

# Technical Workshop 3

## Alternative Compliance Options

Design Scoping for a Greenhouse Gas  
Emissions Cap and Reduce Program

Sept. 2, 2020

# Introductions

## Oregon DEQ

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# Cap and Reduce

**Executive Order 20-04 directives to EQC and DEQ:**

## **Sector-Specific Cap and Reduce Program**

- 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

# Pre-Rulemaking Public Engagement Opportunities

## **Technical Workshops (August & September)**

Detailed discussions about specific policy design options, key issues, and solutions

## **Town Halls (October)**

DEQ presentation followed by public comment period

## **Additional Opportunities (Ongoing)**

- Submit written comment after meetings
- Focused stakeholder meetings to address specific issues of interest, as requested
- Briefings provided to and meetings with community organizations, as requested

# Technical Workshops

## Purpose

- Engage across-the-table discussions of program design features
- Seek opportunities to address issues of interest
- Identify areas for attention during the rulemaking
- Offer multiple, accessible options for comment

## Goals

- DEQ acquires useful information and perspectives
- Productive conversation on interests and issues related to the topic is facilitated across stakeholders
- Common understanding of priority issues, legal constraints, potential policy mechanisms and implications
- Stakeholders inform design and direction of rulemaking

# Today's Agenda

Time	Topic
9:00 a.m.	Welcome, introductions, overview, and defining the topic
9:20 a.m.	Input from stakeholders unable to join the entire meeting
9:30 a.m.	Considerations for allowable alternative compliance options
10:15 a.m.	Break
10:30 a.m.	Considerations for limiting usage of alternative compliance options
11:15 a.m.	Considerations for existing registries versus DEQ-specific protocols
12:00 p.m.	Emerging issues and remaining questions
12:25 p.m.	Next steps
12:30 p.m.	Adjourn meeting

# Meeting 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**



# Comment Protocols

- Stay on mute when not speaking, and feel free to join us on video
  - For questions or comment, use “**Raise Your Hand**” button to get in the queue; if joined by phone, press \*9 to raise hand
  - When it is your turn to speak, the facilitator will call on you
  - Say your name and affiliation before speaking
  - Use the “Chat” feature for help troubleshooting any issues

The meeting will not be recorded. A summary will be posted to the cap and reduce webpage:

[www.oregon.gov/deq/ghgp/Pages/capandreduce.aspx](http://www.oregon.gov/deq/ghgp/Pages/capandreduce.aspx)



# Working Definition

**Alternative compliance options** are projects and activities that reduce or remove GHG emissions, generally those outside the program's scope



# Defining the Topic: Alternative Compliance Instruments

**Whether/how to allow use of alternative compliance options to broaden and add flexibility in a cap and reduce program(s)**

- Should ACO be allowed? If so, how and when?
- If so, what should qualify as an ACO?
- What limitations should there be on the usage of ACO?

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# Benefits of Alternative Compliance Options



Allow compliance flexibility for finding the most cost-effective opportunities



Reduced cost of compliance can give regulated entities time to find long-term emissions reduction opportunities in their own operations



Can have environmental and economic co-benefits through:

- improvements in local water, land, and air quality
- investments in local communities

# Concerns with Alternative Compliance Options



Administrative complexities

- Definition of alternatives
- Risk of double counting



May discourage reductions in covered sectors and defer co-benefits (such as air quality improvements) for some impacted communities



Accuracy and integrity of the emissions reductions accounting

# Determining What Might Qualify

- Only outside program scope / early action credit?
- A few examples:
  - Agricultural projects
  - Forestry practices
  - Methane capture
  - Reduced methane leakage
  - Destruction of ozone depleting substances

# Integrity of Emissions Reductions Matter

## Real

- Actual reductions from a credible baseline and not theoretical and do not cause leakage

## Measurable

- Quantifiable and accurately measured or estimated

## Additional

- In addition to what would have occurred compared to business as usual or as otherwise required by existing laws or regulations

## Permanent

- Long-term in nature or include contractual replacement in case of natural reversal

## Monitored

- Accurate on-going monitoring and data collection

## Verifiable

- calculations, monitoring, and reporting



# Key Questions for Discussion

## Considerations for Allowable Alternative Compliance Options

- Should the program allow for alternative ways of complying with cap(s) beyond DEQ-issued instruments?
- Should alternative compliance options be allowed based on emissions reductions in unregulated sectors, early action, both, or other options?
- If early action investments are allowed, what considerations are there? Are there concerns for double counting?
- What other considerations are there for integrity criteria?

**Zoom:**



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**We will keep the webinar open and will pick up with the next agenda item at 10:30 a.m.**

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# Key Connection to Program Stringency

- Initial cap and decline over time may be set with an understanding of the available (or lack of) alternative compliance options
- Quickly declining caps with few alternatives could result in an expensive and economically-disruptive program
- Modest decline in caps with a wide variety of readily available alternatives could result in little incentive to reduce emissions within the covered sectors

# Key Connection to Impacted Communities

- Certain communities have experienced systemic neglect to environmental improvement, and are experiencing some of the first and worst impacts of the changing climate
- Reducing GHGs can also reduce health-hazardous co-pollutants
- Ability to use alternative compliance instruments may allow existing polluters to reduce emissions less on site than they would have had to otherwise
- Some sources of pollution are located in or near these impacted communities

# Considerations for Limiting Usage

## Why limit usage?

- Limits to DEQ/EQC oversight of alternatives
- Desire to reduce emissions within the capped sectors
- Encourage positive outcomes for impacted communities

## Key considerations

- General availability
- Type of activity or project
- Geography
- Use up to a percent of compliance obligation

# Key Questions for Discussion

## Limiting Usage of Alternative Compliance Options

- What considerations are there for limiting how much a regulated entity can use alternative compliance instruments?
- What considerations are there for impacted communities in limiting usage of alternative compliance instruments?
- What considerations are there for limiting the type and geographic location of alternative compliance options, such as limitations on use of projects outside Oregon?

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# Considerations for Existing Registries

- There are existing third-party protocols and registries that create criteria for integrity
  - Provide an established way for participants to buy and sell qualifying alternative compliance instruments, with already visible prices and availability
- DEQ will have to:
  1. Identify an appropriate existing entity and protocols to rely on to support integrity;
  2. Develop its own set of integrity criteria and oversight means; or
  3. Some combination of the above

# Key Questions for Discussion

## Considerations for Existing Registries

- Should DEQ adopt the use of an existing third-party protocol that establishes quality control criteria for alternative compliance options?
- Should DEQ create its own criteria?
- What are the implications for long-term consistency if DEQ were to alter protocols after the start of the program?

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# Key Questions for Discussion

## Emerging Issues and Remaining Questions

- What issues have been raised that should have continued discussions?
- What issues relating to this workshop topic were not raised that should be discussed?
- What issues remain or need further discussion that should be brought up during the rulemaking?

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# Next Steps

- A summary of today's workshop will be posted to the cap and reduce website:  
[www.oregon.gov/deq/ghgp/Pages/capandreduce.aspx](http://www.oregon.gov/deq/ghgp/Pages/capandreduce.aspx)
- DEQ will announce upcoming meetings two weeks in advance. Meeting materials including issue brief, agenda, and slides will be posted to the website prior to each meeting:
  - Workshop 4 on Distribution of Compliance Instruments
    - Wednesday, Sept. 9, 9 a.m. – 1:30 p.m.
  - Workshop 5 on Cost Effectiveness
    - Tuesday, Sept. 15, 9 a.m. – 1:30 p.m.
  - Workshop 6 on Impacted Communities
    - Thursday, Sept. 17, 9 a.m. – 1 p.m.
- Future public comment opportunities will be posted to the cap and reduce website

# Contact Us

- **Email:** [CapandReduce@deq.state.or.us](mailto:CapandReduce@deq.state.or.us)
  - Please submit any comments in relation to this workshop within the next week (by September 9)
- **Sign up for updates:**  
[www.oregon.gov/deq/ghgp/Pages/capandreduce.aspx](http://www.oregon.gov/deq/ghgp/Pages/capandreduce.aspx)
- **For alternative formats and materials in languages other than English:** 800-452-4011 or email [deqinfo@deq.state.or.us](mailto:deqinfo@deq.state.or.us)