

2020 Credit Clearance Market

In 2017, the Oregon Legislature passed HB 2017 that added new provisions to the Clean Fuels Program including a Credit Clearance Market. The CCM creates a clear path for regulated parties to come into compliance with the clean fuel standards in the event that they are short in the number of credits they need to comply. The mechanism strengthens the program by setting the maximum compliance cost for the program, reducing the possibility of credit price spikes, and maintaining the incentive to invest in low carbon fuel production and distribution. The CCM also creates a clear maximum price for selling credits at the end of a compliance period, and thus caps the cost of complying with the program. Regulated parties should make all efforts to buy credits in the normal market and should not rely on the CCM.

How does the Credit Clearance Market work?

The CCM works by allowing regulated parties to roll over any uncovered deficits at the end of the compliance period. Regulated parties can purchase credits that are pledged into the CCM by credit holders to meet their compliance obligations.

Buyers in the Credit Clearance Market

Buyers in the CCM are regulated parties that do not have enough credits to offset their deficits. Regulated parties must retire all the credits they have in their possession before entering the CCM. Buyers must purchase enough credits to cover their obligation unless the CCM doesn't have enough pledged credits. If the CCM is short pledged credits, then the buyers must purchase their pro-rata (or proportional) share of credits pledged into the CCM.

Sellers in the Credit Clearance Market

Sellers in the CCM are registered parties that have banked credits. Sellers must pledge a number of credits to the CCM and agree to sell those credits at a price no higher than \$211.97 in 2020 (and adjusted for inflation annually in future years). A seller that pledges credits into the CCM must withhold those credits from the normal market until the end of the CCM, or the date that DEQ announces that there will be no CCM that year.

Credit Clearance Market Timeline

- **April 1, 2021:** DEQ emails all registered parties to call for credits they wish to pledge into the CCM.
- **April 30, 2021:** Regulated parties must submit their annual report for the previous year and indicate to DEQ if they will need to purchase credits from the CCM.
- **May 15, 2021:** DEQ will declare, on or before this date, if the CCM is necessary. If the CCM is not necessary, then DEQ releases pledged credits to the parties that pledged them.
- **June 1, 2021:** DEQ will publish, on or before this date, a list of the companies that have pledged to sell into the CCM and a list of the companies that must buy credits in the CCM to come into compliance with the CFP. DEQ will also notify regulated parties what their pro-rata share of the pledged credits are.
- From June 1 to July 31: The CCM is in operation. Buyers and sellers negotiate amongst themselves to complete credit transfers. Parties must submit credit transfers to DEQ as per routine program requirements.
- **Aug. 31, 2021:** Regulated parties must submit their amended annual reports reflecting credits purchased through the CCM. If a party has deficits remaining after the CCM, CFP will increase the number of deficits by 5% and place into the regulated party's annual report for the following year.



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<http://www.oregon.gov/deq/air/programs/Pages/Clean-Fuels.aspx>

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