SB 1574 -7, -8, -9, -10, -11, -12, -13, -14, -15, -16, -17, -18, -19, -20 STAFF MEASURE SUMMARY

Senate Committee On Environment and Natural Resources

Prepared By:	Beth Patrino, LPRO Analyst
Sub-Referral To:	Joint Committee On Ways and Means
Meeting Dates:	2/11

WHAT THE MEASURE DOES:

Modifies statewide greenhouse gas emissions reduction goals. Establishes Oregon Greenhouse Gas Initiative and related provisions, operative January 1, 2022. Authorizes Public Utility Commission to allow rate or rate schedule to include differential rates or to reflect amounts for programs that enable public utilities to assist low-income residential customers. Authorizes commission to allow electric companies and natural gas utilities to recover costs for prudent investments in or expenses for infrastructure measures that support adoption of alternative forms of transportation. Amends greenhouse gas reporting statute. Repeals Energy Facility Siting Council carbon dioxide emissions standards. Requires Environmental Quality Commission to adopt by rule standards and requirements for reducing methane emissions from landfills. Requires Environmental Quality Commission to regulate use of hydrofluorocarbons in certain products. Abolishes Oregon Global Warming Commission. Modifies requirements for ethanol content in gasoline. Prohibits sale or offer for sale of general service lamps that do not meet certain efficiency standards. Authorizes State Department of Energy to modify prohibition by rule to align with laws of adjacent states. Provides for direct, expedited judicial review by Oregon Supreme Court of certain constitutional questions related to Oregon Greenhouse Gas Initiative. Requires certain reports and reviews related to Oregon Greenhouse Gas Initiative. Establishes, within Department of Environmental Quality, Oregon Greenhouse Gas Reduction Board, Administrator of the Office of Greenhouse Gas Regulation and Office of Greenhouse Gas Regulation and sets forth duties of board, administrator and office. Declares emergency, effective on passage.

REVENUE: Revenue lite statement issued
FISCAL: Fiscal lite statement issued

Subsequent referral to Joint Ways and Means Committee

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-7 Deletes labor and contracting provisions.

-8 Revises provision specifying direct distribution of allowances to EITE entity; specifies that in 2025 – 2051 it is the number of allowances equal to the total regulated EITE emissions attributable to natural gas combustion. Revises provision specifying that trade-exposed natural gas user receives rate relief in 2025 -2050 equal to the amount of revenue generated by the sale at auction of the allowances allocated to the natural gas utility on behalf of that user.

-9 Deletes emergency clause. Refers Act to people for their approval or rejection at the next regular election.

-10 Requires terms of any agreement entered into to participate in regional GHG emissions program to not allow any entity other than an entity of the state to establish the price of any allowance or offset credit.

-11 Defines "eastern edge economic zone" as Malheur County and a specified portion of Baker County. Specifies exemptions from regulation as a covered entity certain electric companies and exclusion from regulated emission the GHG emissions attributable to identified types of combustion. Directs Office to review the exemption and exclusions once every five years and authorizes modification if Office makes specified determinations. Prohibits granting exclusion in any year following a year that eligible person has failed to satisfy the Office that previous year exclusion has not been reflected by including any cost of compliance with the Act in the price of fuel sold within the eastern edge economic zone.

-12 Repeals low carbon fuel standard.

-13 Revises statewide greenhouse gas emissions reduction goals to: at least 45 percent below 1990 emissions levels by 2042 and at least 80 percent below 1990 emissions levels by 2057. Makes corresponding date changes throughout Act.

-14 Provides option for EITE entity to request inclusion of specified emissions in calculation of emission efficiency benchmark.

-15 Directs Office to annually retire from the annual allowance budget on behalf of covered entities that produce in or import to Oregon, liquid or gaseous fuel other than natural gas that is sold or distributed in Oregon, a number of allowances equal to the total of the regulated emissions of the entity attributable to the propane service to low-income residential customers and 60% of regulated emissions of entity attributable to propane service to customers who are not low-income residential customers. Requires in 2023 – 2050 that the number of allowances retired decline by a constant amount proportionate to the decline in the number of allowances in the annual allowance budget.

-16 Excludes dyed diesel fuel from requirement that Office designate as covered entity persons that produce, or import into Oregon, liquid or gaseous fuel that is sold or distributed for use in Oregon. Increases from 10 to 50 million gallons the threshold for program to apply to combustion of motor vehicle fuel in additional locations.

-17 Revises distribution of Transportation Decarbonization Investments Account. Directs 12 percent of moneys to State Highway Fund as follows: 50 percent to the Department of Transportation (ODOT), 30 percent to counties, 20 percent to cities. Establishes that allocation of remaining funds in the account as follows: 20 percent to ODOT for projects selected by the Oregon Transportation Commission and 80 percent distributed by the OTC to local governments for implementation, including planning, of metropolitan climate plans.

-18 Deletes emergency clause. Effective date 91st day after adjournment sine die.

-19 Directs Office to declare an emergency suspension of the OGGI by issuance of order no later than 15 calendar days after the date that the DAS Office of Economic Analysis determines that Oregon is in a recession. Details components of order. Allows order to expire if Office of Economic Analysis determines the recession has ended.

-20 Prohibits governing body of a local government from adopting a program similar in form or effect to OGGI unless question of adoption has been submitted to electors and been approved.

BACKGROUND:

A cap-and-trade program is a market-based system designed to reduce greenhouse gas (GHG) emissions. Total allowed emissions are capped at a given level that decreases each year. Emitters are required to buy an allowance for each ton of greenhouse gas they emit above a specified amount, as quantified through mandatory reporting of emissions to the government. Allowances are purchased at auctions held either by the government or a contracted third party. Allowances may also be distributed for free, often to emissions-intensive, trade-exposed industries. Covered entities may also purchase offset credits to meet their compliance obligations. Offsets represent a verified emission reduction of one ton of carbon dioxide equivalent from an uncapped sector. At the end of each compliance period, emitters must remit a number of allowances equal to their emissions or face a penalty. Companies may sell surplus allowances to other companies. A cap-and-invest program uses the proceeds generated from the auction of allowances for designated purposes.

Eleven states currently have cap-and-trade systems. Ten are Northeastern states that have joined together to create a common carbon market through the Regional Greenhouse Gas Initiative. California runs a separate program that began in 2012 and is linked to the Canadian province of Quebec and Nova Scotia through the Western Climate Initiative. These programs include emissions from transportation fuels, natural gas, industrial processes, and electricity generation including emissions associated with imported electricity. The linked jurisdictions participate in joint auctions of allowances, and allowances issued by one jurisdiction can be used by any compliance entity within the linked programs.

During the 2017 session, the Senate and House environment committees held a series of joint meetings focused on state and regional cap-and-invest policies and programs, leading to the introduction of Senate Bill 1070 at the end of the 2017 session. During the interim that followed, the chairs of the Senate and House environment committees convened four work groups which resulted in the introduction of two similar, but not identical, measures in 2018: House Bill 4001 and Senate Bill 1507. These bills received hearings during the 2018 session but were not enacted. House Bill 5201 was enacted by the 2018 Legislative Assembly which included a one-time appropriation of $1,435,000 to establish the Carbon Policy Office. The funding included an allotment of $650,000 for specific studies. In March 2018, the Joint Committee on Carbon Reduction was established.

House Bill 2020 would have established a cap-and-trade program in Oregon; the measure received hearings during the 2019 session but was not enacted.

Senate Bill 1574 would modify state anthropogenic greenhouse gas (GHG) emissions reduction levels goals. The measure would also establish the Greenhouse Gas Reduction Board (Board) and the Office of Greenhouse Gas Regulation (Office) and require the Board to adopt the Oregon Greenhouse Gas Initiative (OGGI) by rule. The Act would declare that the purposes of the regulatory and investment portion of OGGI are to: a) achieve emission level reductions; b) promote GHG emissions sequestration and mitigation; c) promote adaptation and resilience by natural and working lands, fish and wildlife resources, communities, the economy, and the state's infrastructure in the face of climate change and ocean acidification; and d) to provide assistance to households, businesses, and workers impacted by climate change or climate change policies. The measure would require the Board to place a cap on the total regulated anthropogenic GHG emissions through setting allowance budgets starting in 2022 through 2050 and provide a system for covered entities to buy and sell allowances and offset credits used to demonstrate compliance.