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Co-Chairs Dembrow and Power, and members of the Joint Committee on Carbon Reduction:

Thank you for the opportunity to present this testimony on House Bill 2020. I appreciate the work which your committee, the legislature, and the staff have accomplished to bring this bill before us. House Bill 2020 is a comprehensive and complicated piece of legislation which begs for citizen and industry input to ensure the final product will meet its stated objectives of preparing for the effects of global warming and preventing or reducing its social, economic and environmental effects. My initial position on HB 2020 was that of support. This comes from my concern of the real national and worldwide emergency we face from human influenced warming of our planet through greenhouse gas emissions, and the current federal government administration's denial of all credible scientific evidence detailing this problem. Make no mistake, absent a significant adjustment on how billions of humans conduct their lives, parts of the earth will likely become close to uninhabitable and other parts horrifically inhospitable as soon as the end of this century. Necessary societal change is often coupled with negative impacts; however, it is essential that these impacts be shared equally among all affected. I do not believe HB 2020 as I understand it, achieves this fundamental principal and consequently am withholding my support for the bill until I know more.

To its credit, Oregon has been working at addressing GHG issues for 10 years producing studies, research, legislation proposed (including previous attempts to enact a Cap-and-Trade legislation), legislation approved, and collaboration with other entities such as the Western Climate Initiative. Given this long history I feel there is a strong sense of urgency within this current legislative session to move the current bill ahead quickly. This can be seen in how the current bill was announced and immediately scheduled to move forward. Legislative Concept 894 was released on January 31 and remanded to the Joint Committee on Carbon Reduction on February 4. Public hearings began on February 8 and LC 894 was assigned to HB 2020 that same day. There was no time for the general public or those who were not actively involved in the Carbon Committees' work over the last year to digest read and understand any of the complexities and ramifications of the bill.

In Pendleton, we are fortunate to have a twice/month video teleconference with our legislative representatives Senator Bill Hansell and Representative Greg Barreto. These teleconferences are co-sponsored by Blue Mountain Community College and the Pendleton Chamber of Commerce. The meetings are open to the public and are held the 1<sup>st</sup> and 3<sup>rd</sup> Wednesday of each month between 7 and 8 AM during the legislative session. We very much appreciate our elected officials making themselves available, and BMCC in hosting the meetings. Our 1<sup>st</sup> meeting for this legislative session was held on February 6<sup>th</sup>. At that meeting I asked about the 98-page LC 894, which was the only information available regarding what was being proposed. Given the short time between LC 894 becoming available, no one at that meeting had more than a cursory understanding of the concepts

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contained in it. Senator Hansell agreed to contact Senator Bentz, who obviously had an excellent working understanding of the legislation, and agreed to invite him to our next session scheduled for February 20. At our meeting on February 20<sup>th</sup>, Senator Bentz did an excellent job in answering our questions, noting the legislation is expected to reduce Oregon's GHG emissions from 65 million tons/year to 11 million tons/year by 2050 and is expected to generate annual revenues of \$500M beginning in 2021 to be used for the purposes outlined in the Climate Investments, Transportation Decarbonization and Just Transition funds legislation.

The nine attendees at our meeting consisted of local citizens with business interests wanting to better understand how HB 2020 will impact our local economy and livelihood. A summary of the bill along with illustrations of how anticipated revenues are projected to be used to achieve the objectives of the bill was not available at that time. On February 22, the Staff Measure Summary and the two-page summary of HB 2020 were posted on this committee's OLIS web site which meets some of that need. To maximize the public understanding of the complexities of this legislation, my recommendation would have been to postpone the public hearing process until at a minimum, these documents were available and posted on the Office of Carbon Policy web site. Currently there remains nothing related to the bill on this web site, the latest posting is from July 24, 2018.

HB 2020 if enacted will make a significant change in how Oregon addresses the serious long-term climate issues that we and the world face, and how best to make informed decisions to address them from a public policy, economic, and scientific perspective. There is plenty of public interest in the ramifications of the bill as evidenced by the more than 500 persons who have provided testimony so far. As a retired engineer and former elected official (Pendleton City Council) with a rich history in public service, I understand the frustration of working within the political process and encourage this committee and the legislature to keep this as a top priority, but to also allow adequate time for the public to weigh in and understand what the impacts will be. We have a worldwide climate problem and Oregon represents approximately 1% of the United States GHG emissions and .15% of the worldwide GHG. Oregon ranks 38<sup>th</sup> in CO2 emissions in the United States. The world needs to reduce its GHG footprint but we need to keep Oregon's position as a leader on climate change and a minority contributor to the worldwide problem in perspective when considering taking further steps in introducing legislation which will impact our economy and livability.

With regard to HB 2020:

- \* I disagree with the exception for semiconductor manufactures outlined in sections 11–13. I understand there is an amendment in the works which would remove this exclusion and include these manufactures into Section 18 with other EITE entities. I hope this will occur.

- \* I am concerned with impact to the only cement plant in Oregon who produces 1/3 of the cement for the state with the remaining 2/3 coming from China. This bill could cause the closure of the Ash Grove plant and possibly result in China providing the difference with a net increase in worldwide GHG emissions. China is already the largest contributor to greenhouse gasses in the world. Ash Grove has provided testimony demonstrating it is one of the most energy efficient cement plants in America. I also understand that China is evaluating a cap-and-trade program but are looking at implementation for 15 years down the road. There are no incentive or other mitigation measures outlined in the OCAP to assist this and other EITE entities to comply with the emission caps that begin in 2021 and will reduce every year. EITE's that are covered by the program are left with cutting production, purchasing offset credits, or increasing the cost of their product to comply if technology is not economically available. Similar testimony has been provided by Schnitzer Steel for their plant in McMinnville. I believe more thought needs to be given to assisting these parties through a transition period.
  
- \* Energy cost increases for gasoline and diesel of 15–16 cents/gallon and natural gas prices are projected to increase 11%, 13%, and 28% for residential, small commercial, and industrial customers respectively beginning in 2021 and increase to 53%, 60%, and 117% in 2050. These increases will have a disproportionate impact on rural Oregon and the Oregon agricultural industry. The committee has been provided with a significant amount of testimony from the agricultural and transportation interests outlining these concerns.
  
- \* Projections of revenue generated by the legislation and how it is factored into the Climate Investments, Transportation Decarbonization and Just Trade funds will build understanding of the economic impact of the bill. For example, I understand the initial projected revenues to be approximately \$500M and generated from \$350M from increases in fuel taxes and \$150M from increases in natural gas assessments. I understand funding from fuel taxes are restricted to the Transportation Decarbonization Investment Account and must be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highway, road, streets and roadside rest areas. This would seem to limit a significant amount of revenue to building and repairing roads and bridges providing some benefit to reducing GHG emissions through carbon sequestration by landscaping associated with these projects and a longer-term benefit from those able to retire fossil fueled vehicles for electric and hybrid vehicles. Persons living in metropolitan areas having greater access to public transportation will it find it easier and less of an economic imposition to adapt to these changes. Persons and business

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in rural locations with lesser access to public transportation and who rely on trucking interests to connect to outside markets will find the changes more challenging.

- \* The bill leaves a certain amount of ambiguity of what the anticipated revenues in the Climate Investments Fund will be and how they would be invested to: *prioritize projects that benefit impacted communities; complement efforts to achieve and maintain local air quality; provide opportunities for Indian tribes, members of impacted communities and businesses owned by women or members of minority groups to participate in and benefit from statewide efforts to reduce GHG emissions including technical assistance for minority or women owned businesses, nonprofit organizations and other community institutions that serve or represent impacted communities or low income households; makes use of domestically produced products; promotes low carbon economic development opportunities; and provides assistance to help households businesses and workers transitioning to economic system that allow as state to achieve GHG emission goals.* Estimates of the revenue and examples of projects would be helpful if developed and posted on the Office of Carbon Policy web site. I have read the BEAR report which makes a case for statewide equity to those impacted by the legislation. Translating the message from that report into something the general public can understand and relate to needs to be developed and included on the Carbon Policy web site.

With respect to the draft copy of the Staff Measure Summary included in the meeting materials on the OLIS Joint Carbon Reduction web site on February 22, I refer to the last paragraph on the last page which notes: *“Ten states currently have cap-and-trade systems. Nine are Northeastern states that joined together in 2009 to create a common carbon market through the Regional Greenhouse Gas Initiative. California has separate program....”* It would be instructive to note that the RGGI cap-and-trade system is limited to Electrical Power plants of 25 MW or greater making is significantly different than the California program.

Once again, I thank the committee for making the trip out of Salem to meet with us in Eastern Oregon. I look forward to watching this bill work through the process and hearing about the process of moving this ahead, and hopefully seeing some refinements and a clearer understanding of all of the implications of the bill as it moves ahead.

Sincerely,

Chuck Wood  
Pendleton