



District 12

Robert LaVenture
District Director

Gaylan Z. Prescott
Assistant to the Director

DATE: February 27, 2019

TO: Co-Chairs Senator Michael Dembrow and Representative Karin Power
Co-Vice Chairs Senator Cliff Bentz and Representative David Brock Smith
and Members of the Joint Committee on Carbon Reduction

FROM: Robert LaVenture, Director, United Steelworkers District 12

CC: Gaylan Prescott, Assistant to the Director, USW District 12
Ron Rodgers, Jim Kilborn, Bob Tackett of USW District 12
Jim Young, Co-Director, The Labor Institute

SUBJECT: Comments on HB 2020

On behalf of the United Steelworkers (USW) District 12 and our union's thousands of members in Oregon, we want to thank you for the opportunity to weigh in on HB 2020.

We appreciate the chance to communicate our thoughts about carbon reduction and carbon pricing policy in Oregon. USW District 12, which represents manufacturing and many other workers in Oregon and 10 other western states, is eager to see the state of Oregon develop an effective approach to reducing carbon emissions while maximizing job creation and job security for Oregonians overall and for our membership as well.

USW District 12's support for carbon reduction policies, demonstrated numerous times over the past decade including when it supported California's Global Warming Solutions Act, is guided by the principle that Americans deserve both environmental sustainability and economic prosperity.

USW District 12 believes we do not have to choose between economic and environmental progress, but that we can and must ensure both.

Indeed, if leaders adopt a policy that reduces carbon in Oregon but harms working people by sending jobs out of state or overseas and harms the environment by exporting emissions to less regulated states or countries, we all will have failed. We will simply be pushing the challenges facing our global climate elsewhere while creating additional economic stress in Oregon. Based on our experience of engagement on climate policy, we caution this committee to be mindful not to craft policy that will simply mean carbon emissions are “not in our backyard” while persisting elsewhere in the region, the country, the continent and the globe.

We must therefore chart a policy course that simultaneously achieves science-based carbon reduction targets while creating and securing real family-sustaining jobs. We must pay special attention to those in the state’s existing emissions-intensive and trade-exposed manufacturing sector.

Overall, we appreciate this committee’s efforts to do just that. While we are still reviewing the legislation, as your committee continues its work, we want to make clear that we would be pleased to support the bill should the following underlying concepts be incorporated:

- **Revenue Allocation**

Revenue generated by market programs should be allocated to *create* and *secure* family-sustaining jobs and job opportunities for workers. Revenue allocation programs should include incentives and/or regulations that reward businesses for energy efficiency investments made at energy intensive facilities beyond “business as usual” – as well as workforce development training to ensure existing and new workers can participate in emerging sectors.

Revenues should be used to support industrial energy efficiency technology, including but not limited to combined heat and power (CHP), waste heat to power (WHP), and carbon capture utilization and storage (CCUS). Increased deployment of these technologies in Oregon could lead to significant energy consumption reductions.

Further, we believe HB 2020 should reserve revenue to allow for pilot projects aimed at more effective policy implementation. For example, revenues should be made available to test programs – including but not limited to training programs – that involve frontline workers in the detection, control and mitigation of energy inefficiencies in their workplaces.

- **Leakage Protection**

Leakage – the phenomenon whereby capital moves from one regulated area to a less regulated area – can be applied to both jobs and greenhouse gas emissions. Therefore, carbon reduction policy in Oregon should address and combat leakage to ensure that jobs and pollution do not migrate out of Oregon to neighboring states and/or countries.

To that end, Oregon should build in a full exemption for the state’s energy-intensive and trade-exposed (EITE) industries – as opposed to distributing free allowances. The reasons for considering the placement of EITE facilities outside the program include:

1. These facilities make up a relatively small percentage of overall emissions. EITE's have invested heavily to reduce emissions and to deploy the maximum achievable control technologies.
2. If they leave Oregon they will almost certainly go to a less regulated country or state and pollute more.
3. If they leave Oregon the negative effects will be significant as these industries are largely located in rural areas and the social impacts will not only be devastating, but serve as a lightning rod for those who oppose regulatory policy.
4. Oregon should try to harmonize its leakage policies with other states and regions – and we support policy proposals in Washington State that would fully exempt EITE facilities.
5. Oregon's carbon reduction efforts will be judged a failure if we simply drive carbon emissions, industries, jobs, and our communities tax base, to less regulated places on our planet.

This is a complex issue and we appreciate that HB 2020, in Section 14, builds in the "allocation of allowances for direct distribution at no cost to covered entities and opt-in entities that are engaged in emissions-intensive, trade-exposed processes." However, we urge the committee to use carbon intensity, rather than or in addition to carbon emissions, as a means by which facilities are granted status (and also granted allowances) as "emissions-intensive and trade-exposed." Using carbon intensity as a measure allows for expansion so long as facilities can demonstrate that their processes are energy efficient when compared to competitors. We believe the cleanest manufacturing should be rewarded and encouraged.

- **Oregon Manufacturing Preference**

As Oregon considers the use of pricing mechanisms to address carbon reduction goals, the state should determine policies that promote and maximize the use of goods made in Oregon. There are sound economic and environmental reasons for doing this – as sourcing products nearby promotes jobs but also reduces or eliminates the carbon emissions associated with transportation. Where carbon pricing revenue is used, Oregon should place a preference on domestically-sourced products such as steel, cement, glass, wood and wood products for the construction and modernization of infrastructure.

We appreciate that HB 2020, in section 34, would give preference to Oregon-produced steel, iron and coatings made of steel and iron. But we urge the committee to expand that preference to other materials critical to clean energy infrastructure, including cement, copper, glass, wood, wood products, aluminum and other products.

- **Compliance Flexibility**

Carbon reduction policy for energy intensive industries should provide regulated parties with the ability to comply with requirements through various means throughout the production cycle of finished goods. Flexibility is a critical tool in preventing unintended leakage of jobs and carbon emissions.

- **Clean Energy Technology Investments**

Traditional fuels will continue to play a role in industrial processes for many years to come, but it is critical to ensure the development and deployment of clean energy technologies like solar, wind, and biomass. In Oregon, more must be done to promote renewable energy. Large-scale public and private investment are critical if Oregon is to become a leader in this sector.

As mentioned above, we urge the committee to link investment in clean energy technologies and the procurement and use of goods made in Oregon, including steel and iron as well as those we have enumerated.

- **A Seat at the Table for Unions Representing Vulnerable Workers**

Organized labor, including unions representing front line workers most vulnerable to the negative employment impacts of carbon reduction policy, should be included as key participants in all decision-making and advisory panels associated with positive or negative employment impacts.

We appreciate that HB 2020 establishes the following:

- *In Section 19, a compliance offsets protocol advisory committee (with one seat reserved for a labor or workforce representative; and*
- *In Section 25, a nine-person Rulemaking Advisory Committee.*

We believe the Rulemaking Advisory Committee should be at least twice the current size and include at least one leader from a union representing vulnerable workers.

We also believe there should be a separate Just Transition Advisory Panel and that this panel should include equal representation from stakeholders representing vulnerable workers and communities, as well as technical experts and business representatives.

- **Maintain and Create Good Jobs – and Provide a Real Safety Net**

The economic benefit of climate policies will be realized only by ensuring that the jobs created and maintained in Oregon communities are good, union jobs and ensure family sustaining wages and benefits and safe workplaces. *Therefore HB 2020 should be accompanied by complementary workers' rights policies, including those strengthening the right to unionize and the right to safe and healthful jobs.*

- **Transition Assistance for Displaced Workers**

We appreciate the establishment, in section 35, of a Just Transition Fund and, in section 36, a Just Transition Program. We believe transition for impacted workers has to be a policy of last

resort – part of the state’s social safety net. We also believe a “real” transition is one that makes dislocated workers whole and supports them to retirement or to alternative employment. We have designed a model program and we stand ready to share that model with this committee. We believe this bill should include either a set amount of money or a percentage of revenue and, in either case, provide mechanisms that protect those monies from being used for other purposes. To determine the amount or percentage, we believe it may be necessary to undertake a study of potentially impacted workers, including but not limited to those who suffer direct job loss. (For example, research should account for the potential loss of public sector jobs if a major private sector employer closes.)

Also, see our comment in the previous section about a Just Transition Advisory Panel.

One specific flag for the committee: Because of the often complex reasons that companies move out of Oregon, we also recommend that the Just Transition Advisory Panel determine when downsizing or closure should qualify for this law’s funding stream. We don’t want companies accessing this revenue source when environmental policy has little or nothing to do with lost jobs; and we don’t want environmental policy blamed if it had little or nothing to do with the loss of employment.

Again, we thank you for the opportunity to weigh in. We look forward to continued work on Oregon policies that reduce carbon pollution while creating and maintaining family-sustaining jobs.