



Alliance of Western Energy Consumers

Impacts of Cap-and-Trade Program (HB 2020)

About the Alliance of Western Energy Consumers (AWEC): AWEC is a non-profit organization comprised of the largest and most innovative employers in the northwest. AWEC has a large and diversified membership that represents industries such as agriculture, aeronautics, air products, pulp and paper, food processing, information technology, healthcare and more. AWEC works to ensure employers have access to affordable, reliable electricity and natural gas.

In Oregon, AWEC members employ over 50,000 Oregonians in their 73 facilities across the state. In many cases, AWEC members are the major employer in their community.

Impacts of HB 2020 on AWEC Members

- Even though AWEC members' facilities are responsible for only a small amount of greenhouse gas (GHG) emissions, HB 2020 will impose disproportionate costs on AWEC members. **We estimate the cumulative compliance and energy cost impacts on AWEC facilities will exceed \$350 million by 2030 and rise to over \$1.5 billion in 2040.**
- **HB 2020 will increase the costs of electricity and natural gas to all consumers, including AWEC members facilities.**

AWEC Members' GHG Emissions

- AWEC members' facilities are a small contributor to Oregon's GHG emissions.
- Of the total GHG emissions covered by HB 2020's cap and trade regulation (52.6 million MTCO_{2e}), AWEC members' 12 covered facilities contribute only 1.57 million metric tons to Oregon's covered emissions.
- Most AWEC member facility emissions are not covered in HB 2020. Total emissions from these plants represent less than 310,000 MTCO_{2e} or .6 percent of Oregon's total emissions.

EITE AWEC Members

- 12 AWEC facilities are designated as EITE and initially receive no-cost allowances to offset the costs of compliance. However, the distribution of allowances is reduced each year starting in 2022. AWEC facilities need to buy allowances to comply with the regulation starting in 2022.
- AWEC members' covered facilities are responsible for less than 3 percent of Oregon's statewide GHG emissions, but they would be required to pay many millions of dollars in compliance costs each year. Compliance costs for those 12 facilities are estimated to be at:
 - \$7.1 million by 2025
 - \$37.3 million by 2030
 - \$70.6 million by 2035
 - \$106.8 million by 2040

- The cumulative costs of these 12 AWEC facilities purchasing allowances is estimated to exceed \$4.1 million by 2025 and grow to over \$1 billion by 2040.
- Compliance costs identified above do not include indirect electricity cost increases.

AWEC Indirect Costs – Electricity

- All AWEC member facilities, even those designated as EITE, are exposed to electricity price increases in either the near- or long-term.
- The cost impact will vary by company depending on their electricity provider. Direct Access Customers get hit the hardest – because their wholesale electricity suppliers don’t get the same allowances that IOUs receive – even though they are required to meet the same RPS requirements.
- Price impacts will begin immediately for AWEC members on direct access, amounting to \$4.3 million in 2021 alone. Increased electricity costs for all AWEC electricity customers increase sharply in later years as free allowances decline.
 - \$4.3 million in 2021
 - \$7.5 million in 2025
 - \$11.2 million in 2030
 - \$16.4 million in 2035
 - \$25.5 million in 2040

AWEC Indirect Costs – Natural Gas

- AWEC member facilities not covered by HB 2020 may be significantly impacted by higher natural gas costs if they are ineligible for free allowances. The cost of allowances will be passed on through higher natural gas costs that affect 25 percent, or 5.8 MMBtu, of natural gas consumed by AWEC members facilities.
- Natural gas prices are estimated to increase 29 percent in 2021. By 2030, industrial customers will see a 60 percent increase in natural gas prices.

Increases in natural gas costs for AWEC members will be immediate and are estimated to increase each year the cap and trade regulation is in place.

- \$6.7 million in 2021
 - \$11.3 million in 2025
 - \$21.9 million in 2030
 - \$26.7 million in 2035
 - \$33.7 million in 2040
- Between 2021 and 2040 estimates show that AWEC members will spend an addition \$410 million in increased natural gas costs due to HB 2020.

Conclusion – Impacts on AWEC Members

The economic impacts and job losses to AWEC members and communities will likely be significant as a result of HB 2020, as production in these facilities is curtailed and shifted to lower cost states.