

February 15, 2019

To: Co-Chair Dembrow and Co-Chair Power
Co-Vice Chair Bentz, Co-Vice Chair Brock Smith
Oregon Joint Committee on Carbon Reduction

Oregon Business for Climate Comments to HB 2020

Oregon Business for Climate is pleased to present the following comments to the Joint Committee of Carbon Reduction in response to HB 2020. Oregon Business for Climate Board of Directors, along with its membership consisting of almost 100 leading businesses from across the state and our partner groups, continues to support a robust and responsible Cap and Trade policy that is economy-wide, meets Oregon's carbon reduction targets, links to the WCI and promotes competitiveness, economic vitality and innovation. HB 2020 captures many of these main policy positions in addition to aligning with our core principles which we outlined and provided for the record. As mentioned in our invited testimony to the Joint Committee on February 11th we strongly urge the Joint Committee to "hold the line" on additional exemptions or free allowance allocations that would further dilute the program. We applaud the Joint Committee and Carbon Policy Office on the diligent work to date in advancing the legislation.

We would like to take this opportunity to reiterate the importance of the following policy points that we view as essential to maintaining our support of HB 2020.

- Maintain the interim target of 45% reductions below 1990 levels by 2035 and at least 80% reductions below 1990 levels by 2050
- Include all identified transportation fuel emissions from the commencement of the program in 2021
- Maintain a maximum amount of offsets utilization of 8% as identified in Section 19(2)(a)
- Ensure that all free allowances issued to IOUs are to be used for the benefit of retail rate payers in Oregon with oversight from the PUC
- Ensure that the provisions in HB 2020, future rule making program design decisions and all amendments enable Oregon to link to the WCI
- Establish business/industry representation in identified advisory committee(s) for rule making and program implementation
- Include business and private sector expertise in Climate Action Investment Plan advisory group.

Comments on HB 2020

Section 9(3) – Program Rule making

While we understand that many of the program design details will be further defined and adopted by the CPO in rule making we want to ensure that all identified rules for the program design mechanism are in line with requirements for WCI linkage. We also propose setting limits on allowance banking terms per compliance periods as identified in Section 9(3)(e) and request more specificity to non-compliance penalties in Section 9(4)(c).

Section 10(2)(c) – Exemptions and exclusions

It is our understanding that this provision applies to a carve out for PacificCorp's joint ownership of a Hermiston Power plant in which PacificCorp is already receiving free allowances for the portion of the energy distributed to Oregon ratepayers. Oregon Business for Climate does not support the carve out or exemption of the facility and believe it also presents risks to WCI linkage.

Section 19 – Offset Projects

Oregon Business for Climate supports the use and development of offset projects as an essential cost containment component to the program in addition to providing real emission reductions, economic opportunity and co-benefits to the forest and agriculture sectors.

Section 19(3)(e)

Oregon Business for Climate supports the establishment of an offset integrity account and 3% invalidation but request that this not be delayed for adoption in rules since it will provide added uncertainty and risk to early action projects.

Section 31 – Use of Climate Investment Funds

Oregon Business for Climate supports the comprehensive lists of potential investment categories and further advocates for the importance of applying a portion of the Climate Investment Funds to innovation and research and development in new forms of clean technology that reduce GHG emissions while advancing Oregon's economic competitiveness.

Section 41 – Biennial Climate Action Investment Plan

Oregon Business for Climate requests expanding this provision to include business and private sector expertise in clean technology and programmatic investments to complement the Environmental Justice Task Force's role.

Policy Principles

Oregon Business for Climate supports Cap and Trade legislation that:

- Will reduce Oregon's emissions through a well-designed market-based carbon pricing program
 - Will be based on an economy-wide cap and include all covered sectors including transportation in the start of the program
 - Sets a stringent cap based on reduction targets
 - Mitigates over allocation of allowances and program dilution
- Aligns with state climate goals
 - Designed with interim target of 45% reduction levels and latest IPCC science-based data to support targets
- Maintains the viability and competitive health of existing Oregon businesses
 - Provides glidepaths for regulated entities up to a certain time period and level of allocations
 - Precludes exemptions for covered sectors
 - Prevents leakage of covered sectors
- Anticipates pricing and regulation flexibility that will adjust over time as policy matures and climate goals are achieved
 - Supports complementary cost containment mechanisms including offsets, limited banking, speed bumps and price controls that are aligned with WCI
- Mitigates impacts on low-income and rural communities and communities of color
 - Directs and ensures utility proceeds are distributed to low-income rural communities
 - Provides a governance structure and clear explanation of how program proceeds will be managed
- Puts Oregon in a position to advance clean energy alternatives and contribute to worldwide efforts to decarbonize the global economy
 - Ensures that proceeds from transportation sector are directed towards carbon reduction projects under the Highway Trust Fund
- Encourages linkage to carbon markets in other jurisdictions
 - Guarantees linkage to WCI from the start of the program
- Ensures a distribution of program proceeds that drives innovation and economic growth
 - Promotes climate adaptation for communities, sequestration, emission reductions, resiliency goals and incentive programs