



# Climate Protection Program

## Covered Fuel Supplier Frequently Asked Questions

This document provides an overview of the Climate Protection Program for covered fuel suppliers. Please see Oregon Administrative Rules chapter 340, division 271 for the [Climate Protection Program](#) rules. In the event of any discrepancy between this document and the rules filed with the Oregon Secretary of State, the rules filed with the Oregon Secretary of State are correct.

## Getting started

### 1. Is my company a covered fuel supplier?

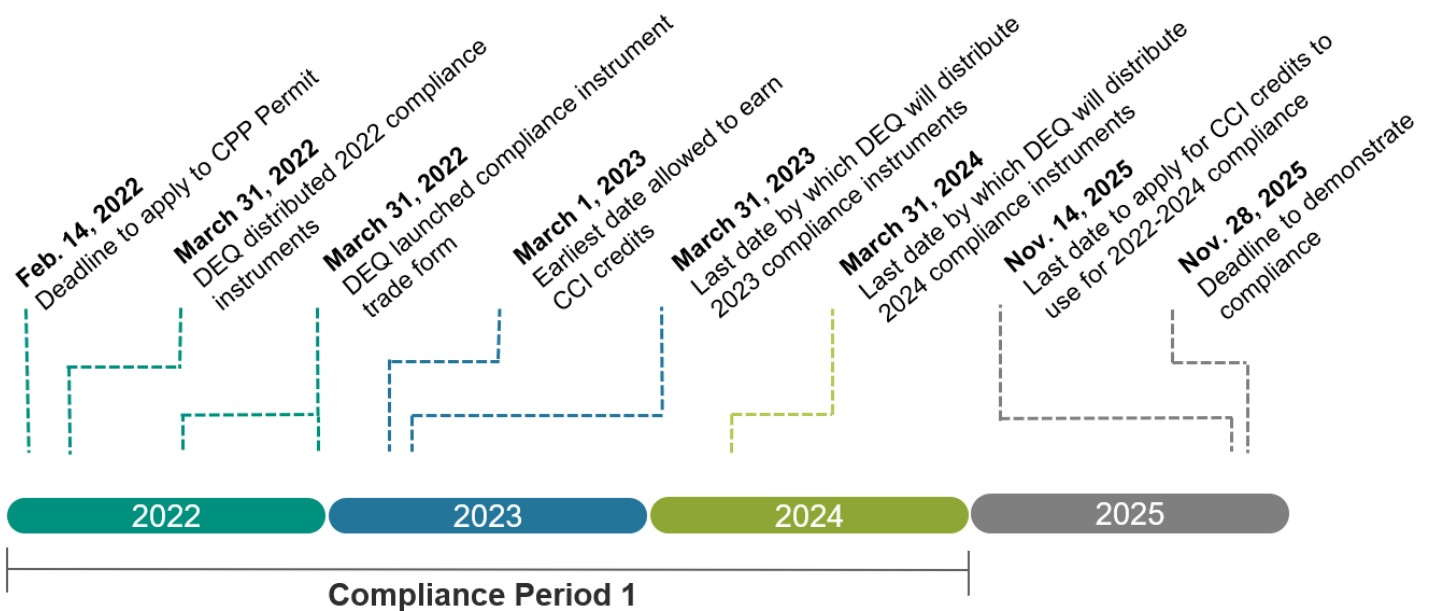
To assist fuel suppliers in determining whether they are covered, DEQ has created a list of anticipated covered fuel suppliers for 2022, available at the Climate Protection Program [website](#). However, it is each fuel supplier's responsibility to determine if it is covered by the CPP. Oregon's three natural gas utilities are all covered entities. Non-natural gas fuel suppliers (liquid or propane fuel suppliers) are covered if their covered emissions are above a threshold established in program rules (see question 17).

Additional non-natural gas fuel suppliers may become covered for 2022 based on additional emissions data (such as data from 2021 and 2022, or additional data from 2018-2020) and based on additional information about related entities. More entities may also be covered in 2023 and later years.

### 2. Can I receive training on compliance with the Climate Protection Program?

A [training recording](#) is available on the [resources page of the CPP website](#). You may also contact [cpp.info@deq.oregon.gov](mailto:cpp.info@deq.oregon.gov) to schedule a training.

### 3. Key Dates



- Feb. 14, 2022: Deadline to apply for a CPP permit
- March 31, 2022: DEQ distributed 2022 compliance instruments
- Sept. 21, 2022: DEQ launched compliance instrument trading platform in YourDEQOnline
- March 1, 2023: Earliest date allowed to earn CCI credits
- March 31, 2023: Last date by which DEQ will distribute 2023 compliance instruments
- March 31, 2024: Last date by which DEQ will distribute 2024 compliance instruments
- Nov. 14, 2025: Last date to apply for CCI credits to use for 2022-2024 compliance
- Nov. 28, 2025: Deadline to demonstrate compliance

#### **4. What is required of a covered fuel supplier?**

Covered fuel suppliers must:

1. Apply for and hold a CPP permit to authorize emissions of greenhouse gases according to OAR chapter 340, division 271.
2. Reduce covered emissions to the level allowed by compliance instruments and, if chosen, Community Climate Investment (CCI) credits.
3. Demonstrate compliance with covered emissions by submitting compliance instruments and, if chosen, CCI credits.
4. Notify DEQ of changes in ownership and related entities.
5. Retain records related to emissions data, demonstration of compliance, CCIs, and compliance instrument trades, and provide those records to DEQ when requested.

#### **5. What is Your DEQ Online and how do I use it?**

[Your DEQ Online](#) is an electronic platform DEQ uses for implementing its programs, including the Climate Protection Program. Refer to the [Climate Protection Program Permitting and Compliance Guide](#) for Your DEQ Online for instructions.

Setting up your account with Your DEQ Online may take time. DEQ recommends [registering](#) your account as soon as possible, no later than Feb. 7, to ensure you have ample time to complete the CPP permit application (see question 7). The account registration page includes a [Public User Account Registration Guide](#) and details on trainings.

### **CPP Permits**

#### **6. What is a CPP permit?**

A CPP permit authorizes a covered fuel supplier to emit greenhouse gases as provided in OAR chapter 340, division 271. The permittee must comply with the requirements of OAR chapter 340, division 271. The permit term begins when a fuel supplier becomes covered and does not expire until the fuel supplier ceases to be covered.

#### **7. When is a CPP permit application due, how is it submitted, and what information is required?**

Fuel suppliers currently covered by CPP must apply for a CPP permit by Feb. 14, 2022. The CPP permit application is available through [Your DEQ Online](#). The CPP permit application includes the name, website, contact information, a list of related entities of the covered fuel supplier, and a certification statement. Refer to the [Climate Protection Program Permitting and Compliance Guide](#) for Your DEQ Online for instructions.

Thereafter, any new covered fuel supplier must apply for a CPP permit by whichever is later:

- February 14 of the first year it is covered; or
- March 31 of the year after its emissions cross the threshold for regulation.

For example, a fuel supplier whose emissions meet or exceed 200,000 MT CO<sub>2</sub>e for the first time in 2022 would need to apply for a CPP permit by March 31, 2023. A fuel supplier whose emissions meet the threshold for applicability for a future year would need to apply by February 14 of the future year (see question 17). CPP rules also allow DEQ to set a different due date for any new covered fuel suppliers.

## 8. What is a related entity?

Covered emissions from related entities are grouped when evaluating the threshold for non-natural gas fuel suppliers (see question 17). Related entities subject to any requirements of OAR chapter 340 must be listed on the CPP permit application and any changes to related entities must be reported to DEQ. Each related entity that is a covered fuel supplier must apply for its own CPP permit.

A related entity of a covered entity is any of the following:

- A direct or indirect parent company
- A direct or indirect subsidiary
- A company that shares ownership of a direct or indirect subsidiary
- A company under full or partial common ownership or control

Some examples:

- A owns B. B owns C. A's related entities include both B and C.
- D and E are each partial owners of F. D's related entities include both E and F.
- G is H are both owned by I. G's related entities include both H and I.

To report a change in related entities, submit a "Other CPP Submittal" in Your DEQ Online (refer to the Your DEQ Online user guide for CPP for more information) with a file attachment that contains the information described in OAR 340-271-0130(2)(a).

If DEQ believes that a covered fuel supplier has not reported all related entities, DEQ will contact the covered fuel supplier for additional information. DEQ is particularly focused on reporting of related entities who are required to report greenhouse gas emissions according to OAR chapter 340, division 215. If a related entity is a covered fuel supplier, the related entity is covered whether or not it is reported as a related entity on the permit application.

## Complying with Covered Emissions

### 9. What are covered emissions?

A covered fuel supplier's covered emissions are anthropogenic greenhouse gas emissions from the combustion of fossil fuels imported, sold, or distributed for use in Oregon, including:

- Gasoline
- Diesel
- Kerosene
- Propane
- Natural Gas

Covered emissions do not include emissions from biomass-derived fuels. For non-natural gas fuel suppliers, covered emissions do not include emissions from aviation fuels. For natural gas utilities, covered emissions do not include emissions from natural gas supplied for electricity generation.

Covered emissions are further described in OAR 340-271-0110(3) and (4). Fuel suppliers are required to report emissions to DEQ's greenhouse gas reporting program according to OAR chapter 340, division 215. CPP rules do not require separate emissions reporting.

### 10. By how much do I need to reduce my covered emissions?

Covered fuel suppliers will be subject to declining and enforceable limits, or caps, on greenhouse gas emissions. DEQ does not establish a specific emissions reduction or limit for each individual covered fuel

supplier. The specific emissions reduction will vary among covered fuel suppliers based on their own compliance strategies.

Covered fuel suppliers must demonstrate compliance with each MT CO<sub>2</sub>e of covered emissions by using either one compliance instrument or, if chosen, one Community Climate Investment (CCI) credit (subject to a maximum limitation) (see question 12). DEQ will distribute compliance instruments to covered fuel suppliers for free (see question 14). Covered fuels suppliers will have to pay a specified contribution amount to a DEQ-approved third party to earn a CCI credit (see question 16). Covered fuels suppliers can also trade compliance instruments and use banked (unused) compliance instruments from one compliance period for a future period. CCI credits cannot be traded but can be banked for two compliance periods. Every covered fuel supplier must have compliance instruments and CCI credits equal to its covered emissions.

## 11. How could I comply with the CPP?

As mentioned above, there are several features of CPP that could be used by covered fuel suppliers for achieving compliance such as, trading, banking and the voluntary use of CCI edits. Covered fuels suppliers could also pursue different strategies for achieving compliance. For example, covered fuel suppliers could increase the supply of biofuels or renewable natural gas (RNG). Emissions from biomass derived fuels are not covered emissions in CPP. Increased use of renewable fuels, such as hydrogen, could also reduce covered emissions. There may also be changes in demand for fossil fuel. For example, a natural gas utility could also provide incentives to customers to support energy efficiency and reduce demand. There might also be less demand for these fossil fuels, such as due to transportation electrification.

## 12. What is the process to demonstrate compliance with my covered emissions?

Covered fuel suppliers must demonstrate compliance with their covered emissions once every three years. The demonstration of compliance is achieved by submitting compliance instruments and, if chosen, CCI credits. The amount of CCI credits that can be used are limited to a specific percentage per compliance period. Compliance periods and demonstration of compliance are described in OAR 340-271-0440 and OAR 340-271-0450, respectively. Compliance instruments used in a demonstration of compliance can be from a previous compliance period or the current compliance period. For example, for the compliance period 2025-2027, compliance instruments distributed in 2024 could be used, but not compliance instruments distributed in 2028.

**Table 1: Demonstration of Compliance**

Compliance Period	Years	Percent of compliance obligation that can be achieved with CCI credits	Demonstration of Compliance Deadline
1	2022 through 2024	10%	Nov. 28, 2025
2	2025 through 2027	15%	Nov. 28, 2028
Each subsequent compliance period	Each subsequent 3-year period	20%	November 28 of every third year

If a covered fuel supplier does not demonstrate compliance with each metric ton of its covered emissions for any compliance period, then the covered fuel supplier would be in violation of the CPP rules. Each metric ton of CO<sub>2</sub>e of a compliance obligation for which a covered fuel supplier does not demonstrate compliance is a separate violation, though DEQ does have the discretion to group violations when it assesses civil penalties according to OAR Chapter 340, Division 12. The Division 12 rules categorize this type of violation as a Class I, major magnitude violation.

## 13. What happens if there is a change in ownership?

If a covered fuel supplier changes ownership, it remains covered (until it otherwise qualifies for cessation, see question 19). The covered fuel supplier continues to hold compliance instruments and CCI credits. All changes

in ownership must be reported. To report the change, submit a “Other CPP Submittal” in Your DEQ Online (refer to the Your DEQ Online user guide for CPP for more information) with a file attachment that contains the information described in OAR 340-271-0130(1)(a).

## Compliance Instruments

### **14. How many compliance instruments will I receive and when will I receive them?**

DEQ will distribute compliance instruments annually by March 31 and notify each covered fuel of its distribution. The total number of compliance instruments DEQ distributes to all covered fuel suppliers will be equal to the cap for each year, as stated in Table 2 in OAR 340-271-9000 (except any compliance instruments held in the compliance instrument reserve described in question 18). The cap for 2022 is based on 2017-2019 average emissions. The cap declines 50 percent by 2035 and 90 percent by 2050.

Each natural gas utility receives the number of compliance instruments stated in Table 4 in OAR 340-271-9000. These distributions are based on each natural gas utility’s share of average 2017-2019 of covered emissions.

The number of compliance instruments DEQ will distribute to non-natural gas fuel suppliers is typically based on its proportion of historical emissions, calculated according to OAR 340-271-0420(4). DEQ will also hold a portion of compliance instruments in a reserve. DEQ will distribute from the reserve to non-natural gas fuel suppliers if they are not able to receive a proportional distribution. The distribution methodology for non-natural gas fuel suppliers recognizes the high variability in the fuels sector. See question 18 for additional detail on how DEQ will calculate this distribution.

### **15. What are compliance instrument trades?**

Two covered fuel suppliers may agree to trade compliance instruments. Each trade must be reported to DEQ. The report must include the number of compliance instruments traded and the price per compliance instrument in the trade. Additional details are described in OAR 340-271-0500 and OAR 340-271-0510.

In an example trade, covered fuel supplier A anticipates that it will have 100 excess compliance instruments for its demonstration of compliance. Covered fuel supplier B anticipates that it will have 100 fewer compliance instruments than necessary. The two covered fuel suppliers agree to and report a trade to DEQ. DEQ records that covered fuel supplier A no longer holds the compliance instruments and that covered fuel supplier B now holds the compliance instruments. When covered fuel supplier B demonstrates compliance, it can submit the 100 compliance instruments.

Any compliance instrument may be traded until it is used to demonstrate compliance.

## **Community Climate Investment Credits**

### **16. What is a Community Climate Investment credit, when and how do I earn it?**

As an alternative to using compliance instruments, covered fuel suppliers may comply in part by earning and using Community Climate Investment (CCI) credits. Covered fuel suppliers can earn CCI credits by contributing funds to a DEQ-approved CCI entity who implements projects that reduce anthropogenic greenhouse gas emissions in Oregon. The covered fuel supplier does not have a direct role in selecting projects, implementing the projects, and is not responsible for project outcomes.

Once DEQ distributes CCI credits, the covered fuel supplier holds the CCI credit until it is used, until the covered fuel supplier ceases to be covered, or until two demonstration of compliance deadlines pass without the covered fuel supplier choosing to use the CCI credit. Covered fuel suppliers can meet up to 10% of their compliance obligation for the first compliance period (2022-2024) with CCI credits.

Once DEQ has completed written agreements with the approved CCI entities, covered fuel suppliers can choose to earn CCI credits. If there are multiple approved CCI entities, equal contributions must be made to each. DEQ aims to complete agreements with approved CCI entities in the Fall of 2023.

CCI credit provisions for covered fuel suppliers are in OAR 340-271-0810 through OAR 340-271-0890.

## 17. What is the CCI credit contribution amount?

The amount of CCI credits a covered fuel supplier earns is based on the amount of funds contributed to the CCI entity. The CCI credit contribution amount is the dollar amount in effect to earn one CCI credit for contributions to DEQ approved CCI entities. The annual CCI contribution amounts in \$2021 are listed in OAR 340-271-9000 Table 7.

Each year DEQ posts the inflation adjusted contribution amount effective for March 1 on the [CPP website](#). The contribution amount is \$123 effective March 1, 2023, through February 29, 2024. The formula used for the inflation adjustment is outlined in OAR 340-271-0820.

Following a contribution to a DEQ approved CCI entity, a covered fuel supplier must apply for the CCI credits.

## For Non-Natural Gas Fuel Suppliers

### 18. How does a non-natural gas fuel supplier become covered?

A non-natural gas fuel supplier is covered if its annual covered emissions meet or exceed a threshold specified in program rules. The threshold declines over time. If the fuel supplier's covered emissions met or exceeded the new threshold in any of the four preceding years (called applicability determination calendar years), it is also covered. This is shown below in Table 2 below and is also available in Table 1 in OAR 340-271-9000.

Related entities must aggregate their emissions for evaluation of this threshold. If the group collectively meets or exceeds the threshold, then all related entities are covered. Once covered, a fuel supplier remains covered for each subsequent year until it qualifies for cessation (see question 19).

Scenario A: A group of related entities collectively emitted 250,000 MT CO<sub>2</sub>e in 2018. According to Table 2, they would all be covered beginning in 2022 because 2018 is an applicability determination for 2022 and the threshold for 2022 is 200,000 MT CO<sub>2</sub>e.

Scenario B: A group of related entities collectively emitted 150,000 MT CO<sub>2</sub>e in 2021 but was otherwise not covered in 2022, 2023, and 2024. According to Table 2, they would all be covered beginning in 2025 because 2021 is an applicability determination for 2025 and the threshold for 2025 is 100,000 MT CO<sub>2</sub>e.

**Table 2: Applicability Determination Calendar Years and Threshold for Non-Natural Fuel Suppliers**

<b>Applicability determination calendar year(s)</b>	<b>Threshold for applicability to compare to annual covered emissions</b>	<b>Calendar year a person becomes a covered fuel supplier</b>
Any year from 2018 through 2022	200,000 MT CO <sub>2</sub> e	2022
2023	200,000 MT CO <sub>2</sub> e	2023
2024	200,000 MT CO <sub>2</sub> e	2024
Any year from 2021 through 2025	100,000 MT CO <sub>2</sub> e	2025
2026	100,000 MT CO <sub>2</sub> e	2026
2027	100,000 MT CO <sub>2</sub> e	2027
Any year from 2024 through 2028	50,000 MT CO <sub>2</sub> e	2028
2029	50,000 MT CO <sub>2</sub> e	2029
2030	50,000 MT CO <sub>2</sub> e	2030

Any year from 2027 through 2031	25,000 MT CO <sub>2</sub> e	2031
2032	25,000 MT CO <sub>2</sub> e	2032
Each subsequent year	25,000 MT CO <sub>2</sub> e	Each subsequent year

## 19. How does DEQ determine the number of compliance instruments to distribute to non-natural gas fuel suppliers?

Every year, DEQ will calculate a distribution to non-natural gas fuel suppliers according to OAR 340-271-0420(3) through (5). For related entities, each separate fuel supplier will receive its own distribution of compliance instruments. Related entities could transfer compliance instruments among themselves using the compliance instrument trade form (see question 15).

DEQ will start with the annual cap for each year (in Table 2 in OAR 340-271-9000). Then, DEQ will subtract the distribution of compliance instruments to the natural gas utilities (in Table 4 in OAR 340-271-9000). Next, DEQ will determine how many compliance instruments, if any, need to be subtracted and held in the compliance instrument reserve. DEQ will then apply a proportional calculation to the remaining compliance instruments.

To calculate the annual proportional distribution, DEQ will:

1. Determine which non-natural gas fuel suppliers are covered and have at least 3 years of emissions data, including from related entities.
2. For each covered fuel supplier described in step 2, determine the sum of its covered emissions and its biofuel emissions.
3. Determine the collective total of covered emissions and biofuel emissions for all covered full suppliers described in step 2.
4. For each covered fuel supplier described in step 2, calculate its percentage of covered emissions and biofuel emissions (the result of step 3 divided by the result of step 4).
5. For each covered fuel supplier in step 2, multiply the result of step 5 by the result of step 1 and round down to the nearest whole number. The result is the number of compliance instruments DEQ will distribute to the covered fuel supplier.
6. Hold any remaining compliance instruments (due to rounding) in the reserve.

The purpose of the compliance instrument reserve is to hold compliance instruments for non-natural gas covered fuel suppliers who do not have the necessary data for the proportional calculation described above. For example, a fuel supplier who becomes covered based on its 2022 emissions would not have been included in the 2022 distribution of compliance instruments.

DEQ will hold in the reserve 400,000 compliance instruments from 2022 and 400,000 from 2023 (800,000 over two years). If a non-natural gas covered fuel supplier does not receive a proportional distribution for any year, it may apply for compliance instruments from the reserve. When DEQ distributes from the reserve, DEQ will hold additional compliance instruments in the reserve the next year to bring the total back to 800,000 (this size decreases over time as described in Table 3 in OAR 340-271-9000). Any remaining balance rolls over. The maximum number of compliance instruments DEQ will distribute from the reserve to any covered fuel supplier is 300,000 per year.

## Cessation

### 20. How does a covered fuel supplier cease to be covered?

If a covered fuel supplier's covered emissions are 0 MT CO<sub>2</sub>e for six consecutive calendar years, it ceases to be covered. If a non-natural gas fuel supplier's covered emissions are below 25,000 MT CO<sub>2</sub>e per year for six consecutive years, it may apply for cessation. This is further described in OAR 340-271-0130.

**Translation or other formats**

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