



January 13, 2020

Chair Dembrow and Members of the Senate Interim Committee on Environment and Natural Resources,

Collectively we represent a broad cross-section of key transportation stakeholders including those who own, maintain, build, use, and pay for Oregon's transportation infrastructure. Our organizations care about the environment and the impact of carbon emissions, while also believing our economy and the environment are best served when our transportation infrastructure is fully maintained to serve Oregon's current and future capacity needs. LC 19 is an extremely significant piece of legislation which, if passed into law, would have a major impact to Oregon's transportation system that would ripple through the economy as a result of dramatically increased fuel prices. We wish to register the following observations regarding the current iteration of LC 19.

Impacts to Highway Trust Fund

- One goal of climate change legislation is to transition away from fossil-fuel powered vehicles and toward electric and other low emission vehicles and fuels. While this is a goal we support, Oregon's transportation system is funded, in large part, through fuel taxes. As cap and trade accelerates this already declining revenue stream, less funding is available to maintain and preserve the transportation system relied on by all modes of travel – including trucks, cars, transit, bicycles, and pedestrians. Lawmakers should craft any cap and trade system so that it upholds the solvency of the Highway Trust Fund.
- An independent economic analysis must be conducted in order to model the range of fuel price impacts to motorists and commercial trucking. The analysis should use all available data and consider market factors to determine the range of potential impacts.
- As of this date, limited data collection and modeling have been conducted concerning the impacts of the proposed cap and trade regime on the transportation sector and Oregon's economy. By contrast, our state has invested over \$1 million in studies and research concerning the energy, forestry, and manufacturing sectors.

Cost Containment and Impact to Motorists and Trucking

- The cumulative increases in fuel costs to cars and trucks due to the 2017 Transportation Funding Package (10 cents), the Low Carbon Fuel Standard (indeterminate), market conditions outside of Oregon's ability to control, and the proposed cap and trade legislation are all of significant concern.
- The stacking of multiple carbon programs will have a profound impact on all Oregon motorists, freight trucking, and will have downstream negative impacts on the Oregon economy. Lawmakers should pursue a "one-carbon policy" approach to avoid double taxation of Oregon citizens.
- The vast majority of freight trucking relies on diesel fuel, and because no commercially viable alternatives currently exist, transportation cost increases stemming from a cap and trade program will result in increased prices for all consumer goods and building materials.
- In its current form, LC 19 fails to offer motorists sufficient incentives to transition to low carbon emission vehicles and fails to provide resources to build electric vehicle charging infrastructure. In the absence of effective incentives, transition will be cost prohibitive, motorists will be left without viable options, and carbon reduction targets will not be achievable.
- LC 19 includes a geographic implementation of freight fuel costs which will result in an uneven commercial playing field across Oregon, where winners and losers are created depending on location.



Future Transportation Investments and the Economy

- As written, a cap and trade program will negatively impact Oregon's capacity to secure future transportation investments. Given current projections of an increase of 22 cents per gallon at the pump in the initial phase of the program, and the fact that this program layers over an existing Low Carbon Fuel Standard, we urge the committee to consider how those costs could preclude securing future transportation investments.
- With no planned funding alternative, continued adoption of fuel-efficient vehicles, and additional mandates from LC 19, Highway Trust Fund revenues will dramatically decrease over time. Declining revenues will curtail future debt capacity and bonding capability. It will also reduce road maintenance budgets for the state, counties, and cities, jeopardizing road and bridge conditions across Oregon.

Price Impacts on Labor and Procurement

- Increases in the cost of transportation projects based on the provisions of the cap and trade proposal must be examined and estimated to determine the potential increase in material costs and reduced purchasing power.
- In addition, LC 19 contains highly burdensome and unfeasible procurement, labor, and public contracting mandates. These mandates serve no carbon reduction purpose and would dramatically increase project costs, frequently increase project delays, potentially result in other states applying retaliatory reciprocal preferences, make it functionally impossible for most local jurisdictions in the state to comply, and would inhibit the carbon program's capacity to achieve its stated objectives. In prior Oregon legislative sessions, the legislature has consistently rejected similar mandates as too costly, complex, and onerous.

Expedited Review

- As currently drafted, expedited review provisions grant standing to an unlimited pool of individuals who would ordinarily lack any real grievance to bring suit under the Oregon Constitution, placing the Highway Trust Fund in jeopardy.
- Since 1942, voters have thwarted attempts to direct highway funds to alternative uses on nine separate occasions. Each time, voters upheld the existing Highway Trust Fund structure by overwhelming majorities. Expedited review of cap and trade flies in the face of nearly 80 years of clear voter intent and takes away the voice of Oregonians.

Conclusion

LC 19 would impose significant costs on several segments of Oregon's industries in order to reduce greenhouse gas emissions over time. Lawmakers have endeavored to craft solutions for public utilities, manufacturers, and agriculture, but have done little to address how transportation costs will inevitably impact motorists, freight trucking, or the cost of raw materials and consumer goods. Allow for the necessary due diligence and consideration of the impacts to the Highway Trust Fund. Consider a phased-in timeline based on real analysis in order to address the consequences of a cap and trade program on Oregon's transportation system. Our coalition is committed to preserving the climate and protecting future generations. We also feel strongly that protecting our infrastructure is vital to our children, grandchildren, and the economic vitality of our state.