



Multnomah County Chair

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To: Co-Chairs Michael Dembrow and Karin Power,
Vice-Chairs Cliff Bentz and David Brock Smith
Members of the Joint Interim Committee on Carbon Reduction

From: Deborah Kafoury, Multnomah County Chair

Dear Co-Chairs Dembrow and Power, Co-Vice Chairs Bentz and Smith, and members of the committee:

I am pleased to see the Oregon Climate Action Program (HB 2020) advancing in the Oregon Legislature and I appreciate the tremendous effort it has taken to develop the bill thus far. It has been Multnomah County's long standing position that the State must put a price on greenhouse gas pollution to meaningfully reduce emissions in line with scientifically accepted atmospheric limits on greenhouse gas concentrations. I believe HB 2020 has the potential to put Oregon on the right path toward meaningful emissions reductions and set Oregon apart as a leader in the global fight against climate change. HB 2020 is a thoughtful, consensus driven, and replicable approach to reduce greenhouse gas emissions and should be adopted by the Legislature.

Multnomah County residents strongly believe that climate change presents a crisis which will require a significant transition in our economy and society, and that the benefits from this shift will far outweigh any challenges. This is why in 2017, Multnomah County and the City of Portland jointly committed to transitioning our community to being powered entirely by renewable energy by the year 2050. We believe that moving to a clean energy economy will make our community a more resilient and prosperous place and that the economic and public health benefits of this transformation can significantly benefit people of color, low income people, and people who have been left behind by previous waves of economic development.

To that end, Multnomah County believes that it is essential that HB 2020 leads to substantial emissions reductions and also reflects the values of environmental justice. Environmental justice values include: reducing health and environmental harm to impacted communities¹; prioritizing

¹ We define "impacted communities" as communities of color, low-income communities, tribal communities, and other communities traditionally underrepresented in public processes.

economic opportunity in impacted communities through investment; protecting low income ratepayers; and ensuring accountability to impacted communities through meaningful access to decision-making processes in the program development, rule making, and implementation.

These values have informed the specific feedback provided below and will guide Multnomah County's advocacy and support for this policy. The climate crisis gives us, the elected leaders of Oregon, the clear urgency to act, and HB 2020 offers the path forward. At the same time, there remains substantial room to improve HB 2020 as introduced. The comments that follow are intended to offer helpful suggestions to strengthen the legislation. I look forward to continuing to engage in this process in order to craft the best policy for all Oregonians.

Governance, decision-making, and accountability:

Multnomah County's review of the bill identifies substantial areas that will necessitate rule-making prior to implementation in 2021. Given the importance of rule-making in achieving the bill's proposed goals, as well as maintaining long-term program durability, we believe it is imperative that the governance structure be amended in a manner that offers both greater accountability and ensures representation of impacted communities. The current governance structure, as proposed, leaves the Oregon Climate Action Program open to undue political influence misaligned with the program goals and no accountability to impacted communities. It is imperative that HB 2020 be amended such that:

- Rule-making should be adopted by a Governor appointed, senate-confirmed commission with representation from impacted communities that is greater than or equal to their respective proportional representation in Oregon.

Allowances distributed to mitigate program impacts:

There is clearly a need for free allowances in mitigating impacts for those in our community least able to absorb the costs associated with transitioning to a clean energy economy. However, over allocation of free allowances undermines the integrity of the program. The Joint Interim Committee on Carbon Reduction should take the following steps to ensure the intended emission reductions are achieved:

- Approve no additional free utility allowances beyond what is in the version of the bill as introduced. Any additional allocations will severely undermine both the policy goals and critical reinvestment revenues necessary to mitigate program impacts.
- Expressly provide that free allowances are not property rights, and that the Legislature or the Director of the Office of Carbon Policy through rule making may adjust the allocation as necessary without having adjustments deemed to have impacts on property rights.
- Restore the language of the previous iteration of the legislation, 2018's A-Engrossed Oregon SB 1507, regarding allocation of allowances to energy-intensive trade exposed industries (EITEs). The previous language is more precise and market efficient in its allocation of free allowances. Include bill language that allows for the senate-confirmed commission mentioned earlier in these comments to review and conduct rule-making should additional measures be necessary to mitigate leakage of emissions from EITEs. HB 2020 must ensure that incentives remain for EITEs to perform at or more efficiently than regional industrial peers, reducing

emissions and ensuring local air quality co-benefits are realized. This not only aligns with California's program, but rewards Oregon's industry for being efficiency leaders. As currently written there is little preventing EITEs from engaging in business as usual.

Offset credits:

Carbon offset credits that incentivise the drawdown of atmospheric carbon on Oregon forest and farmland is an important component of this bill and worthy of support. At the same time, the use of carbon offsets must be carefully balanced in a manner that does not undermine the allowance market or the generation of revenue and incentives to invest in the just transition to a clean energy economy. It is equally important that offsets do not inhibit the potential local air quality co-benefits from projects that reduce greenhouse gas emissions. The Joint Interim Committee on Carbon Reduction can take the following steps to limit unintended consequences from the offset credit program:

- Ensure that no more than four percent of a covered entity's compliance obligation may be met by surrendering offset credits. Based on the County's initial analysis, as currently proposed offsets could constitute greater than 50% of the programs' cumulative greenhouse gas emissions reductions through 2026. Only consider allowing offsets above four percent to be used for cost containment if a need to do so is clearly demonstrated. Include language that allows for the determination of expanding offset allowances in rule-making after consideration by the aforementioned senate-confirmed commission.
- Require rules be adopted restricting the use of offsets by covered entities located in a geographic area within which the Oregon Health Authority or the Department of Environmental Quality finds to have a high burden of adverse health outcomes associated with air pollution, including but not limited to asthma, cardiovascular disease, stroke, cancer, diabetes, and low birth weight.

Climate Reinvestment Revenues:

Cap and trade is an economically efficient mechanism for reducing greenhouse gas emissions, however the policy can have regressive impacts if not specifically addressed. Revenues generated by the program should be reinvested to mitigate harm and provide benefits for impacted communities. The Joint Interim Committee on Carbon Reduction has clearly recognized the importance of investing in specific impacted communities through the allocation of 10 percent of reinvestment revenue for Tribal communities.

However, this ignores the numerous other impacted communities across our state, including in Multnomah County. It is difficult to identify a specific allocation of proceeds sufficient to mitigate all climate and policy impacts for those most urgently in need. I reiterate that the governance, decision-making, and accountability structures must be amended as suggested earlier to ensure meaningful participation in these decisions by impacted communities. As introduced, HB 2020 leaves substantial authority and discretion to the Director of the Office of Carbon Policy to define impacted communities, and provides few guarantees that impacted communities most in need of investment are prioritized. The Joint Interim Committee on Carbon Reduction can take the following steps to ensure impacted communities across the state benefit from this policy:

- Ensure that the legislation recognizes the deep inequities that exist today as a result of historic disinvestment in impacted communities, and ensure these communities are invested in at a rate higher than their proportion of the population across the state.
- Ensure that in addition to prioritization of impacted communities on the basis of census tracts, reinvestment revenues be prioritized for impacted communities not located in shared geographic boundaries.
- Ensure that all investments, including transportation related projects, are considered with respect to prioritization of impacted communities.

Transportation Reinvestment Revenues and Complementary Policies:

Multnomah County bears the highest burden of transportation-related air pollutants in Oregon, the health and social costs of which fall disproportionately on impacted communities. Previous experience suggests that local control of transportation investments, guided by representation from impacted communities, will both reduce greenhouse gas emissions and provide direct health and social benefits for these overburdened communities. Since 1990, Multnomah County has welcomed a 33 percent population increase, and a 24 percent job increase, while reducing its overall carbon emissions by 21 percent. In that same timeframe, the overall emissions from the State of Oregon have increased 12 percent. The Joint Interim Committee on Carbon Reduction can take the following steps to help local jurisdictions build on their record of success:

- Ensure that reinvestment revenues subject to the Highway Trust Fund restrictions are prioritized for greenhouse gas reducing activities in areas that bear the greatest burden of transportation-related air toxics emissions. This includes funding projects identified in the state-mandated Climate Smart Strategy developed by Oregon Metro.
- Ensure that transportation investments are determined through meaningful representation of impacted communities and in close collaboration with local governments.
- Preserve complementary policies, such as the Renewable Portfolio Standard and Clean Fuels Standard, in full, because these strategies have already been proven cost-effective for mitigating future compliance cost obligations.

Again, I want to thank the Committee for the tremendous work it has taken to bring forward HB 2020 and I am eager to work with the Committee to strengthen the bill and support its implementation in the coming years. I want to again stress not only the significance but also the importance of this action. The impacts of climate change are affecting our state and our communities now. Without meaningful action to reduce emissions the impacts of climate change, drought, fire, floods, sea level rise, and consequences we have yet to contemplate threaten not only the health and welfare of our residents, but the very underpinnings of a free and ordered society. The scientific consensus is clear, we must act now, and the cost of inaction is too great a burden to bear.

Sincerely,

Deborah Kafoury
Multnomah County Chair