

## HB 4159 STAFF MEASURE SUMMARY

### House Committee On Energy and Environment

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**Action Date:** 02/13/20

**Action:** Without recommendation as to passage, be referred to Rules, and then to Ways and Means by prior reference.

**Vote:** 6-0-0-3

**Yeas:** 6 - Helm, Power, Salinas, Schouten, Sollman, Wilde

**Abs:** 3 - Bonham, Reschke, Smith DB

**Fiscal:** Fiscal impact issued

**Revenue:** Revenue impact issued

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**Meeting Dates:** 2/13

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#### WHAT THE MEASURE DOES:

Modifies statewide greenhouse gas emissions reduction goals. Establishes Oregon Climate Action Program and related provisions to be administered by Department of Environmental Quality. Becomes operative January 1, 2022. Authorizes Public Utilities Commission (PUC) 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 PUC to allow rate or rate schedule to reflect amounts for investments in infrastructure measures that support adoption of alternative forms of transportation vehicles. Amends greenhouse gas reporting statute. Requires Environmental Quality Commission to adopt by rule standards and requirements for reducing methane gas emissions from landfills. Abolishes Oregon Global Warming Commission and transfers duties to Oregon Climate Board. Provides for direct expedited review by Oregon Supreme Court of certain constitutional questions related to Oregon Climate Action Program. Requires and modifies certain reports and proposals. Establishes the Joint Legislative Committee on Climate Action. Establishes Oregon Climate Board. Establishes within Oregon Department of Administrative Services, Climate Policy Office and Director of Climate Policy Office to advise on development of Oregon Climate Action Plan, on implementation of plan, and on investments of state proceeds from program. Declares emergency, effective on passage.

#### ISSUES DISCUSSED:

- Legislative process
- Provisions of measure

#### EFFECT OF AMENDMENT:

No amendment.

#### 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-trade program uses the proceeds generated from the auction of allowances for designated purposes.

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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 provinces 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.