

STAFF DRAFT -- AUGUST 15, 2006
MATRIX OF OUTSTANDING ISSUES FOR CARBON CAP
FOR CONSERATION BY THE SUBCOMMITTEE OF THE GOVERNOR’S CARBON ALLOCATION TASK FORCE

Introduction

The *Oregon Strategy for Greenhouse Gas Reductions* by the Governor’s Advisory Group On Global Warming (Dec. 2004) recommended (GEN-2) that the “Governor create a special interim task force to examine the feasibility of, and develop a design for, a load-based allowance standard. This standard would reduce total amounts of CO₂ and other GHG emissions due to consumption of electricity, petroleum and natural gas by Oregonians in a deliberate, predictable, effective, equitable and verifiable manner. The task force should be directed to provide the Governor with its recommendation in time for legislative action, if necessary, in the 2007 session.” (pp. 68-71).

This matrix is prepared for consideration by the CATF at its September 7th meeting. The goal is to briefly summarize discussions of the CATF subcommittee meeting this summer. Both the “median” and “alternative” positions are interim and are provided only to facilitate CATF discussions. The median position is the position supported by a preponderance of subcommittee members in attendance, in the judgment of the chair. However, no votes were taken. Support for how to structure the straw proposal in one way or another should not be construed as support for, or opposition to, the overall proposition of a state load-based cap on CO₂. The alternatives positions are sometimes different ways to complete the median position (e.g. issue #12) rather than distinct alternatives. Sometimes the alternatives are mutually exclusive, but sometimes they could be combined.

Issue	“Median” Position	“Alternative” Positions	
1. Applicability	Load-based cap would apply to load serving entities, including consumer-owned and investor-owned utilities, energy service suppliers, and self-generators (see issue #20 regarding size thresholds)	a) Exclude small consumer-owned utilities from declining cap b) If any COUs are excluded from a cap, limit their acquisition of new resources to renewable resources, except for necessary integrating resources.	
2. Carbon accounting methodology	Methodology for calculating emissions will be based on OPUC emissions label methodology combined with WA-CTED methodology for firm purchases from BPA		
3. Base years for cap	Average of the emissions from the two non-extreme years of 2002 through 2005.		
4. Rate of decline in the cap	Hold cap level from 2009 through 2011, then straight line decline to 2020 target	Hold cap level through 2012, then straight line decline to 2020 target.	

5. Allocation of (free) allowances	a) Total allowances based on average emissions of the two base years, as determined in #3. b) 95 percent of allowances allocated for free	100 percent of allowances allocated for free	
6. Auction of allowances	a) 5 percent of allowances auctioned annually in semi-annual auctions b) First access to needed allowances by COUs, ESSs and self-generators at a market-set price during each auction, remainder to IOUs at the same price. Need for allowances determined by rule.	a) Specify minimum number of allowances that must be auctioned, but leave maximum to rule-making. b) 20 percent auctioned	
7. Use of auction revenues	a.) Distribute revenues proportional to base years emissions, with funds earmarked for energy efficiency and renewable energy (part of these revenues might also pay agency administrative costs, see Issue #22 alternative)	a) Funds go proportionately to LSEs b) Funds go to NGO with requirement that they be spent on LSEs proportion to base years' emissions. c) Funds go to entities that are adversely affected by the cap, e.g. schools, low-income, or other.	
8. Banking	Allow banking of excess allowances with a requirement that LSEs surrender oldest allowances first—"first-in-first-out"		
9. Multi-year compliance periods	3-year compliance period		
10-1. Alternative compliance payment level	a) Have an alternative compliance payment	a) ACP at \$40 per tonne b) ACP at \$___ per tonne	
10-2 Use of alternative compliance revenues	Revenues dedicated to same uses as auction revenues	Revenue distribution by rule for CO ₂ reductions only.	
11. Trading	Trading among Oregon LSEs only		
12. Offsets	a) Offsets allowed with a limit on the amount, which would be tied to each LSEs baseline emissions or required reduction, with the limit set in legislation. b) Offsets allowed from CO ₂ , CH ₄ , N ₂ O, PFCs, SF ₆ , and HFCs.	a) No limit on offsets b) Offsets limited to 25% of each LSE's reductions from baseline in the compliance period c) Offsets as percent of baseline increasing over time d) Offsets as percent of baseline decreasing over time	
13. Role of RPS	On-system renewables count for both carbon cap and RPS	a) Unbundled RECs count in both systems b) Unbundled RECs can only be used in one system or the other.	

14. Borrowing of allowances from future compliance periods	Not allowed		
15. Circuit Breaker if the total amount of alternative compliance payments exceeds a level set in legislation	Circuit breaker would delay a decline in the state cap for one compliance period	Allow more offsets rather than delaying decline in the cap	
16. Accelerate decline in state cap if auction price below some level	No	Should be symmetrical between circuit breaker and accelerator	
17. Adjustments	<ul style="list-style-type: none"> a) Allocated allowances would transfer with shifts in load between two LSEs at the allowance rate (CO₂-tonnes per MWh) of the LSE that lost load. b) Allowance pool held during each year for new entrants (i.e. new self-generating loads and new large single loads) and then unused allowances would be added to the second semi-annual auction. Set the sizes of the allowance pool and new large single loads in legislation. c) Provide hydro-mechanism that extends the compliance period by one year for each year of “exceptionally bad hydro generation” (to be defined by rule). This would not change the cap. 	Set the sizes of allowance pool and new large single loads by rule.	
18. Other sectors	<ul style="list-style-type: none"> a) A fossil-fuel “public purpose charge” (percent of retail revenue) for small stationary emitters (e.g. less than 15,000 tonnes of CO₂ per year). Set the PPC level by rule to capture all energy efficiency that is economic with a CO₂ adder. Determine CO₂ adder from auction price of allowances in last LSE auction. PPCs can be different for different fuels. b) Natural gas utilities would collect the PPC for their small retail and transport customers. Oil and propane sellers would collect the PPC for small customers. 	<ul style="list-style-type: none"> a) Cap on fossil PPCs in legislation b) Require the same PPC (set by rule) for different fossil fuels (natural gas, oil and propane). c) Cap emissions for natural gas utility sales instead of having PPC. d) Prepare for inclusion of other sectors in legislation e) Mandatory reporting of emissions for large stationary emitters not covered in load based cap or PPC. Task force for legislation on sectors not covered. 	

19. Other gases to be capped	Establish task force to propose legislation (if any) on other gasses to be capped or other regulations to reduce emissions (i.e. CH ₄ , N ₂ O, PFCs, SF ₆ , and HFCs).	Set gasses to be capped in legislation. By rule establish caps for each gas.	
21. Administrative roles	ODOE would adopt rules and administrative procedures	Independent commission, staffed by ODOE, would adopt rules and procedures.	
22. Funding of administrative costs	Collect a nominal fee per allowance issued	Use some of auction proceeds	
23. OPUC	Statute would require OPUC to incorporate carbon cap compliance in ratemaking decisions and integrated resource plan acknowledgements.	<ul style="list-style-type: none"> a) Provide a safe harbor for actions that cost less than 50% of recent allowance auction prices. b) No safe harbor; conduct prudence review of all expenditures; require demonstrated emission reductions as part of review. c) Impose an emission performance standard at 0.675 pounds of CO₂ per kWh before allowing cost recovery for a specific generating facility (and potentially market purchases). 	
24. Federal GHG regulations	<ul style="list-style-type: none"> a) Federal action that requires absolute, mandatory reductions would result in a review and proposal for legislative changes. There would be no delegated authority to pause the cap 	<ul style="list-style-type: none"> a) An automatic pause in reductions in the CO₂ cap until the next legislative session if there is federal legislation with mandatory reductions of CO₂ emissions over time. b) Same as a) but at the discretion of the administrative agency set in #21 above 	