

ANALYSIS

Item 58: Department of Energy Climate Pollution Reduction

Analyst: Katie Bannikov

Request: Increase Other Funds expenditure limitation for the Department of Energy by \$6,773,810 for expending grant funding through the Climate Pollution Reduction Grant and related work on building performance standards.

Analysis: During the 2024 session, the Department of Environmental Quality (DEQ) was authorized to apply for a \$200 million federal grant from the U.S. Environmental Protection Agency (EPA), over a five-year period, for reducing greenhouse gas emissions and other harmful air pollution. The planned use of funding for this Climate Pollution Reduction Grant (CPRG) is largely related to providing grants and rebates to individuals, businesses, and local jurisdictions. As noted in DEQ's request to apply, some of the awarded funds would be passed through to the Oregon Department of Energy (ODOE) to support its work related to providing incentives to reduce energy burden and consumption resulting in greenhouse gases through the Oregon Statewide Energy Strategy, Building Performance Standards (BPS), the Community Heat Pump Deployment program, the Rental Housing Heat Pump program, and incentives for residential weatherization improvements.

DEQ was awarded \$197,181,796 in July 2024. As a sub-grantee, ODOE's award from DEQ totals \$39,091,825 over the five-year grant period, which will run from January 2025 to December 2029. There is no state match required for this subgrant.

One of the programs eligible for the CPRG funding is the Building Performance Standards (BPS) established through HB 3409 (2023). Initial adoption of the new BPS rules by covered commercial buildings may trigger eligibility for incentive payments. ODOE anticipates expending \$6.5 million in BPS adoption and heat pump incentives with the CPRG funding in the last six months of the 2023-25 biennium.

In addition, ODOE received \$382,332 as a sub-recipient from the U.S. Department of Energy through the competitive Resilient and Efficient Codes Implementation grant to support BPS adoption. The agency plans to use these funds to support existing staff in conducting research, technical analysis, and outreach with community stakeholders. Of the total award, ODOE anticipates spending \$273,810 in the remainder of the 2023-25 biennium for personnel costs, contracts, travel, and supplies.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase Other Funds expenditure limitation for the Department of Energy by \$6,773,810 for expending grant funding through the Climate Pollution Reduction Grant and related work on building performance standards.

Request: Increase Other Funds expenditure limitation by \$6.8 million for Climate Pollution Reduction Grants awarded by the U.S. Environmental Protection Agency.

Recommendation: Approve the request.

Discussion: In April of 2024, the Department of Environmental Quality (DEQ) submitted a grant application of up to \$200 million to the U.S. Environmental Protection Agency for the Climate Pollution Reduction Grant program. As a part of the grant application, DEQ included plans to subgrant programs for Incentives for Building Energy Efficient Housing, Building Performance Standards, Heat Pump Program, and Residential Weatherization to the Oregon Department of Energy (ODOE) and other partners. ODOE's sub-award totals \$39.1 million over the five-year grant period, which concludes in December of 2029. ODOE will use these funds to administer the Building Performance Standards and Heat Pump programs and has requested Other Funds expenditure limitation in the amount of work intended to be completed in the 2023-25 biennium. No state match is required to receive the grant.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 451, section 2, Oregon Laws 2023, for the Department of Energy, by \$6,773,810 for the 2023-25 biennium.



Oregon

Tina Kotek, Governor



August 26, 2024

The Honorable Senator Rob Wagner, Co-Chair
The Honorable Representative Julie Fahey, Co-Chair
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Dear Co-Chairs:

Nature of the Request

The Oregon Department of Energy requests an Other Fund limitation increase of \$6,773,810 to receive subgrants of federal funding from the Oregon Department of Environmental Quality and Earth Advantage.

Agency Action

In April 2024, the Oregon Department of Environmental Quality applied to the U.S. Environmental Protection Agency for a grant under the Climate Pollution Reduction Grant (CPRG) program to implement the state's Priority Action Climate Plan. In July 2024, EPA announced that it will be awarding \$197,181,796 to DEQ and several sub-grantees to implement the suite of measures within Oregon's "Climate Equity and Resilience Through Action" proposal.

ODOE partnered with DEQ to develop the grant proposal and is listed in DEQ's application as a sub-grantee for the CPRG Implementation Grant. ODOE's sub-award totals \$39,091,825 over the five-year grant period, which will run from January 2025 through December 2029. The grant will support several existing and forthcoming incentive programs administered by ODOE, including incentives for early adoption of Building Performance Standards (BPS), the Community Heat Pump Deployment Program, the Rental Housing Heat Pump Program, and incentives for residential weatherization improvements. Collectively, these incentive dollars will increase energy efficiency and conservation in Oregon's built environment and help reduce energy burden for low- and moderate-income households across the state. The resulting reductions in electricity consumption will reduce greenhouse gas emissions in alignment with Oregon's climate and clean energy goals. ODOE anticipates expending up to \$6.5 million in the current biennium to provide BPS adoption and heat pump incentives. ODOE anticipates using existing staff to accomplish the work in the current biennium. No match is required for the subgrant.

In March 2023, Earth Advantage applied for U.S. DOE's competitive Resilient and Efficient Codes Implementation grant to examine pathways to support the adoption of Building Performance Standards in Oregon. In August 2024, U.S. DOE awarded Earth Advantage \$2,846,154. This grant will support the development of a statewide Building Performance Standard (BPS) policy and program and support the advancement of BPS and related programs and policies in six Oregon jurisdictions, including the Cities of Portland, Eugene, Bend, Milwaukie, Beaverton, and Tigard. The project will result in robust, actionable BPS state policy rules as well as support tools and guidance material for local jurisdictional action on a path to build on and exceed State standards.

ODOE will receive \$382,332 from Earth Advantage over the two-year grant period to for research, technical analysis and outreach with building owners, architects, engineers, utilities, EJ communities, tenants and other interested communities for BPS development. ODOE will use existing staff to accomplish this work. No match is required for the subgrant. ODOE anticipates expending \$273,810 during the current biennium on these activities.

Action Requested

The Oregon Department of Energy requests an Other Fund limitation increase of \$6,773,810 for the remainder of the 2023-2025 biennium.

Legislation Affected

Chapter 451 Section 2

A handwritten signature in dark ink, appearing to read "Janine Benner". The signature is fluid and cursive, with the first name "Janine" written in a larger, more prominent script than the last name "Benner".

Janine Benner
Director

cc: Sione Filimoehala, CFO
Katie Bannikov, LFO