



Oregon Department of Environmental Quality

Climate Protection Program

Frequently Asked Questions for Covered Entities

This document provides answers to common questions about Climate Protection Program (CPP) for covered entities. Please see [Oregon Administrative Rules chapter 340, division 273](#) 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 entity?

To assist in determining whether your company is covered under the CPP, DEQ has created a list of [covered fuel suppliers](#), which includes covered local distribution companies and covered liquid fuel and propane suppliers, and [covered EITE and DNG sources](#) for 2025. However, it is each entity's responsibility to determine if it is covered by the CPP.

Are you a covered local distribution?

Oregon's three natural gas utilities are all covered fuel suppliers.

Are you a covered liquid fuel or propane supplier?

A liquid fuel or propane supplier is covered if its annual covered emissions meet or exceed a threshold specified in program rules in any of the applicability determination calendar years. The threshold declines over time. This is shown below in Table 1 below and is also available in Table 1 in OAR 340-273-9000.

Related entities must aggregate their emissions for evaluation of this threshold. If a group of related entities 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 26](#)).

Scenario A: A group of related entities collectively emitted 150,000 MT CO₂e in 2020. Each related entity would be covered beginning in 2025 because 2020 is an applicability determination for 2022 and the threshold for 2025 is 100,000 MT CO₂e.

Scenario B: A group of related entities collectively emitted 50,000 MT CO₂e in 2023, 2024, 2025, and 2026. Each related entity would be covered beginning in 2028 because 2025 through 2028 are applicability determination years for 2028 and the threshold for 2028 is 50,000 MT CO₂e.

Scenario C: A group of related entities collectively emitted 40,000 MT CO₂e in 2025, 2026, and 2027, but then ceased operations in Oregon and had no covered emissions in future years. None of these related entities would be covered by the program because their collective emissions are below the applicability thresholds for 2025 through 2027.

Scenario D: A covered fuel supplier has covered emissions of 50,000 MT CO₂e in 2020, 2022, 2023, and 2024 and 100,000 MT CO₂e in 2021. The covered fuel supplier is covered in 2025.

Scenario E: A covered fuel supplier begins supplying fuel to Oregon in July of 2026 and has covered emissions of 125,000 MT CO₂e from July – December 2026. The covered fuel supplier becomes covered in 2026.

Table 1: Applicability Determination Calendar Years and Threshold for Liquid Fuel and Propane Suppliers

Applicability determination calendar year(s)	Threshold for applicability to compare to annual covered emissions	Calendar year a person becomes a covered fuel supplier
Any year from 2020 through 2025	100,000 MT CO ₂ e	2025
2026	100,000 MT CO ₂ e	2026
2027	100,000 MT CO ₂ e	2027
Any year from 2025 through 2028	50,000 MT CO ₂ e	2028
2029	50,000 MT CO ₂ e	2029
Any year from 2028 through 2030	25,000 MT CO ₂ e	2030
2031	25,000 MT CO ₂ e	2031
Each subsequent year	25,000 MT CO ₂ e	Each subsequent year

Are you an emissions-intensive, trade-exposed (EITE) source?

An air permitted facility is a covered emissions-intensive, trade-exposed (EITE) source if it operates in a sector listed in Table 7 in OAR 340-273-9000 and has covered emissions above 15,000 MT CO₂e in 2020 or any subsequent year.

Are you a direct natural gas (DNG) source?

An air permitted facility is a covered direct natural gas (DNG) source if it does not operate in a sector listed in Table 7 in OAR 340-273-9000, receives natural gas from an entity other than a local distribution company, and has covered emissions above 15,000 MT CO₂e in 2020 or any subsequent year.

2. What are covered emissions for covered fuel suppliers?

Covered emissions are further described in OAR 340-273-0110(3) and (4).

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 and natural gas. This includes the use of these fuels in marine transport or uses.

Covered emissions do not include emissions from biomass-derived fuels. For liquid fuel and propane 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 or emissions from natural gas supplied to a covered EITE facility.

3. What are covered emissions for EITE and DNG sources?

Covered emissions are further described in OAR 340-273-0110(5) and (6).

Covered emissions include all anthropogenic greenhouse gas emissions, including from all uses of natural gas and solid fuels, from energy production, from industrial processes, and any other processes.

Covered emissions do not include emissions from biomass-derived fuels, liquid fuels or propane, emissions from electric power generating plants, or emissions from landfills.

4. How do covered entities report emissions?

Covered entities are required to report greenhouse gas emissions to [DEQ's Greenhouse Gas Reporting Program](#) according to OAR chapter 340, division 215. This includes the requirement to engage the services of a third party verification body for the annual verification of emissions data submitted according to the Greenhouse Gas Reporting Program. This requirement applies to covered entities regardless of whether they meet the general third party verification threshold of 25,000 MT CO₂e reported annually. See the [Oregon Third Party Verification Program](#) webpage for additional details or contact 3PVerify@deq.oregon.gov.

The data submitted to the [DEQ Greenhouse Gas Reporting Program](#) is used to help determine covered emissions and compliance obligations for CPP covered entities.

5. What is a related entity?

Covered emissions from related entities are grouped when evaluating the threshold for liquid fuel and propane suppliers (see [question 1](#)). 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 liquid fuel and propane supplier must apply for its own CPP permit, will receive its own distribution of compliance instruments, and is responsible for its own compliance with the program.

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.

If DEQ believes that a covered liquid fuel and propane 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 emissions to the DEQ Greenhouse Gas Reporting Program, 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.

6. What is required of a covered entity?

Covered entities must:

1. Apply for and hold a CPP permit to authorize emissions of greenhouse gases according to OAR chapter 340, division 273.
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 to DEQ by the compliance deadline following each applicable compliance period.
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.

7. What happens if there is a change in ownership?

If a covered entity changes ownership, it remains covered (until it otherwise qualifies for cessation, see [question 26](#)). The covered entity continues to hold compliance instruments and CCI credits. All changes in ownership must be reported with the information described in OAR 340-273-0120(1).

CPP Permits

8. What is a CPP permit?

A CPP permit authorizes a covered entity to emit greenhouse gases as provided in OAR chapter 340, division 273. The permittee must comply with all requirements of OAR chapter 340, division 273. The permit term begins when an entity becomes covered and does not expire until the entity ceases to be covered.

9. When are CPP permit applications due for covered fuel suppliers? What information is required?

A covered fuel supplier must apply for a CPP permit by April 15 of the year following the calendar year in which they become covered, within 30 days of being notified by DEQ of the requirement to be permitted, or by another date DEQ specifies in the notification that is at least 30 days after the date of the notification. DEQ anticipates notifying covered fuel suppliers identified at the outset of the program of permit requirements in April or May 2025. CPP permits for covered fuel suppliers include basic identifying information and information about any related entities, if applicable. DEQ anticipates that the CPP permit application will be available through [Your DEQ Online](#).

10. When are CPP permit applications due for covered EITE and DNG sources? What information is required?

A covered EITE or DNG source must apply for a CPP permit by April 15 of the year following the calendar year in which they become covered, within 60 days of being notified by DEQ of the requirement to be permitted, or by another date DEQ specifies in the notification that is at least 60 days after the date of the notification. DEQ anticipates notifying covered EITE and DNG sources identified at the outset of the program of permit requirements between August and November 2025.

CPP permits for covered EITE and DNG sources will include identifying information and additional information about the production or operational processes at each facility. DEQ anticipates that collecting this information may require an iterative process between DEQ and the covered EITE or DNG source. DEQ intends to use the information collected from EITE and DNG sources during the CPP permitting process to help inform a future rulemaking where DEQ would work towards developing carbon emissions intensity targets for the regulation of these sources. DEQ would first need to establish baseline carbon emissions intensity targets which would calculate the number of emissions emitted per unit of product at each EITE or DNG source. DEQ would then need to specify how any baseline carbon emissions intensity targets would decline over time.

Compliance demonstration

11. What are compliance instruments?

Compliance instruments are distributed by DEQ for free to covered entities. Each compliance instrument represents one ton (MTCO_{2e}) of covered emissions. The total number of compliance instruments DEQ distributes to all covered entities is equal to the cap for each year, as stated in Table 2 in OAR 340-273-9000 (except any compliance instruments held in the compliance instrument reserve described in [question 18](#) and for the one-time distribution of additional compliance instruments to liquid fuel and propane suppliers for 2025 as describes in [question 19](#)).

12. How do covered entities demonstrate compliance?

Compliance periods and demonstration of compliance are described in OAR 340-273-0440 and OAR 340-273-0450. Covered entities demonstrate compliance by submitting compliance instruments and, if they choose, CCI credits to DEQ equivalent to each ton of covered emissions in a compliance period. Covered entities demonstrate compliance in the year following the end of each compliance period. As shown in Table 2 the first compliance period is for three years (2025-2027), with a demonstration of compliance in December 2028. Each subsequent compliance period is for two years.

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 2028-2029, compliance instruments distributed in 2025 could be used, but not compliance instruments distributed in 2030.

The amount of CCI credits that a covered entity can choose to use are limited to a specific percentage per compliance period. There is also a limitation on how long CCI credits can be used to demonstrate compliance. See [question 24](#) for more details.

Table 2: Demonstration of Compliance

Compliance Period	Years	Percent of compliance obligation that can be achieved with CCI credits	Demonstration of Compliance Deadline
1	2025 through 2027	15%	Dec. 9, 2028
2	2028 through 2029	20%	Dec. 9, 2030
Each subsequent compliance period	Each subsequent 2-year period	20%	December 9 of every second year

If a covered entity does not demonstrate compliance with each ton of its covered emissions for any compliance period, the covered entity's compliance obligation, then the covered entity would be in violation of the CPP. Each ton of a compliance obligation for which a covered entity 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.

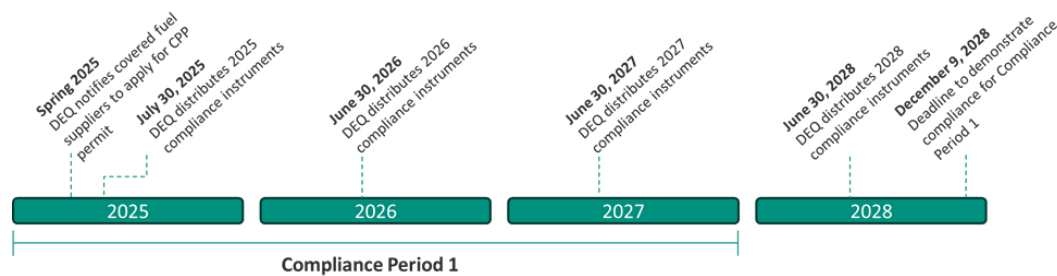
13. When do EITE and DNG sources first demonstrate compliance?

Covered EITE and DNG sources are exempt from compliance obligations for the first compliance period. Covered EITE and DNG sources will be required to demonstrate compliance in December 2030 for the second compliance period. Covered EITE and DNG sources will not receive compliance instruments in the first compliance period and will not be able to choose to earn CCI credits until the second compliance period. See [question 24](#) for more information on CCI credits.

14. When do covered fuel suppliers first demonstrate compliance?

Figure 1 highlights some key dates for covered fuel suppliers. Covered fuels suppliers will first demonstrate compliance in December 2028 for the first compliance period.

Figure 1: Key Dates



- July 30, 2025: Last date by which DEQ will distribute 2025 compliance instruments
- June 30, 2026: Last date by which DEQ will distribute 2026 compliance instruments
- June 30, 2027: Last date by which DEQ will distribute 2027 compliance instruments
- Nov. 14, 2028: Last date to apply for CCI credits to use for 2025 – 2027 compliance
- December 9, 2028: Deadline to demonstrate compliance for compliance period 1

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

Covered entities will be subject to declining and enforceable caps on greenhouse gas emissions. DEQ does not establish a specific emissions reduction or limit for each individual covered entity. The specific emissions reduction will vary among covered entities based on their own compliance strategies.

DEQ will distribute compliance instruments to covered entities for free. Covered entities can also trade compliance instruments and use banked (unused) compliance instruments from one compliance period for a future period. Covered entities can choose to earn CCI credits by making contributions to a DEQ-approved CCI entity or entities. CCI credits cannot be traded but unused CCI credits can be banked for one compliance period.

16. How could I comply with the CPP?

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

Compliance instruments distribution

17. How will compliance instruments be distributed to covered fuel suppliers in the first compliance period?

DEQ will distribute compliance instruments annually by June 30, except for 2025, and notify each covered entity of its distribution. DEQ will distribute 2025 compliance instruments no later than July 30, 2025, due to the extension of reporting deadlines for the Greenhouse Gas Reporting Program. The total number of compliance instruments DEQ distributes to all covered entities will be equal to the cap for each year, as stated in Table 2 in OAR 340-273-9000 (except any compliance instruments held in the compliance instrument reserve described in [question 18](#) and the one-time distribution of addition 2025 compliance instruments in OAR 340-273-0400 and described in [question 19](#)).

Each natural gas utility receives the percentage of compliance instruments from the cap each year as stated in Table 4 in OAR 340-273-9000.

All remaining compliance instruments are distributed to liquid fuel and propane suppliers. The number of compliance instruments DEQ will distribute to each liquid fuel and propane supplier is based on its proportion of covered and biofuel emissions from all covered liquid fuel and propane suppliers in the previous year, calculated according to OAR 340-273-0420(4). DEQ will also hold a portion of compliance instruments in a reserve to maintain the reserve size listed in OAR 340-273-9000, Table 3. DEQ will distribute from the reserve to liquid fuel and propane suppliers if they are not able to receive a proportional distribution.

To use the most recent emission data, DEQ first use unverified emission data when calculating the distribution of compliance instruments. DEQ will apply a verified emission correction factor each year once emissions have been verified. See [the covered fuel supplier training](#) for illustrative examples of the distribution of compliance instruments.

18. What is the compliance instrument reserve?

The purpose of the compliance instrument reserve is to hold compliance instruments for liquid fuel and propane suppliers who are not eligible for the proportional distribution. For example, a fuel supplier who becomes covered based on its 2025 emissions would not have been included in the 2025 distribution of compliance instruments.

DEQ will hold in the reserve 800,000 compliance instruments from 2025. If a covered liquid fuel and propane 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 340-274-9000). Any remaining balance rolls over.

19. Will I receive additional 2025 compliance instruments?

As stated in OAR 340-273-0400, in 2025 DEQ will add together the 2022, 2023, and 2024 emissions that would have been considered covered emissions for all fuel suppliers that individually, or as a group of related entities, had covered emissions greater than or equal to 200,000 MT CO₂e from any calendar year between 2018 and 2022. If these total emissions are below 81,003,850 MT CO₂e (which was the total emissions cap from 2022 through 2024 in the previous CPP), DEQ will distribute the difference to all covered liquid fuels and propane suppliers as a one-time distribution in 2025. All liquid fuel and propane suppliers who are covered entities at the time of the 2025 compliance instrument distribution will be eligible to receive these additional compliance instruments.

Any additional 2025 compliance instruments will be distributed based on each covered liquid fuels and propane suppliers proportional share of total emissions from biofuels supplied in Oregon from 2022 through 2024.

20. How will compliance instruments be distributed to covered entities in the second and future compliance periods?

Covered EITE and DNG sources begin receiving a distribution of compliance instruments in 2028 as described in OAR 340-273-0410, with each receiving compliance instruments equal to its average emissions from 2022 and 2023 multiplied by the emission reduction target in OAR 340-273-9000 Table 8. After compliance instruments are distributed to these EITE and DNG sources, the steps outlined in [question 17](#) will be repeated.

DEQ intends to conduct a future rulemaking where DEQ would work towards developing carbon emissions intensity targets for the regulation of covered EITE and DNG sources. If DEQ can establish carbon intensity targets, these targets would be used to determine the number of compliance instruments DEQ distributes to each covered EITE or DNG source instead of the methodology described above. DEQ would need to establish baseline carbon emissions intensity targets which could calculate the number of emissions emitted per unit of

product at each EITE or DNG source. DEQ would then need to specify how any baseline carbon emissions intensity targets would decline over time.

21. What are compliance instrument trades?

Two covered entities 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 340-273-0500 and OAR 340-273-0510.

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

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

22. How do compliance instrument holding limits work?

Liquid fuel and propane suppliers are subject to a compliance instrument holding limit, which is calculated on November 22 of the year following the end of each compliance period (roughly two weeks before each compliance deadline). The holding limit is equal to 150% of an entity's total covered and biofuel emissions from the previous compliance period. If, at the time the holding limit is calculated, a liquid fuel and propane supplier is holding more compliance instruments than this limit, the fuel supplier will receive reduced compliance instruments in future distributions by the amount they exceeded the limit.

23. Will additional 2025 compliance instruments be subject to holding limit?

After distribution, any additional 2025 compliance instruments will be treated in the same as other 2025 compliance instruments and will be subject to the holding limit.

Community climate investment (CCI) credits

24. What is a CCI credit and how do I earn it?

In addition to compliance instruments, covered entities may comply, in part, by choosing to earn and use CCI credits. Covered entities can earn CCI credits by contributing funds to DEQ-approved CCI entity or entities. CCI entities then implements projects that reduce anthropogenic greenhouse gas emissions in Oregon, prioritizing projects that benefit Oregon's environmental justice communities.

Once DEQ distributes CCI credits, the covered entity holds the CCI credit until it is used, until the covered entity ceases to be covered, or until two demonstration of compliance deadlines pass without the covered entity choosing to use the CCI credit. Covered entities can meet up to 15% of their compliance obligation for the first compliance period (2025 – 2027) with CCI credits, and 20% in subsequent compliance periods.

When DEQ has completed written agreements with provisional CCI entities and has announced a CCI entity or entities, covered entities can choose to earn CCI credits. DEQ aims to announce approved CCI entities by the end of 2026. For information on community climate investments see the March 2025 [information session](#). CCI credit provisions for covered entities are in OAR 340-273-0810 through OAR 340-273-0890.

25. What is the CCI credit contribution amount?

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

The amount of CCI credits a covered entity 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 \$2024 are listed in OAR 340-273-9000 Table 6.

By March 1 of each year, DEQ will post on the CPP website the inflation adjusted contribution amount to be effective March 1 through the end of the following February. The formula used for the inflation adjustment is outlined in OAR 340-273-0820.

Cessation

26. How does a covered entity cease to be covered?

If a covered entity's covered emissions are 0 MT CO₂e for six consecutive calendar years, it ceases to be covered. If a liquid fuel and propane supplier's covered emissions are below 25,000 MT CO₂e per year for six consecutive years, it may apply for cessation. If a covered EITE or DNG source's covered emissions are below 15,000 MT CO₂e per year for six consecutive years, it may apply for cessation. This is further described in OAR 340-273-0130.

27. Where can I find more information?

Information is posted to Climate Protection Program [website](#). You may also contact cpp.info@deq.oregon.gov with questions or to schedule a meeting. Additional resources which may be helpful include:

- [Covered fuel supplier training](#) and CCI [information session](#).
- [Fuel suppliers](#) and [EITE and DNG sources](#) resources.

Non-discrimination statement

DEQ does not discriminate on the basis of race, color, national origin, disability, age, sex, religion, sexual orientation, gender identity, or marital status in the administration of its programs and activities. Visit DEQ's [Civil Rights and Environmental Justice page](#).