



December 13, 2006

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Governor Theodore Kulongoski
State of Oregon
State Capitol Building
Salem, OR

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Dear Governor Kulongoski,

The Climate Trust would like to commend you for your initiative and leadership on one of the most important issues of our time: global climate change. Oregon has long been a leader in pioneering legislation on a range of environmental issues, including its first-in-the-nation Carbon Dioxide Standard for new energy facilities. The Climate Trust has served as a qualified non-profit organization under Oregon's landmark law since 1997, and participated in the Carbon Allocation Task Force.

The report presented by your Carbon Allocation Task Force is an important step in maintaining Oregon's policy leadership on the climate change issue. Oregon should act now to sustain its role as a pioneer and leader in groundbreaking environmental legislation, and to enhance its position as a focal point for sustainable economic development. As a coastal state with an economy dependent on the threatened Cascade snow pack, Oregon should be a leader on climate change. The Climate Trust strongly urges you to take action to establish a cap-and-trade law as soon as practicable in the 2007 legislative session.

It is important to note that the "Median Proposal for an Oregon Carbon Allocation Standard" satisfies the guiding principles outlined in *Oregon's Strategy for Greenhouse Gas Reductions* authored by the Governor's Advisory Group on Global Warming in 2004. I'd like to emphasize the following:

- **Science-based and effective reductions:** The Oregon Carbon Allocation Standard (OCAS) proposal is based on the most recent scientific and technological information available, and provides a framework for achieving real, verifiable emissions reductions.
- **Cost effectiveness:** The OCAS proposal is structured to achieve these reductions in the most cost effective manner through a combination of energy efficiency measures, renewable energy capacity expansion, and market based mechanisms. The greatest emissions reductions are projected

to be derived from increased energy efficiency, which analysis indicates will result in an overall net financial savings to Oregon consumers. The proposal is structured such that greenhouse gas offsets can play an important but minority role in ensuring that implementation of a GHG reduction is cost-effective.

- **Economic Development:** The OCAS proposal will stimulate the need for energy efficiency, renewable energy, other low-carbon technologies, and greenhouse gas offsets in the State of Oregon, as well as related institutional capacity development. This will help reducing Oregon's impact on global climate change while ensuring its long range economic competitiveness and stability.
- **Innovation:** The establishment of the OCAS would send a clear signal to the energy market that clean technologies and energy sources must be developed. Moreover, the integration of market based mechanisms, such as offsets, will spur investment in new and innovative technologies and programs that will result in increased economic development and competitiveness.
- **State Partnerships:** The establishment of a cap and trade program in the state of Oregon would allow greater opportunities for partnership with California's emergent cap and trade regime and would send a clear signal to Washington and other Western states as they contemplate similar action.
- **Equity:** The load-based cap and trade regime proposed by the OCAS equitably distributes the burden of climate change mitigation across energy providers, and accounts for external (outside of the state) electricity providers as well.

The proposal's compliance with these guiding principles clearly illustrates that Oregon's commitment to mitigate climate change is not burdensome to the people of Oregon or its economy. A cap and trade law, with flexible compliance mechanisms such as offsets, is one of the most cost effective and equitable means of addressing Oregon's contribution to climate change.

In addition to a cap and trade system, the Climate Trust supports the development and implementation of an emissions portfolio standard that would ensure that new power facilities brought on line to serve Oregon consumers would be aligned with the State's long-term greenhouse gas reduction goals. We believe that an emissions portfolio standard could be a beneficial complement to Oregon's existing Carbon Dioxide Standard for new energy facilities.

Finally, as a key implementer of Oregon's pioneering Carbon Dioxide Standard, The Climate Trust has demonstrated that greenhouse gas offsets can achieve real reductions in GHG levels in a quantifiable and cost-effective manner. Under this legislation, new energy facilities have provided funding to The Climate Trust, which in turn implements high quality offsets. We strongly advocate that the reductions achieved by The Climate Trust and funded by Oregon-based energy facilities receive recognition in any future regulatory regime, including that proposed by the Carbon Allocation Task Force.

The Climate Trust looks forward to contributing its experience and expertise to the development and implementation of future climate change mitigation regulation in the state. We commend and applaud the leadership and initiative you have shown, and strongly encourage you to pursue the adoption of a cap and trade regime in the 2007 legislature.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mike Burnett". The signature is written in a cursive, flowing style with some loops and flourishes.

Mike Burnett
Executive Director