Agriculture and Food Processing – SB 1530 (with -27 Amendment)

Not Directly Regulated:

Emissions from agriculture and forestry are exempted by the program proposed in SB1530. This was also the case for HB 2020. This means that agricultural producers will not hold an obligation to obtain emissions allowances or incur any direct regulatory costs.

There are also no food processing facilities in Oregon that will be directly regulated for their emissions in SB 1530. This means that these facilities will not hold an obligation to obtain emissions allowances. This marks a policy change from HB 2020. These facilities are not directly regulated under SB 1530 because:

- SB 1530 only directly regulates manufacturers for on-site industrial process emissions (not natural gas emissions) if their reported emissions exceed 25,000 metric tons annually. No food processing facilities in Oregon trigger this threshold.
- The primary emissions reported by food processing facilities stem from their on-site natural gas combustion. SB 1530 regulates those emissions upstream at the natural gas supplier that sells the gas to these facilities.
- SB 1530 does not regulate businesses or facilities for emissions associated with their electricity use. The electric utility that supplies these facilities are responsible.

Indirect Impacts:

As energy users in Oregon, agricultural producers, nurseries, and food processing facilities could potentially experience indirect impacts from SB 1530. But most of the indirect impacts have been mitigated by provisions in SB 1530. Specifically:

- <u>Natural Gas:</u> As designated trade exposed natural gas users in SB 1530, nurseries and food processing facilities can qualify for rate credits to mitigate rate impacts for 100% of their emissions.[1]

- <u>Electricity:</u> As an electricity customer, rate impacts should be minimal. All electric utilities were allocated free allowances to avoid rate increases as the electricity sector continues its transition to a low carbon energy mix. In addition, there is a special price containment reserve for utilities to protect against unexpected increases in electricity costs, such as a change in hydropower output.

- <u>Transportation Fuels:</u> SB 1530 exempts fuel suppliers serving most rural counties from the obligation to purchase allowances for fuels sold.[2] It also prohibits fuel suppliers from charging customers for carbon costs they have not incurred.

Investments:

- SB 1530 dedicates 25% of the revenues from state auction of allowances to a Natural and Working Lands fund administered by OWEB. This program is intended to help farms and forests adapt to climate change impacts and adopt lower emitting practices and equipment, where applicable.

- SB 1530 dedicates 25% of the revenues from state auction of allowances to a Wildfire Mitigation fund.

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[1] After 2030, the amount returned in rate credits declines from 100% to 97%, with the 3% difference used to re-capitalize a revolving loan fund for trade exposed gas users to finance equipment upgrades and energy efficiency.

[2] A companion bill, SB 1580, will also provide rebates for fuel costs for off-road farm and forestry vehicles.