

Greenhouse Gas Emissions Program 2021

Summary

Rulemaking Advisory Committee Meeting #1

Jan. 14, 2021, 9 a.m. to 4:30 p.m.

Zoom Webinar



State of Oregon
Department of
Environmental
Quality

List of attendees

Committee Members in Attendance (for all or part of meeting):

- Zach Baker, Climate Solutions
- Pam Barrow, Food Northwest
- Peter Brandom, League of Oregon Cities
- Haley Case-Scott, Beyond Toxics & NAACP Eugene/Springfield
- Rebecca Descombes, Native American Youth & Family Center
- Darren Engle, Blue Star Gas
- Taren Evans, Coalition of Communities of Color
- Mike Freese, Oregon Fuels Association
- Brendon Haggerty, Multnomah County Health Department
- Erin Hansell-Heideman, Blown Away Ranch
- John Hillock, Wallowa County
- Jana Jarvis, Oregon Trucking Association
- Bob Jenks, Citizen's Utility Board
- Nels Johnson, Northwest Natural
- Dan Kirschner, Northwest Gas Association
- Dylan Kruse, Sustainable Northwest
- Casey Kulla, Yamhill County
- Jan Lee, Oregon Association of Conservation Districts
- Oriana Magnera, Verde
- Tim Miller, Oregon Business for Climate
- Sharla Moffett, Oregon Business & Industry
- Martha Moore, EVRAZ
- Mark Petrie, Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians
- Ellen Porter, Roseburg Forest Products
- Allie Rosenbluth, Rogue Climate
- Don Sampson, Affiliated Tribes of Northwest Indians
- Amy Schlusser, Green Energy Institute
- Steve Smith, Phillips 66
- Paul Snyder, Tillamook Creamery Association
- Alyn Spector, Cascade Natural Gas
- Jeff Stone, Association of Nurseries
- Kathryn VanNatta, NW Pulp & Paper Association
- Ranfis Villatoro, BlueGreen Alliance
- Keith Wilson, Titan Freight

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restoring, maintaining and
enhancing the quality of
Oregon's air, land and
water.*

Staff in Attendance (for all or part of meeting):

DEQ

- Chloe Brown, Greenhouse Gas Programs Analyst
- Matt Davis, Senior Policy Analyst
- Elizabeth Elbel, Greenhouse Gas Reporting Program Lead
- Matthew Espie, Climate Policy Analyst
- Colin McConnaha, Manager, Office of Greenhouse Gas Programs
- Nicole Singh, Senior Climate Policy Advisor
- Lauren Slawsky, Climate Policy Analyst
- Richard Whitman, Director

Kearns & West

- Sylvia Ciborowski, Facilitator
- Kirsten Hauge, Facilitation Team
- Bianca Valdez, Facilitation Team

Summary of Advisory Committee input

The Oregon Department of Environmental Quality (DEQ) thanks the participants in the meeting for their attention throughout the day. The dialogue was constructive and will help DEQ plan for future meetings and develop program recommendations. Members expressed:

- Recommendations for a constructive process:
 - Send meeting materials well in advance of the meeting.
 - Send calendar invites of RAC meeting dates.
 - Ensure the content of the presentation accounts for all levels of understanding.
 - Strive towards an equitable process and elevate the voices of environmental justice and impacted communities.
- A range of interests and suggestions regarding data, modeling assumptions, and proposed policy scenarios for modeling and interest in providing breakout sessions or workshops about these topics.
- Strong interest that this program achieves ambitious and near-term greenhouse gas emissions reductions and some concerns that the regulatory objectives are different than program goals.
- Concerns about electrical sector exemption in this program.
- A wide range of concerns and interests over compliance flexibilities, periods, and policy aspects.

Agenda Item: Welcome and overview

Sylvia Ciborowski, facilitator, opened the meeting. Colin McConnaha welcomed and thanked rulemaking advisory committee (RAC) members for their commitment to working towards a new rulemaking to establish Oregon’s Climate Protection Program. The Office of Greenhouse Gas programs staff introduced themselves. DEQ Director Richard Whitman thanked advisory committee members and shared an overview of the Climate Protection Program elements, its goals, and its relation to other DEQ and statewide programs. He shared that DEQ will look for consensus where possible but will not require it in this process, and that every voice will be heard and considered.

Agenda Item: Committee ground rules and operating principles

Sylvia Ciborowski reviewed the agenda, webinar participation tips, public participation protocols, role of RAC members, and the process for assigning a RAC alternate. Additionally, she offered meeting ground rules to ensure the RAC operates in a collaborative fashion.

Agenda Item: Convening and Advisory Committee introductions

Sylvia Ciborowski asked the RAC members in the virtual room to introduce themselves. Listed are some of the reasons for RAC member's participation and visions for the process. Members seek:

- To contribute to addressing climate change for future generations.
- To prioritize addressing and reducing injustices and environmental disparities.
- An ambitious, equitable climate policy that is designed to spur economic opportunity and good jobs.
- To bridge the gap between the environmental and business communities.
- Alignment around policy design choices that will maintain affordability for consumers.
- Opportunities for voices from BIPOC, environmental justice, and impacted communities to be heard and be part of the process.
- To promote adoption of alternative fuels.
- A strong, effective, and legally defensible program.
- Support for working lands practices and tools to voluntarily reduce emissions.
- Reasonable solutions that work for businesses and industry and that contain costs.
- To reduce emissions in a way that is fair and equitable to all communities.
- To develop a framework that mobilizes and inspires innovation.
- To represent Tribal interests and to speak on behalf of wildlife and natural resources impacted by climate change.
- Ways to hear from workers and ensure they are part of the conversation.
- To represent sectors potentially regulated by the Climate Protection Program.
- Flexibility in the program that can reduce emissions as well as promote industry competitiveness and retain jobs in the state.

Agenda Item: Review draft committee work plan

Nicole Singh reviewed the rulemaking objectives, timeline, milestones, and meeting schedule.

Questions/Comments

- Members commented that the regulatory objectives seem different in program goals in that they don't include containment of costs.
- Members noted they would appreciate more time to review the slide deck and suggested sending a list of questions to RAC members in advance of meetings.
- Some members asked for DEQ to send calendar invites for the RAC meetings.

Response: DEQ clarified that they will strive to send out background information in advance but there is no expectation RAC members will need to review meeting day presentations in advance. They said they would be happy to work with RAC members who wished to receive calendar invites and would follow-up on

proposed new date for the fifth RAC meeting

Agenda Item: Overview of Greenhouse Gas Emissions Program and public engagement to date

Colin McConnaha provided introductory framing and reflections on the process to date to develop a new Climate Protection Program to reduce greenhouse gas emissions. This included a review of public engagement to date, including the three program goals identified as a result of that engagement. These goals are to:

1. Achieve significant emissions reductions;
2. Promote benefits and alleviate burdens for EJ and impacted communities; and
3. Contain costs for consumers and businesses.

He explained that the goals should not be interpreted as zero sum and DEQ aims to achieve all three goals in a way that avoids exacerbating inequities and improves equitable outcomes. He explained the initial narrowing of program scope and reviewed leanings developed by the staff based on the Environmental Quality Commission's legal authority. The leanings include:

- DEQ cannot sell auction permits based on EQC legal authority.
- DEQ does not believe EQC has authority to regulate emissions that occur outside of Oregon and therefore cannot regulate most of the emissions in the electric sector as most is associated with imported power. DEQ does not intend to include in-state power plants in the regulation due to high emissions leakage risk.
- DEQ does not believe EQC has authority to regulate biogenic emissions.
- DEQ intends to address landfill emissions in a separate effort.

Questions/Comments

- Members sought further clarification on what falls under EQC's authority for this rulemaking.
- Members shared concern about in-state power plants not being covered in the program. Some members expressed interest an analysis over the concerns about leakage to support the assertion that there is a leakage risk.
- Members wondered if DEQ has explored the idea of having compliance instruments that consider frontline communities impacted by sources of pollution.

Response: DEQ will provide resources that help explain EQC authority to regulate emissions. DEQ clarified its understanding that EQC lacks authority to sell permits from the state to a regulated community. DEQ reiterated that emissions from landfills are better addressed in a separate rulemaking. DEQ stated that that due to the limitations in legal authority and nature of the state's electric sector, the agency does not think that electric generators are a good fit for regulation under this program.

DEQ shared their interest to explore areas in which they might design alternative compliance opportunities that are in Oregon's communities and reduce emissions that are priorities of those communities. DEQ added their willingness to work with community-based organizations in helping them identify what those are to focus investments and reductions based on those alternative compliance opportunities.

Agenda Item: Review recent greenhouse gas emissions data

Nicole Singh introduced the next topic of statewide emissions data and noted that emissions in Oregon are not on track to avoid the worst effects of climate change. The transportation and fuel sector are the largest sources of emissions. Lauren Slawsky reviewed recently reported emissions data. The data is made available from the DEQ Greenhouse Gas Reporting Program. Data sources come from fuel suppliers, natural gas suppliers, petroleum and natural gas systems, permitted air contamination sources, and electricity suppliers. Details are provided in slides 32-42. Sylvia Ciborowski facilitated RAC member clarifying questions and discussion. Lauren and Elizabeth Elbel answered questions and responded to comments.

Questions/Comments:

- Members asked for definitions of several terms used in this discussion.
- One member wondered if DEQ is considering enhancing its inventory for the program and what data will be used to make the decisions.

Response: DEQ explained that the design presented will rely on data collected by the Greenhouse Gas Reporting Program. Adjustments can be made to accommodate the program needs.

- Members overall asked clarifying questions over the data presented on the inclusion of certain emissions in the data, thresholds, the exemption of in-state power's effect on the regulation of emissions, and what led to the assumption that regulating fuel supplier upstream could reduce leakage concerns. Some expressed interest in a separate meeting to further review the data.

Response: DEQ will consider finding ways to make this data more accessible and useful

- Members asked about opportunities to consider leaked emissions in non-interstate pipelines.

Response: DEQ noted that beginning in 2020 they have new reporting requirements related to the transmission and distribution of natural gas and will have better ways of reviewing that data moving forward.

- Members sought further clarification on the natural gas and stationary sources emissions graphics and asked if DEQ can work to develop high-level graphics for comparison purposes between different data sets.
- Members expressed the need to see a data comparison of emissions at every point of regulation for natural gas as far as percent of emissions covered. This would be helpful to provide recommendations later in this process.

Response: DEQ will consider creating additional resources to continue to describe the reported data and the relationships between the data.

- One member asked what data and resources DEQ plans to provide to discuss the health impacts of point sources on frontline communities and whether DEQ has GIS capabilities that could be put towards this work.

Response: DEQ replied that they do have the ability to map stationary sources, however noted that emissions from these sources are proportionally low. The greater impact would be from transportation corridors, but that data is reported at a state level to DEQ. DEQ may be able to obtain data from ODOT or other third parties and could also note the locations of compressor stations or other pipeline infrastructure.

Agenda Item: Discussion of initial key design questions

Nicole Singh opened the next agenda topic by recognizing the many potential policy elements and specific design issues to be decided in this process. For this meeting, DEQ reviewed the following policy areas: emissions cap, compliance instrument, including distribution approaches, and flexibility and cost containment elements. She then introduced the staff's initial thoughts or leanings on some program elements and explained that a leaning does not represent a decision. Matthew Espie explained the leanings of how DEQ thinks this program can be structured and sought feedback on the key design questions for the drafting of initial rules. Details are provided in slides 46-56. Sylvia Ciborowski reminded that public information has informed many of the leanings and preferences presented in the meeting. She then opened the discussion for clarifying questions and discussion.

Questions/Comments:

- Members sought information on what type of participation, from a potentially regulated group of entities, is most helpful regarding providing feedback and what types of assumptions the regulated community should make about point of regulation for natural gas combustion.

Response: DEQ advised to not make assumptions and noted they were open to receiving comments on opinions about point of regulation and related issues. DEQ recognized the challenges in discussing issues separately when they are inter-related.

- Members wondered if using renewable fuels would result in receiving compliance instruments.

Response: DEQ clarified that using renewables instead of fossil fuels would not necessarily generate compliance instruments but explained that as the cap declines this will incentivize use of less carbon intensive biofuels. DEQ said they are trying to think creatively about how free distribution of allowances may change over time as cap declines.

- Members expressed their support for more flexibility for compliance and to achieve faster and greater reductions. Some feel that flexibility is important in regard to trading and banking.
- One member wondered if DEQ has considered price control mechanisms for the secondary market in regard to selling allowances between facilities.
- Another member commented that production-based data methodology and compliance instrument distribution may create a more level playing field between sectors.
- Members shared support for alternative compliance options.
- Members shared support for a multi-year compliance period. One member expressed their preference for a compliance period of 3-5 years to smooth out weather variation. Another member shared their support but stated a 2-3 year max period and expressed their concern about longer periods.
- One member asked whether DEQ's inability to regulate biogenic emissions meant that DEQ would not be able to include mechanisms such as forest carbon offsets.

Response: DEQ reiterated they do not believe EQC has the authority to regulate biogenic emissions, however that does not mean they cannot potentially bring those emissions in voluntarily by crediting alternative compliance investments in certain projects that address biogenic emissions, such as carbon sequestration.

- In regard to the implementation of Executive Order 20-04, members sought further clarification on the amount of flexibility available for sectors and whether targets are binding or flexible.

Response: DEQ stated that the EO initiates the executive branch to use existing authorities to implement various pieces of that directive. DEQ is not bound and should not be presumed to mirror exact terms of the EO. This body will inform the recommendations that will go to EQC.

- Members expressed their concerns that the leanings did not reference the equity goals. Members reiterated that equity needs to be framed as how those impacted will see benefits.

Response: DEQ noted that equity had not been discussed in depth here, but the primary program goals include both promoting benefits and alleviating burdens for EJ and impacted communities. DEQ also explained that they planned on developing equity-promoting design elements in the alternative compliance options. DEQ staff stated including cost containment measures such as trading and banking, allows for the pursuit of more ambitious emissions reductions.

- Several members shared their support for strong interim targets. One member stated that these targets would send important market signals and impact equity considerations for co-benefits.
- Another member shared that DEQ should consider using a goal that is more ambitious than listed in the EO.
- Another member expressed their concern that the concept of emissions intensive trade exposed businesses issues has not been addressed in this discussion.
- Members reflected that it is easier and cheaper for urban populations to comply than rural populations. They suggested DEQ consider a multi-jurisdictional approach and avoid creating a program on the assumptions of those in the metro area while ignoring the consequences for those in rural areas.

Response: DEQ noted these comments on interim targets and program considerations.

Agenda Item: Overview of modeling analysis and reference case assumptions

Nicole Singh introduced the modeling analysis study. Lauren Slawsky walked through the modeling analysis purpose, scope, and presented on reference cases. Details are provided in slides 59-66. Sylvia Ciborowski invited clarifying questions from RAC members.

Questions/Comments:

- In regard to the reference case policy assumptions, one member expressed that Cleaner Air Oregon could be included and inquired if future scenarios moving forward would assume implementation of EO 20-04 and/or HB 2007?

Response: DEQ stated they are aiming to use rules on the books currently for the reference case and would consult with ICF, the contractor selected for the modeling work.

- Members asked if the models presented would take in other environmental justice inputs, such as poverty rates, race, rent burden, etc. They noted the example of the Washington environmental health disparities map.

Response: DEQ stated that the model will not be able to assess that level of granularity, but the topic is within the larger scope of the study. The limitations are having data to put into the model and also trusting the model to put out valid results with that data.

- Members expressed their need to view the data used in modeling and if ICF can share the data.

- Members expressed interest in factoring in voluntary programs, such as electric vehicles into the modeling.
- Members stated that transparency of the model is important for RAC members ability to provide feedback. Compliance instruments are critical, and more information on how pricing will be modeled is needed.
- Members said they were interested in further detail, asking questions of ICF and are interested in participating in a workgroup session with ICF.

Response: DEQ said they would talk to ICF about providing further details and are still developing the reference case. DEQ will work with ICF to provide further detail about the reference case assumptions and data sources. DEQ asked for additional comments and questions to be sent through to the rulemaking email.

Agenda Item: Discussion of proposed policy scenarios for modeling

Nicole Singh introduced policy scenarios for modeling and explained the purpose of today's discussion is to begin informing program design questions and identify where the modeling can be most helpful. Nicole stated that the modeling scenarios did not represent program proposals, or that potential program elements were limited to the assumptions used for these scenarios. Lauren Slawsky walked through the three modeling policy scenarios and initial proposals. Details are provided in slides 70-72. Sylvia Ciborowski facilitated clarifying questions and discussion from RAC members.

Questions/Comments:

- One member reflected that natural gas stationary sources appear to be responsible for emissions in all scenarios and it may be beneficial to consider different points of regulation for some scenarios.
- Another member shared that if electricity is out of the program, transportation fuels make up over 50% of emissions which means the data and assumptions are very important. They expressed concerns about excluding the electricity sector.
- One member sought clarity in baseline for percent reduction goals.
- Members asked DEQ to be observant for opportunities for achieving environmental justice goals in the program structure and shared that this can be incorporated into the modeling.
- Members inquired if DEQ has considered eliminating banking or trading to see if this would expose certain populations to more reductions.
- Some members felt that DEQ should incorporate reality checks on the modeling more broadly.
- Members sought clarification as to why there were no interim goals in Scenario 3.

Response: DEQ stated that they would be reviewing and considering comments on the modeling scenario assumptions. DEQ clarified the lack of interim goals is not the same as not having annual caps and explained that the interim goal affects the shape of the reduction trajectory.

- One member inquired on why a more static model is being used, such as IMPLAN rather than a more dynamic model like REMI.

Response: DEQ answered that the static model is being used due to proposals selected in the RFP process.

- Members raised their concerns on process, stating that environmental justice organizations have not been vocal or involved. Members suggests DEQ conducts specific outreach to these parties to ensure they have the support they need to participate. One member stated that there has yet to be a satisfying

response in regard to the inclusion of equity in modeling. There needs to be an equity-centric scenario in the model.

Response: DEQ said the process would evaluate equity impacts, but there were limitations with the model. DEQ invited suggestions for other ways of using analytic work and tools.

- One member expressed their satisfaction that there is a job creation side of the modeling. They asked that this evaluate where the job creation benefits are flowing and that it includes jobs for whom, where they are located, requirements, and salaries. They suggested a workshop to plan out what the modeling could look like in various scenarios.
- Another member shared their concern for the lack of industry or process emissions inputs in the model. They raised technical concerns around the renewable natural gas assumptions.
- One member suggested adding a scenario that exceeds what is expected in the EO.

Response: DEQ stated that they would continue to review the scenario assumptions based on the input provided and in written comments.

Colin closed the discussion for the day with final thoughts. He thanked the RAC for their dedication and input to today's meeting and reiterated that DEQ would like to hear from all the voices in the room.

Agenda Item: Public comment

There were eight additional comments during this time. Public comments included the following:

- Concern about lack of evaluation or discussion regarding the climate protection goal is and desire to reach zero emissions by 2032 or 2035, as per the Intergovernmental Panel on Climate Change. An 80% reduction goal is not sufficient to stabilize the climate, and the consequences of warming are severe.
- Expressed interest in reference case assumptions and list of data sources and suggested doing a sensitivity analysis, since the analysis will be dependent on key assumptions. Suggestion for DEQ to consider what the Clean Fuels Program is not accomplishing that DEQ believes could be accomplished with this program.
- Interest in desired model outputs and how DEQ will make decisions based on the model and the effects of pricing on energy.
- Shared concerns raised by some RAC members on scope and stringency, especially on interim goals and targets. Referenced new reports from Oregon Health Authority, Oregon Department of Energy, and Global Warming Commission that may be potentially at odds with what DEQ has signaled with this program.
- Stated that this program is urgent and suggested using a science-based approach to reach zero emissions by 2050, meaning DEQ should set ambitious interim targets. Expressed concern that in-state electricity generation may be excluded and that no climate scientists are represented on the committee.
- Raised concern about leakage out of Oregon, but also is concerned about leakage into Oregon. Inquired whether DEQ reached out to the Governor and legislature about removing the prohibition against regulating imported electricity.
- Commented that excluding natural gas-powered electricity plants from the program is concerning, since it would place the need for significant reductions on small nursery owners and similar smaller

parties. Suggested pulling in census-level data for the modeling similar to Washington's environmental health disparities map.

- Suggested reaching net zero emissions by 2050 based on best available science and offering an incentive for carbon sequestration. Expressed concern about exclusion of electricity and biogenic emissions. Stated that many in rural areas are on the frontlines of climate change issues.

Agenda Item: Next steps

Sylvia Ciborowski provided closing comments, reminding attendees to submit written comments and feedback to DEQ by Jan. 21.

Meeting adjourned at approximately 4:45 p.m.

Alternative formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.