

# Oregon Clean Power Plan Implementation

## Conceptual Compliance Scenarios

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EPA provides states with broad flexibility to determine our preferred mechanisms for achieving the CO2 emission goals of the Clean Power Plan. Among the many choices EPA has provided states, two decisions influence more fundamental designs of state plans and are thus the most important consideration for Oregon’s early planning process. These two choices are:

1. Emission target: **emission rate** or **mass cap**
2. Trading opportunities: **Oregon only** or **multi-state**

The first choice concerns the type of emission goal the state can pursue – either an emission rate standard expressed as pounds of CO2 per megawatt hour of electricity generated, or a mass cap that establishes an overall limit on the total CO2 emissions from a state’s existing coal and natural gas power plants.

The second choice about trading opportunities isn’t explicitly listed as such. Rather, EPA provides two types of emission rate and mass cap state plans; one type that can readily allow for multi-state trading, and another that doesn’t easily allow this and is more designed around individual state compliance.

Considering these two choices together provides four options that Oregon is evaluating during the outset of the process for determining the best compliance approach for Oregon. These four options are shown in the following table:

Two choices, four Options:

		Choice 1: Emission Target	
		1. <b>Emission rate</b>	2. <b>Mass cap</b>
Choice 2: Trading Opportunities	A. <b>Oregon-only</b>	1A. Oregon-specific emission rate	2A. "State Measures"
	B. <b>Multi-state</b>	1B. National gas and coal emission rates	2B. Allocate emission allowances

Staff at the Oregon Department of Environmental Quality, Department of Energy, and Public Utility Commission are proposing to develop “Conceptual Compliance Scenarios” to evaluate each of these four options. The Conceptual Compliance Scenarios listed below include additional attributes that further define these options. These attributes are included solely for the purpose of evaluating the effects of each scenario, and may need to be changed or added to as analysis progresses. Ultimately, the attributes of these scenarios are intended to facilitate analysis of the emission target choice and the trading opportunities choice and allow this analysis to illustrate the range of potential costs, emissions reduction potential, and other effects related to the Evaluation Criteria (see separate document).

1A, 1B, and 2A can likely be evaluated and compared using single scenarios composed of any attributes within these plan structures that are necessary for this early phase in Oregon’s evaluation process. However, there are alternative methods of implementing 2B that could produce a meaningful difference in how this option compares to the other three options. Oregon agencies are committed to analyzing these “toggles” as outlined below under Scenario 2B to ensure these four options are appropriately compared.

The following list of scenarios is preliminary and subject to change as Oregon’s planning process progresses, analytical tools evolve, and based on continued input from stakeholders.

#### Conceptual Compliance Scenario #1A:

- Option represented: **1A (Oregon-specific emission rate)**
- Emission target: **Rate-based**
- Trading opportunities: **Oregon-only** (Oregon-specific rate)
- Additional scenario attributes:
  - Credit for specific biomass feedstocks
  - State-run administrative structure for issuing & tracking ERCs

#### Conceptual Compliance Scenario #1B:

- Option represented: **1B (National gas and coal emission rates)**
- Emission target: **Rate-based**
- Trading opportunities: **Multi-state** (national coal and gas emission rates)
- Additional scenario attributes:
  - May need assumptions on credit for specific biomass feedstocks
  - National or regional systems (e.g. WREGIS or TCR) provide assistance
  - State-lead administration to connect to regional/national systems
  - May need general assumptions about regional/national market for ERC

#### Conceptual Compliance Scenario #2A:

- Option represented: **2A (State Measures)**
- Emission target: **Mass-based**
- Trading opportunities: **Oregon-only** (“State Measures”)
- Additional scenario attributes:
  - Backstop plan could be EPA’s model rule for mass-based trading

#### Conceptual Compliance Scenario #2B:

- Option represented: **2B (Allocate emission allowances)**
- Emission target: **Mass-based**
- Trading opportunities: **Multi-state** (allocate allowances)

- Additional “toggles”:
  - Leakage control
    - Cover new units
    - Cover only existing units and allocate emission allowances based on historic generation plus set-asides for NGCCs and renewables pursuant to EPA’s presumptively approved mechanisms for controlling leakage
    - Cover only existing units and control leakage thru an alternative emission allowance allocation scheme approved by EPA
  - Method of allocating emission allowances
    - Entirely thru direct allocation
    - Entirely thru an auction
    - Hybrid approach, with partial auction and direct allocation of the remainder