

An Affordable and Effective Cap & Trade Program

NW Natural agrees there is a climate imperative and a need to act collectively to address climate change. NW Natural can and will play an important role in helping our region move to a low-carbon, renewable energy future.

HB 2020 Should Treat All Oregonians Consistently

Any Cap and Trade program should provide consistent treatment of all utility sector emissions – and, consequently, all utility customers.

Emissions are emissions, whether they come from coal, oil or natural gas.

A Cap and Trade program should be administered so that natural gas customers are not asked to pay more than their fair share.

As currently envisioned, HB 2020 would violate that fundamental principle. Providing substantial customer allowances to electric customers but not to natural gas customers would result in some Oregonians paying for their emissions, while others would pay nothing and emit just as much.

\$ IMPACT ON HOUSEHOLDS

HOUSEHOLD #1

Both are average Oregon households and could be neighbors



Family of four, 2,000 sq ft home
\$75,000/year income

Uses Natural Gas for Heating



Family of four, 2,000 sq ft home
\$75,000/year income

Uses Electricity for Heating

| | Home Emissions | Cost of Emissions | | Home Emissions | Cost of Emissions |
|---------|----------------|-------------------|---------|----------------|-------------------|
| 2021 | 6.2MT* | \$77 | 2021 | 6.4MT | \$0 |
| 2021-30 | 58MT | \$1,432 | 2021-30 | 58MT | \$0 |

* MT = metric tons

Oregon Would be an Outlier

As currently conceived, Oregon's Cap and Trade program would be the only jurisdiction in the Western Climate Initiative to take an inconsistent approach in the utility sector.

| JURISDICTION | ELECTRIC UTILITY TREATMENT | GAS UTILITY TREATMENT | COMPARATIVE TREATMENT OF UTILITY EMISSIONS |
|--------------|---|---|--|
| California | Substantial near term customer allowances | Substantial near term customer allowances | Consistent |
| Quebec | No customer allowances | No customer allowances | Consistent |
| Oregon | Substantial near term customer allowances | Very few near term customer allowances | Inconsistent |

For a cap and trade program to be equitable for the 65% of Oregonians who are natural gas utility customers, we seek the following:

- The allocation of customer allowances** directly to natural gas customers (residential, small commercial and industrial sales) in a manner that treats all utility sector emissions consistently.
- For revenue generated through NW Natural's purchase of allowances **to be applied in the best interests of natural gas customers** – with a focus on bill assistance, low-income weatherization, and projects to decarbonize the energy we deliver to our customers (with oversight by regulators).
- Offsets as a low-cost emissions reduction option** with an eye on linking with the Western Climate Initiative. Oregon should match or exceed the offset cap in California (currently 8%).

- 4. Complementary measures that help reduce emissions. NW Natural supports independent legislation (SB 98) to create an **optional Renewable Natural Gas (RNG) procurement program** that would help decarbonize our pipeline.

Potential Customer Bill Impacts of Cap & Trade (HB 2020)

The cost impact of the current proposal would be severe, though much more manageable if the emissions from natural gas customers are treated fairly.

**Annual Cost on Direct Use Natural Gas Customers
HB 2020 vs. Alternative Proposal**

| YEAR | RESIDENTIAL | | SMALL COMMERCIAL | | | | INDUSTRIAL SALES* | | | |
|------|-------------|---------------------------|------------------|---------------------------|-----------|------------------------|-------------------|------------------------|------|-----|
| | HB 2020 % | Alternative Proposal Cost | HB 2020 % | Alternative Proposal Cost | HB 2020 % | Alternative Proposal % | HB 2020 % | Alternative Proposal % | | |
| 2021 | 11% | \$74 | 0% | \$6 | 13% | \$338 | 1% | \$29 | 28% | 1% |
| 2025 | 15% | \$109 | 3% | \$23 | 17% | \$511 | 4% | \$106 | 37% | 6% |
| 2030 | 23% | \$200 | 9% | \$81 | 27% | \$968 | 11% | \$390 | 54% | 18% |
| 2035 | 38% | \$361 | 22% | \$208 | 44% | \$1,814 | 25% | \$1,044 | 89% | 42% |
| 2040 | 53% | \$567 | 35% | \$375 | 60% | \$2,956 | 40% | \$1,951 | 117% | 73% |

*Cost not included due to variation in usage by industrials.

Considerations for Oregon

- In Oregon, infrastructure must be designed to ensure our energy needs can be met in the winter peak.
- NW Natural’s system delivers more energy to Oregonians than any other utility, but is a distant third in emissions contributions to the state. Sales to NW Natural’s residential and commercial customers represent about 5% of Oregon’s total greenhouse gas emissions.
- In a normal year, the average NW Natural residential customer pays roughly \$650 per year for natural gas use and programs that reduce emissions and support energy efficiency.
- 60% of our customers qualify as low or near low income.

Natural Gas Plays a Key Role in Oregon’s Low-Carbon Future

Multiple studies have examined different ways society can reach its deep decarbonization goals (**80% emissions reduction from 1990 levels by 2050**). A new report by E3 is largely consistent with other deep decarbonization studies, and takes into account Oregon-specific attributes such as when we use energy, our existing energy mix, and the infrastructure needed to meet our energy needs during cold snaps and heat waves. The E3 Study finds:

- All deep decarbonization pathways include natural gas use in 2050. In fact, in order to achieve the decarbonization goal, natural gas emissions represent a larger share of the emissions pie in 2050 than the coal, diesel, and gasoline mix we have today.
- In combination with energy efficiency and a reasonable blend of renewable natural gas, continuing to use natural gas to heat homes and businesses – even in 2050 – is likely the most affordable and reliable way to achieve deep decarbonization in Oregon.

QUESTIONS?
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