Executive Order 20-04 Directive for a Cap and Reduce Program

Overview of May 15 Preliminary Report

Spring 2020
Executive Order 20-04: Cap and Reduce

Directives to EQC and DEQ:

Sector-Specific Cap and Reduce Program

• Take actions necessary to cap and reduce GHG emissions consistent with science-based emissions reduction goals from sectors including:
  – Large stationary sources
  – Transportation fuels, including gasoline and diesel
  – All other liquid and gaseous fuels including natural gas

Reports to Governor

• Submit a preliminary report to the Governor by May 15, 2020, regarding program options to cap and reduce emissions from the above sectors that can commence no later than January 1, 2022
• Submit a final report to the Governor by June 30, 2020
DEQ included the following sections in the May 15 preliminary report delivered to the Governor:

1. Initial legal analysis of EQC authority for a cap and reduce program consistent with the Executive Order directives
2. Proposed program development process, including opportunities for public and stakeholder engagement and tentative rulemaking timeline
3. DEQ policy considerations and key program design options
4. Next steps on how public may provide comment on the proposed program development process as input for the Final Report

DEQ did not recommend any particular program design in the preliminary report to the Governor
Today’s Agenda
• [30 min] DEQ overview of the preliminary report
• [60 min] Q&A on preliminary report and today’s overview

How to Comment on the Preliminary Report
• See Section 4 of the report for more information on specific areas where DEQ is especially seeking comment
• Submit written comment to CapandReduce@deq.state.or.us

For More Information
• DEQ’s Cap and Reduce webpage: www.oregon.gov/deq/ghgp/Pages/ghg-cap-and-reduce.aspx
• The Environmental Quality Commission has different bounds than the legislature and must make its own decisions, applying existing legislative authorities and the direction provided by the executive order.

• Tentative agreements negotiated in prior legislative efforts may not be possible or advisable for the EQC under this “cap and reduce” regulatory approach.

• DEQ will work to fairly represent prior information and analyses, but parties should not assume that the EQC will reach the same conclusions.
• EQC’s authority and resources for cap and reduce programs are constrained in important ways
• EQC may have existing authority to:
  – Regulate GHG emissions as air contaminants and require permits that set limits on GHG emissions
  – Regulate stationary sources
  – Regulate indirect sources of emissions, such as fuel suppliers
  – Allow for trading and use of alternative compliance instruments
• EQC may not have existing authority to:
  – Charge a price for compliance instruments (e.g. an auction)
  – Regulate emissions outside of Oregon
Key Policy and Program Design Elements

• GHG Emissions Reduction Goals and Program Cap
• Point of Regulation
  – GHG emissions threshold for inclusion
  – Regulated entities and sectors
• Distribution of Compliance Instruments
  – Direct allocation? Based on product output, historical data, other?
  – Allow trading across or within sectors?
• Cost Effectiveness and Cost Containment
  – To agency, regulated entities, public
  – Allow flexibility with alternative compliance instruments?
• Considerations for impacted communities

Preliminary Report: Section 3
Process Timeline

Phase 1
Spring 2020
Engagement on Process

Phase 2
Summer/Fall 2020
Policy and Program Scoping

Phase 3
Fall 2020/2021
EQC Formal Rulemaking

Preliminary Report: Section 2
## Engagement on Process (1/3)

<table>
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<tr>
<th>Purpose</th>
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<tr>
<td>• Engage early on</td>
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<td>• Provide information on opportunities to engage in the program development process</td>
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<td>• Identify interested parties and affected groups</td>
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<td>• Solicit input on Preliminary Report</td>
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<td>• Finalize June 30 report informed by public input</td>
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<th>Goals</th>
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<td>• Provide opportunities for stakeholders and the public to inform the process</td>
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<tr>
<td>• Identify effective and meaningful engagement opportunities, especially for inclusion of impacted communities</td>
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<td>• Shared understanding of DEQ’s approach for scoping issues and developing program options</td>
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Preliminary Report: **Section 2.2**
Engagement on Process (2/3)

Strategies


• Accepting input on the Preliminary Report: CapandReduce@deq.state.or.us

• 3 Q&A webinars describing the preliminary report
  – May 26
  – June 1
  – June 8

• DEQ requesting opportunity to brief Environmental Justice Task Force

• DEQ will notify Oregon’s nine federally recognized tribes

Preliminary Report: Section 2.2
Phase: 1 2 3
DEQ Seeking Comment on these Key Questions:

• How might DEQ best coordinate the public engagement aspects described in this report during development of cap and reduce program or programs?

• How should DEQ engage with communities or individuals with limited or no internet access?
Policy and Program Scoping (1/4)

**Purpose**
- Continued engagement before opening and formal rulemaking (Phase 3)
- Discuss program design features and issues
- Identify areas for attention during the rulemaking
- Receive input on perspectives and representation need during the rulemaking

**Goals**
- Common understanding of priority issues, concerns, legal constraints, potential policy mechanisms
- Appropriate consideration of equity issues
- Allow opportunity to inform design and direction of formal rulemaking (Phase 3)

Preliminary Report: Section 2.3
Strategies

Public Outreach
- 3 to 5 public meetings/listening sessions on key concepts, gaining feedback, hearing concerns
- Times and venues will be set to encourage broad participation

Stakeholder Engagement
- Topic-specific workshops for input on key outcomes that should be achieved and how. Topic areas may include:
  - Program scope
  - Program design options
  - Cost containment
  - Impacted communities

EQC and Legislative Communications
- Provide regular updates

Preliminary Report: Section 2.3
Strategies

Engaging Impacted Communities
- Engage the EJ Task Force and other representatives from underrepresented and impacted communities
- Gain insights from experts from those communities on potential policy effects and ways to avoid/mitigate negative effects
- Ensure participation by representatives of impacted communities in the topic-specific stakeholder workshops

Tribal Consultation
- Engage the Natural Resources, and Economic Development and Community Services Tribal Clusters of the Legislative Commission on Indian Services
- Consult with Oregon’s nine federally recognized tribes
DEQ Seeking Comment on these Key Questions:

- Are the policy issues identified under “Stakeholder Engagement” appropriately inclusive of issues, concerns and considerations needing discussion?
  - What other issue areas should the agency convene stakeholder meetings for?
  - What other approaches to organizing stakeholder conversations should the agency consider?
## Purpose

| Consider program design options and develop recommendations for EQC |
| Provide enhanced opportunities for public engagement |
| Develop a fiscal impacts statement that considers: |
| – Affected entities and communities |
| – Oregon’s economy |
| – Expected environmental and public health effects |

## Goals

| Robust and transparent process with debate and consideration of key issues |
| Impacted communities are represented |
| Stakeholder input informs recommendations to EQC |
| Shared understanding of rationale behind decisions |
| Recommendations help Oregon achieve the state’s emissions reduction goals |

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**Preliminary Report: Section 2.4**

Oregon Department of Environmental Quality
Rulemaking Advisory Committee (RAC) will include:
• Potentially regulated sectors
• Enviro. and health advocates
• Reps. of impacted communities
• Consumer advocate groups
• Tribal representatives

Meeting topics will include scope, timeline, background, policy options, technical concerns, draft rules, and fiscal impacts analysis

EQC to Appoint RAC Members
Fall 2020

DEQ to host RAC, public, and stakeholder meetings
Winter/Spring 2021

Public Notice and Public Comment Period
Summer/Fall 2021

Rulemaking packet provided to EQC and recommended adoption
Fall 2021

Public Notice with draft rules will be posted to DEQ’s webpage and a formal comment period of at least 60 days will be opened. DEQ will host at least 3 Public Hearings to take verbal comment.

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Preliminary Report: Section 2.4

Phase: 1 2 3
DEQ Seeking Comment on these Key Questions:

• How should the agency approach identifying and selecting interested parties to serve on the Rules Advisory Committee?

• What perspectives and expertise are critical for Rulemaking Advisory Committee member participation?

• Given the broad scope of the proposed rules, how should the agency organize the Rulemaking Advisory Committee process to ensure critical issues receive adequate attention and discussion?
DEQ also seeking comment on these broad questions:

• Does the proposed stakeholder and public engagement processes outlined in Section 2 meet our objective of establishing a transparent, inclusive, and robust process?

• How should the key policy questions and options introduced in Section 3 be framed during the next phase in this process over the summer and fall?

To provide input for the Final Report, please submit written comment to CapandReduce@deq.state.or.us by June 15, 2020.
Questions?

- Chat function is disabled, please click “raise hand”
  - Phone participants dial “*9” to raise hand
- Participants will be called upon and will then be able to unmute individually in order to ask a question
  - Phone participants dial “*6” for unmute when called upon
- 2 minutes per question
- Please state your name and if you would like, your organization before asking your question

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Visit www.oregon.gov/deq/ghgp/Pages/ghg-cap-and-reduce.aspx for more information