pool have the skills necessary for work in the jobs-intensive clean energy sector and that workers in fossil fuel intensive industries have the opportunity for retraining. We strongly support inclusion of a Just Transition fund and dedication of resources for apprenticeship, pre-apprenticeship, and transition programs. We also strongly support the workforce inclusion and labor standards.

Transparent and accountable
Our organizations strongly support the inclusion of a citizen oversight body, the Program Advisory Committee (PAC). The PAC must have demographically and geographically diverse representation. It should have a clear charge to support successful development and implementation of the cap and invest program to achieve emissions reductions and ensure that benefits are distributed throughout Oregon, that climate impacted communities (both urban and rural) are receiving support, and that proceeds are being leveraged for positive outcomes in Oregon's main energy sectors.

Regional alignment
Joining a regional cap and invest program provides many benefits for Oregon. Oregon can right-size and tailor a policy to our unique economy while not having to reinvent the wheel. Linking with the existing North American carbon market will create administrative cost-savings, create more certainty for businesses that operate in multiple jurisdictions, provide cost-effective emission reduction opportunities across a broader region, and create momentum for other states to join. Oregon's policy should not create barriers for linkage. Oregon's overall program must have similar design features including utility point of regulation, upper limits on offsets, and similar emissions coverage across the transportation, utility and industrial sectors of our economy.

Utility Treatment
As the policy is currently crafted, the Clean Energy Jobs bill would benefit utility customers, accelerate clean energy investment and cut consumer costs. Addressing carbon-intensive power generation can be done in a way that provides an upstream price signal to accelerate decarbonizing investments by utilities, while keeping bills stable for end-use customers and bolstering low income bill assistance and weatherization programs. In fact, customers' electricity bills have held steady or gone down in the 10 U.S. states with this cap & invest program over their power sector due to major energy efficiency and renewable energy investments. Consignment of allowances offers many benefits—transparent accounting of allowance value, guaranteed value used exclusively for customer benefits (such as on-bill rebates, weatherization, other clean energy projects) with PUC oversight, and an even price signal on carbon-intensive fuels across sectors. SB 1547 (2016) goes a long way to ensure our utilities are set up for success under a cap and invest system, though it is not sufficient by itself. Utilities' eligibility for free allowances must be coupled with sufficient parameters and oversight to ensure allowance value is used to further – not frustrate – the goals of the program. The Clean Energy Jobs bill can support utilities' achievement of deep carbon reductions in a cost-effective manner for customers.

Electric utilities in California support their cap & trade program as providing major cost savings for customers and enabling broader clean energy investments:

"For the benefit of tens of million California customers - and to our state's climate leadership at a pivotal moment - we urge legislators to approve Assembly Bill 398. California's cap-and-trade program has reduced emissions and put the state on track to achieve its climate targets. And it has done so in a way that saves energy customers billions of dollars in costs and protects lower-income Californians, while creating much-needed funding for clean-energy programs..."

-Pacific Gas & Electric CEO Geisha Williams, Edison CEO Pedro Pizarro, Sempra Energy President Steven Davis, July 12, 2017

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Oregon must do more to combat rising climate pollution. Oregon is part of the global problem of climate change, and we need to be part of the solution. Oregon has innovative land use policies alongside good investments in statewide energy efficiency and public transit. Oregon is now leading on clean transportation fuels and has set the state on a path to transition from coal to renewables. Accounting for the true cost of climate pollution can drive additional investment to our clean energy transition and enhance existing clean energy initiatives, by solving for the market failure of externalized costs from pollution and letting non-fossil energy compete on a more fair and even playing field. While the free market has not solved climate change, market mechanisms can be used as a potent, cost-effective, and flexible tool to control climate pollution.

A cap and price on climate pollution acts as a necessary backstop, while other policies also drive down pollution and encourage sector-specific market transformation to clean energy. In this way, a carbon cap and price approach ensures our climate pollution is brought under control and we meet the state's greenhouse gas reduction goals, while the portfolio of programs provides the roadmap for reducing pollution efficiently. These other strong policies including our state's Clean Fuels Program and Renewable Portfolio standard help our industries and utilities achieve program compliance in a cost-effective way. In essence, these programs make reaching our emissions targets in specific sectors easier and cheaper, while the overall cap ensures the reductions happen. **Together with investments in energy efficiency and other cost-effective measures, we can make the strides we need on curbing and preparing for climate change while providing tremendous benefits to our state's economy, people, and environment.**

Capping and pricing climate pollution is a cost-effective, market-based solution that benefits businesses. Oregon is poised to reap the rewards of more jobs, clean air, and local, renewable energy if we place a limit and price on the largest sources of climate pollution. Proceeds will be reinvested across the state to accelerate clean energy technologies and solutions and build healthy, resilient communities. We can build a thriving economy and ensure a healthy environment here in Oregon. Putting a price on carbon will also send a strong signal that Oregon is primed for clean economy investments. Ontario, Canada's second province to enact a cap and invest program, has been a top North American leader in attracting foreign capital investment.

A lower carbon economy gives Oregon a first-mover advantage and top-notch workforce. Leading economies around the globe are prioritizing energy efficiency and emissions reductions. We can secure Oregon's role as a thriving engine of innovation, attracting clean-tech investment and talent – or let the opportunity pass us by. **By acting now, Oregon can gain a competitive advantage over other states and nations that are slower to act.**

By the Numbers: Oregon's Clean Energy Economy at Work[1]

- More than 48,000 Oregonians work in the clean economy, producing $7 billion in goods and services (GDP, 2014).
- Clean economy jobs are growing at an 11% annual rate in Oregon – faster than state employment as a whole.
- More than $9.8 billion has been invested in renewable energy in Oregon, with more than 5,300 jobs created directly and many thousands of additional jobs supported.
- Oregon's burgeoning electric vehicle industry has already created more than 1,600 direct and indirect jobs.

[1] Renewable Northwest, "Oregon Renewable Energy Projects Fact Sheet," Summer 2015, http://www.rnp.org/sites/default/files/pdfs/OR_FactSheet_2015Oct1.pdf

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- Every dollar invested in the clean energy economy creates more than three times as many jobs as investment in fossil fuels, and most jobs cannot be outsourced.
- Clean energy benefits accrue across the state – Pendleton has the most solar panels per capita of any city in the Pacific Northwest.

A cap & invest approach provides certainty and flexibility that businesses need to thrive. Forward-looking businesses want to be ahead of the curve, making business decisions that account for the true cost of climate pollution. Reducing climate pollution with a defined limit and stable price on emissions provides a clear, consistent and long-term policy and regulatory framework. Using a market-driven approach allows flexibility to meet reductions in the most affordable, efficient way. We want to ensure the policy is not undermined with loopholes, includes sunsets that erode market certainty, or creates too much inflexibility in statute for a successful policy over the longterm.

The right policy framework reduces economic risk, helping our business competitiveness and protecting trade-exposed industries. Climate action reduces the economic risks Oregon's industries face from climate change and enable our state to seize the clean energy opportunity. The state can implement a limit on carbon pollution that protects energy-intensive, trade-exposed (EITE) industries while holding top polluters accountable and keeping overall energy prices stable. **We favor the EITE approach in HB 4001, which establishes a data-driven approach for identifying and protecting the most trade-exposed industries in Oregon** while avoiding giving away excessive free allowances that could create windfall profits and thereby prevent other opportunities to reduce emissions.

Growing a clean energy economy and climate-resilient industries is technically and economically achievable in Oregon. DEQ's study of cap & trade in Oregon, released last year, confirmed what years of worldwide experience have proven: a market-based cap & trade system in Oregon offers a "flexible, cost-effective mechanism" for assuring greenhouse gas reductions that would have minimal effects on the state's economy, and could grow our GDP.[2] The study shows how pricing climate pollution can help Oregon regain our competitive edge and bring new jobs to both rural and urban parts of the state.

Other economic analysis indicates the same. As a comprehensive study by MJ Bradley found, **existing cap-and-invest programs have saved households money, reduced electricity bills, and created tens of thousands of jobs**:

> "Existing cap-and-invest programs have benefited local economies and consumers. Since the start of the first compliance period of RGGI in 2009, RGGI states have generated and disbursed over $2 billion in proceeds from its allowance auction back into the economy. It has provided substantial benefits to households and industries by saving $460 million on energy bills between 2012 and 2014 due to energy efficiency improvements, and contributed to the creation of a cumulative 30,000 job-years. California's program has administered $1 billion for projects located in or benefiting economically distressed communities. *A study by researchers at UCLA found that California's program benefits low-income communities by reducing electricity bills by $50 per year, natural gas bills by as much as $18 per year, and gasoline expenditures by as much as $98 per year for low-income households*."[3] (emphasis added)

Climate change is already harming our Oregon's economy, people and places. We must act urgently

[2] Department of Environmental Quality, "Considerations for Designing a Cap-and-Trade Program in Oregon," February 14, 2017, https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/98956
[3] C. Jenks, P. Hansel, MJ Bradley, "Issue Brief: What Would Cap-and-Invest Mean for Oregon?" January 19, 2018: http://www.mjbradley.com/reports/what-would-cap-and-invest-mean-oregon

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and boldly to protect our state. According to the Oregon Climate Change Research Institute (OCCRI), Oregon is already experiencing the destructive effects of climate change caused by human emissions of greenhouse gases.[4] Stakeholders representing natural resource-dependent industries across our state economy including agriculture, fishing, forestry, ranching, wine making, brewing, outdoor recreation, and tourism attested to this reality during the fall work groups. Climate change threatens these industries, costing us millions. And the impacts are fundamentally unequal; rural and urban low-income communities and communities of color are more acutely experiencing the effects of pollution and global warming. This is why **we strongly support the bills' prioritization of investments in the people and communities in Oregon who are most impacted by climate change.**

If we don't act urgently and boldly to curb our greenhouse gas emissions, Oregon's climate is projected to continue warming three to seven degrees Fahrenheit by the 2050s and five to eleven degrees by the 2080s (according to the OCCRI report). The costs of inaction are enormous:

- Vanishing snowpack and reduced streamflow impact the $13 billion outdoor recreation industry that directly employing 141,000 people in Oregon.
- Our beef ranchers could lose up to $11 million per year by 2040 due to drought.[5]
- Wildfires are predicted to quadruple, cost $700 million per year.
- Sea level rise threatens $1 billion worth of homes, businesses, and infrastructure.

Commercial fishing and seafood processing generate $518 million per year in Oregon. Crabs, shellfish, oysters and salmon are threatened by toxic algae blooms due to warm oceans, increasing ocean acidity and rivers running too low and warm during hot summers. The state has already spent money studying and helping oyster farmers adapt to rising ocean acidity, caused by increasing levels of carbon dioxide in the atmosphere.

Climate change threatens the health and productivity of Oregon's people. Burning fossil fuels causes asthma, heart disease, stroke, cancer and results in huge health costs for families to bear. Pollution is projected to create **$1.1 billion in health-related costs** to Oregonians by 2040.[6] Health costs, severe weather, and other impacts of climate change will **cost Oregonian families $1,930 per year by 2020 and $2,400 by 2040.**

Oregon must dedicate resources to both reduce climate pollution and adapt to unavoidable impacts. Oregon will have to build resiliency for some climate impacts already being experienced. However, it is both wise and more cost-effective to address the root cause of the problem by reducing climate pollution causing further impacts. Oregon should put its full force into adopting strong climate policies to mitigate climate pollution and urge other states and national leaders to join us. A price on carbon – especially a cap & invest model like SB 557 – could also generate proceeds to fund needed climate adaptation efforts, increasing our state's resiliency to climate impacts while avoiding even more extreme impacts.

Oregonians support climate action and state leadership is needed. In every county across Oregon, sizable majorities want carbon dioxide regulated as a pollutant. Oregon voters support climate action NOW at a 5:1 ratio. Through the Renew Oregon coalition, **the Clean Energy Jobs bill has been endorsed by a broad base of supporters across Oregon**, including:

- **Over 800 businesses**

[4] Oregon Climate Change Research Institute, "Third Oregon Climate Assessment Report ," January 2017, https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/99261
[5] Environmental Entrepreneurs, "Oregon: Changing Climate, Economic Impacts, & Policies for Our Future," June 2016: http://www.e2.org/wp-content/uploads/2016/07/Oregon_Business_Climate_Report.pdf
[6] See Id.

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- **140 farms and ranches**
- **120 faith leaders**
- **Over 50 local elected officials**
- **14,000 Oregonians**

Other economies that cap and price climate pollution have flourished while reducing emissions. Strong clean energy and climate policies that put enforceable limits on climate pollution exist throughout the world. In the U.S., we have two successful programs that have effectively used cap-and-invest market mechanisms to limit climate pollution while maintaining robust economies. These states have decoupled emissions reductions from economic growth, and used clean energy investment to boost their local economies while keeping energy costs low.

- **California AB 32 Cap & Trade Program:** California's cap & trade program took effect in early 2012, and was reauthorized by 2/3rds of the California legislature in 2017. Since 2001, California's economy (GDP) has grown 28% while its emissions per person have dropped 18% over the same time period.[7] California has continued to attract $48 billion in clean economic investments and created 500,000 jobs in the last ten years. In 2016, Bloomberg named California the #1 state in which to do business, and the Chamber of Commerce supported reauthorization of cap & trade. This program also links to Quebec and Ontario's cap & trade programs as part of the Western Climate Initiative.

  California is also a model for successful, equitable reinvestment programs across the state. Proceeds generated through California's cap and trade program have been used to help the communities that have been most harmed by pollution. In the first round of funding, the most impacted and underserved communities received $272 million for **public transit, affordable housing, urban forestry, home weatherization, clean energy and cleaner vehicles**.[8] California is continuing to explore increasing the amount of proceeds that are invested back into communities that need it most.

- **Regional Greenhouse Gas Initiative (RGGI):** The regional economy of the nine Northeastern states that are part of the Regional Greenhouse Gas Initiative (RGGI)[9] has grown 8% while reducing more than 45% of climate pollution in their power sector since 2005. New Jersey has now started the process to rejoin RGGI as well. **Customers' energy bills in RGGI states have been *reduced* by $460 million total.** RGGI's primary investments in energy efficiency and clean energy have proven to be cost-effective ways to reduce pollution while driving down overall energy prices and encouraging growth.

  The health benefits of RGGI reduction in air pollution have also been quantified. These health impacts from 2009 to 2014 included avoiding up to 830 adult deaths, up to nearly 10,000 asthma exacerbations, and 14,500 respiratory illnesses. The total health savings for RGGI added up to $5.7

[7] California Air Resources Board, "California Greenhouse Gas Emissions for 2000 to 2014 – Trends of Emissions and Other Indicators," 2016 Edition, https://www.arb.ca.gov/cc/inventory/pubs/reports/2000_2014/ghg_inventory_trends_00-14_20160617.pdf
[8] California Senate, "SB 535 Fact Sheet: Climate Change Policy That Helps Our Communities," http://sd24.senate.ca.gov/sites/sd24.senate.ca.gov/files/SB535%20Fact%20Sheet_0.pdf
[9] The Analysis Group, 'The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States." https://www.c2es.org/docUploads/rggi-mou.pdf

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billion and avoided about 44,000 lost workdays.[10]

In summary, **we support a science-based, equitable approach to curbing climate pollution that delivers broadly shared benefits for all Oregonians**. We need to seize these opportunities and chart Oregon on a new course from fossil fuel pollution to sustainable prosperity. **We strongly and proudly support HB 4001 and SB 1507 as an urgently needed clean energy solution that will help Oregonians thrive in the face of climate change.**

Thank you for your consideration of these comments.

Sincerely,

Meredith Connolly
Oregon State Director
Climate Solutions

Jana Gastellum
Climate Program Director
Oregon Environmental Council

About our organizations:
Climate Solutions is a regional non-profit working to accelerate clean energy solutions to the climate crisis. For 20 years, Climate Solutions has been working to implement energy efficiency, renewable energy, and carbon reduction policies that demonstrate that clean energy and broadly shared economic prosperity go hand-in-hand.

Founded in 1968, the Oregon Environmental Council (OEC) is a nonprofit, nonpartisan, membership-based organization. OEC advances innovative, collaborative solutions to Oregon's environmental challenges for today and future generations.

[10] Abt Associates, "Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative, 2009-2014, January 2017, http://www.abtassociates.com/AbtAssociates/files/4c/4cd00d28-62e7-4902-84b4-4d9df08c25ce.pdf

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