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March 8, 2019

Oregon Legislature
Joint Committee on Carbon Reduction
900 Court St. NE
Salem Oregon 97301

Re: Amend House Bill 2020 to:

- (a) Provide an Expiration Date for Each Allowance and**
- (b) Remove Incentives for Foreign Businesses to Move into Oregon and Obtain Free Allowances**

Dear Senator Dembrow, Representative Power and Members of the Joint Committee on Carbon Reduction,

Thank you for your ongoing efforts to gather input and new ideas to shape Oregon's climate policy. I would like to share my concerns about two separate provisions of HB 2020 that could (a) lead to an oversupply of allowances and (b) actually encourage emitters to move into Oregon in order to have the benefit of free allowances.

First, at section 9(2)(f)(3)(e) and (f), HB 2020 authorizes the director to issue rules allowing registered entities to bank and carry forward allowances as well as rules prohibiting the borrowing of allowances from future annual allowance budgets. However, except for auction allowances, the bill does not limit the number of allowances that an entity can use at any one point in time. Under certain conditions, it is possible that a registered entity could bank all of the allowances it obtains over a period of years, postponing the implementation of technology to reduce greenhouse gas emissions and driving up the number of unused allowances. As California has demonstrated, an oversupply of allowances can suppress prices. To avoid this scenario and the resulting disruption, the bill should be amended to provide that each allowance expires five years after it is issued. That would provide a much more fluid market signal.

Second, at Section 14(7), HB 2020 would enable businesses currently operating outside of the state which engage in "emissions-intensive, trade-exposed processes" and which subsequently move into the state to take advantage of the free allowances offered to EITEs. This would be demonstrably unfair to the EITEs presently in the state and also would increase the amount of regulated emissions generated in Oregon. To avoid these issues, Section 14(7) and corresponding provisions should be amended to apply only to EITEs operating within the state as of the date Legislative Concept 894 was published (March 31, 2019).

Thank you for considering these concerns. Please contact me at llr4100@gmail.com or 314.757.4100 if you have any questions.

Sincerely,

Laura L. Rogers