Oregon Department of Environmental Quality

Clean Fuels Program Electricity 2021 Rulemaking

Rulemaking Advisory Committee Meeting #6:
Fiscal and Economic Impact Analysis

Dec. 1, 2020

State of Oregon Department of Environmental Quality

Today’s Agenda

- Overview
- Proposal - Fiscal Impact
- Break
- Proposal - Fiscal Impact
- Public Comment
- Wrap Up and Next Steps

Ground Rules

- Honor the agenda
- Provide a balance of speaking time
- Listen to understand and ask questions to clarify
- Respect each other's viewpoints, values and interests
- Focus comments on topics at hand – **be hard on the issues and soft on the people**
- Please stay on mute when not speaking
- Please set your display name to your name and organization
- For questions or comment, **use "Raise Your Hand" button in the Participants panel to get in the queue**; if joined by phone, press *9 to raise hand
  - When it is your turn to speak, we will call on you
  - Say your name and affiliation before speaking
  - Use the "Chat" feature for help troubleshooting any issues

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Timeline for this Rulemaking

- 6 meetings are scheduled
  - Meeting 1 (Kick-off and Overview): Sept. 24
  - Meeting 2 (New Electric Vehicles): Oct. 8
  - Meeting 3 (Renewable Electricity): Oct. 22
  - Meeting 4 (Advance Crediting): Nov. 5
  - Meeting 5 (Draft rules and Wrap up): Nov. 19
  - **Meeting 6 (Fiscal discussion): Today**
- Start of public comment period, issuance of Notice of Proposed Rulemaking: late-December 2020
- Public hearing: late-January 2021
- End of public comment period: late-January 2021
- EQC consideration of rulemaking: March 2021

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Fiscal and Economic Impact Analysis

DEQ appointed the Clean Fuels Program Electricity 2021 Rulemaking Advisory Committee to provide input on the proposed rules and for input on the fiscal and economic impact statement. As ORS 183.333 requires, DEQ will ask for the committee's recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

The committee will review the draft fiscal and economic impact statement and will share its comments findings with DEQ staff, who will document those comments and findings.

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Proposal: Add new energy economy ratios

DEQ is proposing to add two new categories of EERs:

- for electric cargo handling equipment
- for electric shorepower for ocean-going vessels

OAR 340-253-0330, -8010

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FIS: Add new energy economy ratios

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will have a positive fiscal and economic impact to fleets that will be able to generate credits from the deployment of these EVs. There is no way for DEQ to anticipate the number of EVs that will take advantage of this proposal.

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Proposal: Delegate authority to DEQ to approve new EERs

DEQ is proposing that the EQC delegate authority to DEQ to approve new, more limited, EERs.

- The process would mirror the Tier 2 fuel pathway process in that an applicant would have to request the new EER and submit information to support the application.
- The process would also include a public comment period consistent with a rulemaking to ensure that stakeholders have the opportunity to examine the underlying assumptions and operating conditions specified in the issuance of an EER-adjusted carbon intensity (CI) value.
- This EER-adjusted CI is specific to the applicant(s) and cannot be used by any other party until sufficient information supports a new categorical EER that could then be adopted by the EQC through a rulemaking.

OAR 340-253-0460

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FIS: Delegate authority to DEQ to approve new EERs

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will have a positive FIS and economic impact to fleets that will be able to generate credits more accurately and quickly through the administrative approval of EERs. There is no way for DEQ to anticipate the number of EVs that will take advantage of this proposal.

Proposal: Allow new forklifts to generate displacement credits

DEQ is proposing to grant displacement credits to forklifts that have been placed in service since 2016 to further encourage the transition to this lower carbon option.

- Displacement credits are given to a more energy efficient alternative fuel vehicle relative to a less-efficient gasoline or diesel vehicle.
- Displacement credits are currently awarded to various types of electric vehicles including cars, buses, fixed light rail, and streetcar.

OAR 340-253-1020

FIS: Allow new forklifts to generate displacement credits

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will have a positive FIS and economic impact to forklift owners and operators as the number of credits they are eligible to generate may increase.

Proposal: Update the methodology to calculate the CI of electricity

DEQ is proposing to update this methodology in several ways:

- switch to a single year average as opposed to a 5-year rolling average
- remove the load that is allocated to a utility-specific CI. This will allow for more accurate accounting of what is left in the statewide grid mix
- replace the emissions associated with the closed Boardman coal-fired power plant with the value used for an unspecified mix of 0.428 MT/MWh to calculate the 2021 and 2022 CIs until actual data can be incorporated

OAR 340-253-0470

FIS: Update the methodology to calculate the CI of electricity

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will likely result in a slight increase in the statewide CI which will slightly decrease the amount of base credits generated per unit of fuel used.

Proposal: Allow for the retirement of RECs to claim zero carbon electricity

DEQ is proposing to allow for the retirement of renewable electricity credits (RECs) to offset the electricity used as a transportation fuel. RECs must be:

- Green-e certified, (or equivalent)
- generated 2015 and newer, and
- delivered to a balancing authority that includes Oregon (plus PacifiCorp-East).

➢ Bundled and unbundled RECs can be retired individually, from participation in a utility green power product (such as, potentially, PAC and PGE's Blue Sky and Green Source programs), and through participation in a power purchase agreement.

➢ RECs can be retired for both residential and non-residential vehicle charging.

OAR 340-253-0470, -0640, -0330, -1020

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FIS: Allow for the retirement of RECs to claim zero carbon electricity

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will have a significant positive FIS and economic benefit to those who can retire RECs to generate incremental credits due to the large increase in credit generation. There is a cost to the acquisition and management of RECs in this proposal, but that cost is likely offset by the revenue from selling incremental credits resulting in a net benefit to the credit generator.

Proposal: Establish parties eligible to generate incremental credits

DEQ is proposing to allow many of the same parties to generate the incremental credits as those who are eligible to generate the base credits. For non-residential charging:

- the EV charger owner for public, fleets, workplaces, and multi-unit dwellings charging
- the transit agency for light rail, street car, aerial tram, or electric buses
- the fleet owner or operator for forklifts

OAR 340-253-0330

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Proposal: Establish parties eligible to generate incremental credits

For residential charging:

- the utilities on behalf of their EV-owning customers, with a notification to DEQ.
- an Incremental Aggregator for the remaining residential incremental credits and any unclaimed non-residential incremental credits.

DEQ will convene an equity advisory committee to assist in:

- developing criteria to ensure that the revenue from the incremental credits will be focused on projects that prioritize underserved communities and those that are most vulnerable to the impacts of climate change
- developing the annual work plan of projects

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FIS: Establish parties eligible to generate incremental credits

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will have a significant positive fiscal and economic benefit to the parties eligible to generate the incremental credits – EV charger owners, transit agencies, forklift owners and operators, utilities, and the Incremental Aggregator.

BREAK TIME

BREAK TIME

BREAK TIME

We’ll be back at: 2:45

Proposal: Allow for advance crediting for certain fleets

DEQ is proposing to allow fleets to apply for “advance credits”. In order to mitigate risks, DEQ is proposing to limit this advance crediting provision to:

- transit agencies
- school districts
- public fleets
- fleets that are contracted or provide services at facilities owned by those entities

Fleets will have to submit an application to DEQ. DEQ and the applicant will negotiate the terms of the advance including the number of years’ worth of credits that will be advanced, the payback period, and what happens if the terms are violated. If the number of credits advanced are not paid back by the end of the payback period, the applicant will have to retire additional credits to repay the loan.

OAR 340-253-1100

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FIS: Allow for advance crediting for certain fleets

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal will have slight positive fiscal and economic benefit to the fleets that participate in this provision. The impact is slight since the advancing of credits effectively is a loan rather than granting extra credits; and that loan helps quicken the fuel cost and operations and maintenance benefits realized from switching from a petroleum fuel to electricity. As envisioned, the advancing of credits is intended to incentivize additional purchases of EVs and a quicker conversion of an entire fleet.

Proposal: Increase the frequency of residential EV crediting

DEQ is proposing to allow DEQ to issue residential EV credits at least twice per year.

- DEQ envisions that we would receive EV registration data from DMV in February for the second half of the previous calendar year and in August for the first half of the current calendar year and that DEQ could issue the residential credits in March and September.
- This would apply to both base and incremental residential credits.

OAR 340-253-1020

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FIS: Increase the frequency of residential EV crediting

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

This proposal does not have a significant fiscal and economic impact. Approximately the same number of credits will be generated, but on a more frequent cycle; and the revenue from the sale of those credits will not significantly differ. This proposal may provide additional liquidity to the clean fuels market as the number of electricity credits that are generated in the future increases but this will not be significant in the near term.

Aggregate Fiscal Impact Analysis of the Proposed Rules

Overall, the proposals contained in this rulemaking will likely result in the generation of more credits and therefore may lower the program's overall cost of compliance to regulated parties, applying the basic economic principle of supply and demand.

Statement of Cost of Compliance: DEQ

For DEQ, implementing these proposals will require several new processes but they can all be accomplished with existing resources. DEQ believes that its existing reporting tool can accommodate many of the additional data requirements and that some minor manual adjustments might be needed for everything else. Most significantly, the establishment of the equity advisory committee and the Incremental Aggregator will require significant resources in the initial years but that cost difference should decrease in future years.

Statement of Cost of Compliance: Other state agencies and local governments

Many other state agencies and local governments are generators of credits since they own EVs and chargers. Changes to the CI of electricity will affect the number of base credits generated. They will also have the option of generating the incremental credits for those chargers. Additionally, the advance crediting provision are available to these public entities which might be a strong incentive to advance fleet electrification goals. Many cities are also electric utilities and they will be subject to the additional reporting requirement.

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Statement of Cost of Compliance: Public

The fiscal and economic impact to the general public should be negligible in that no additional costs are anticipated. In fact, the public will benefit from lower air pollution whenever EVs replace dirtier vehicles. The members of the public that are EV owners will likely see an increase in charging infrastructure and incentives that benefit the EV ecosystem broadly as credit generators reinvest their credit revenue.

Statement of Cost of Compliance: Large Businesses

- Currently, approximately 200 entities are registered to participate in the CFP. Approximately 50 are registered as credit generators and provide electricity as a transportation fuel.
- These credit generators are a combination of large and small businesses.
  - The large businesses, approximately 45, are a mix of private EV charging companies, electric utilities, and local governments.
  - The small businesses, approximately 5, are primarily companies that are registered as an aggregator to assist larger companies in reporting data and managing credit transactions.
- As generators of electricity credits, these businesses will benefit from these proposed rules due to the potential to generate even more credits.

Statement of Cost of Compliance: Small Businesses

- Approximately 5 small businesses are affected by these proposed rules. The small businesses are primarily companies that are registered as an aggregator to assist larger companies in reporting data and managing credit transactions.
- There is minimal additional reporting, recordkeeping, other administrative activities, additional equipment, supplies, or labor that are associated with these proposed changes that will affect the small businesses.
- Those costs are offset by the revenue those businesses are likely to receive from the additional credit generation that these proposed changes likely will facilitate.

Fiscal and Economic Impact Analysis

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Questions?

Questions on these slides or any aspect of the draft renewable electricity / credit generator / incremental credit rules?

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Public Comment Period

Is there anybody from the public that has comments they wish to make at this time?

Next Steps

- Comments are requested by Tuesday, December 8th so that DEQ can incorporate them into the Notice of Proposed Rulemaking

- Please send all written comments to: CFPE2021@deq.state.or.us

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