

TESTIMONY SB 1530
SENATE ENR COMMITTEE
JOHN KAUFMANN, 4-FEB-2019

My name is John Kaufmann. I worked for 35 years in energy efficiency, energy policy, and climate change for the Scientists' Institute for Public information (NYC), Oregon Dept. of Energy, and Pacific Northwest National Laboratory. I am retired and live in Salem (97304).

I offer several suggestions I believe would help ensure the success and acceptance of the bill (below). I support HB 4167/SB 1530 and urge its passage. This legislation is the culmination of several years' work on the issue of climate change. It may not be perfect, but it is more than good enough to pass. We cannot wait any longer. Climate disruption is already upon us. Pass the bill now, and adjust it later as necessary.

The key make-or-break issues as I see it are how the bill treats EITIs, agriculture/timber/ranching, and rural Oregonians. They all have legitimate concerns, and they are critical to Oregon's economy and the success and acceptance of the bill. They must be "kept whole" by this legislation – i.e., the bill must not put them at a cost disadvantage in national and international markets. If they are hurt by the bill, it will hurt Oregonians broadly and it will be the end of climate legislation in Oregon.

Thus Democrats must ensure that these sectors are kept relatively whole. This, of course, doesn't necessarily mean wholesale exemptions. Republicans, in return, must work in good faith and be prepared to accept whatever it is that keeps these sectors relatively whole.

Therefore, I would like to suggest the following changes:

1. ***Energy-Intensive-Trade-Exposed Industries (EITI)***. I think the bill has made concessions and treats the EITIs fairly. However, there may be more that can be done to ensure their competitiveness in national and international markets is not harmed. In addition, I think there should be a backstop provision.
 - a. The bill should contain a "fail-safe" provision that allows the Greenhouse Gas Reduction Board to make whatever emergency adjustments to keep "whole" an individual EITI or an EITI sector in the event of an unforeseen consequence. The Board must be empowered to act quickly and decisively in these cases, and not wait until the next legislative session for action. (These adjustments should be reported to the Legislature, who may approve or reverse the action in its next legislative session.)
 - b. The bill requires use of Best Available Technology with a five year payback or less. I suggest extending it to at least a seven year payback, maybe ten. In addition, the State should provide direct financial aid (grants or 100% tax credits) to wholly offset the incremental cost of doing so.
 - c. Does the bill need to allow an adjustment to a natural gas supplier in accordance with any exceptions for a trade-exposed natural gas user, to ensure that EITIs are not hit with high natural gas prices imposed by the supplier that would increase the cost of their product and reduce their competitiveness in national or international markets?

2. ***Agriculture/Timber/Ranching/Rural Oregon.*** I think that the way the bill exempts motor fuels for certain areas should protect agriculture/timber/ranching and rural Oregonians. However, there may be specific areas or unique sectors where it is insufficient. There, I make a few suggestions that may help ensure these groups are held harmless.
 - a. Per (1)(a) above, empower the Board to make any necessary emergency adjustments in the event of unforeseen consequences to these sectors or to certain cities/counties.
 - b. The bill I reviewed (SB1530) granted exemptions for motor fuels going to areas according to a formula. Phil Carver submitted a comment to simplify the exemption and do it by county. I go further and suggest granting the waiver by city, based on population size. This would allow suppliers to easily exclude all rural areas, westside as well as eastside, to reduce unintended consequences. It would reduce the potential for harm in the few counties with both significant urban and rural bases – Bend/Deschutes County, Medford-Ashland/Jackson County, etc. It would also be clearer and allow for better compliance and better enforcement. I suggest the city population size to qualify for the exemption should be something smaller than 5,000, or perhaps 7,500.
 - c. Consider separate exceptions for gasoline (intended largely personal vehicles) and diesel (intended for farm equipment) by population size. For example, the exception for gasoline may apply to cities less than 5,000, while the exception for diesel may apply to cities less than 15,000. The committee can determine the appropriate population size.
 - d. Provide for exceptions for propane used in agricultural (as opposed to residential) applications. I trust staff, in coordination with nurseries and others that use propane, can come up with a way to do this.
3. ***Long Haul Trucking.*** One area that I believe remains unaddressed is trucks that originate in Oregon but whose destination is out-of-state – i.e., transportation of Oregon-made goods to out-of-state markets. The EITI provisions, as I understand them, apply to emissions used in manufacturing processes. However, added transportation costs potentially could hurt the competitiveness of Oregon-based products. I don't have the answer, and it may not increase product cost enough to make them non-competitive. Or, perhaps this will not be a problem because of the provisions relating to truck stops. But I think the committee should look at the issue, add an appropriate provision/exception if deemed necessary, and in any event authorize the Board to make any emergency adjustments in the event of unforeseen costs.
4. ***Local Trucks.*** I heard concern in the Senate that all trucks, even those destined for local delivery, will go to truck stops intended to serve long-haul trucks (and are exempt from the bill's standards) to refuel. That is possible, and is not the intent of the exemption for certain truck stops. The committee should consider whether this is indeed likely and what the impact would be, and consider any revisions to the bill as appropriate to prevent this unintended consequence. Perhaps there is something that could be added to the bill that, in order to be eligible for the exception, facilities (truck stops) have separate pumps for semi-tractors as opposed to unitary trucks, price accordingly, and report their sales appropriately.
5. ***General Backstop Provision.*** I believe other provisions of the bill address other sectors appropriately. Even if there are problems, I don't believe they would be "deal-breakers." I

believe unforeseen consequences in these other provisions could be adequately addressed administratively or in the next legislative session. However, the Committee may want to consider extending the emergency adjustment provisions that I discussed above more broadly to cover all unforeseen consequences. I know the Legislature does not like to delegate such broad authority – but it may be necessary to deal swiftly with unforeseen problems, and help ensure the success and acceptance of this bill.

I urge passage of HB 4167. Climate change is a critical issue. We cannot wait for the federal government. We must join with neighboring California (and potentially Washington) and other jurisdictions to form a bloc that can, together, make a significant impact, provide an example, and set the proper tenor.

The longer we wait, the greater the damages from climate change and the more it will cost us. Are we going to wait for an Australian-like conflagration here in Oregon to galvanize us to action? By being out-front on this critical issue, Oregon businesses will be better positioned to profit from the coming transition. Please pass this bill, now.