

Technical Workshop 2

Program Stringency

Design Scoping for a Greenhouse Gas
Emissions Cap and Reduce Program

Aug. 26, 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

- Take **actions** necessary to 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, and overview
9:15 a.m.	Input from stakeholders unable to join the entire meeting
9:25 a.m.	Considerations for uncertainty with COVID-19
9:45 a.m.	Considerations for type of standard: mass-based vs intensity-based
10:20 a.m.	Break
10:35 a.m.	Considerations for initial cap(s)
11:15 a.m.	Considerations for cap(s) decline over time
11:55 a.m.	Emerging issues and remaining questions
12:20 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
- 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/ghg-cap-and-reduce.aspx

Defining the Topic: Program Stringency

The level and trajectory of the cap in a greenhouse gas emissions cap and reduce program or programs

- What type of standard should the cap be?
- What is the initial level of the cap?
- How does the cap change over time?

Driven by:

- Executive Order 20-04
- The Environmental Quality Commission's statutory authority to regulate certain pollutants and entities
- Policy goals, such as the overall greenhouse gas emissions reduction targets

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COVID-19

- DEQ is sensitive to the current health and economic crisis in our program development process
- DEQ must consider both the emissions anomalies and economic disruption in 2020 and over the next several years, when determining baselines and trajectories
 - Note, 2020 data is unlikely to be available in time to inform cap setting
- DEQ plans to continue to move forward with developing a program, but COVID-19 impacts must be considered as part of the program design

Key Questions for Discussion

Considerations for Uncertainty with COVID-19

- How does (or should) COVID-19 impact program stringency?
- What considerations are there for program caps if COVID-19 persists in the near-term (i.e. next year+)?

Zoom:



yes



no

Phone:

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Type of Standard

Mass-Based

Absolute target/limit on total GHG emissions in the program

- Allowable metric tons of carbon dioxide equivalent of covered emissions that may be emitted across all regulated entities, by sector, or by entity

Key Considerations

- Certainty of emissions reductions
- Flexibility for adjustments to underlying fluctuations that influence emissions
 - Changes in population, weather, economic activity, etc.
- Ability to incentivize least-cost compliance options in a given sector
 - Energy efficiency, electrification, etc.
- Achievability of targets in the near-term
- Ease of allowing for alternative compliance options

Intensity-Based / Rate-Based

Ratio comparing the GHG emissions of a specific activity to the amount of that activity, e.g.:

- Metric tons per therm of natural gas delivered
- Metric tons per gallon of diesel delivered
- Metric tons per ton of clinker a cement manufacturer produces

Key Questions for Discussion

Type of Standard

- What are the benefits or concerns with mass-based or intensity-based standards?
- What other tradeoffs are there with mass-based or intensity-based standards?
- What ways are there to mitigate negative outcomes with either standard?

Zoom:



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Setting the Initial Cap(s)

- The initial cap sets the baseline against which overall emissions reductions by the program will be measured
- Examples from existing programs:
 - Based on historic data
 - Quebec, Massachusetts Electricity Generator Emissions Limits
 - Projected emissions
 - RGGI, California, Nova Scotia
 - Provided estimates
 - European Trading System

Key Questions for Discussion

Initial Caps

- What considerations are there for setting the initial cap level?
- Should caps differ by sector? If yes, what sector-specific considerations should there be in setting caps by sector?

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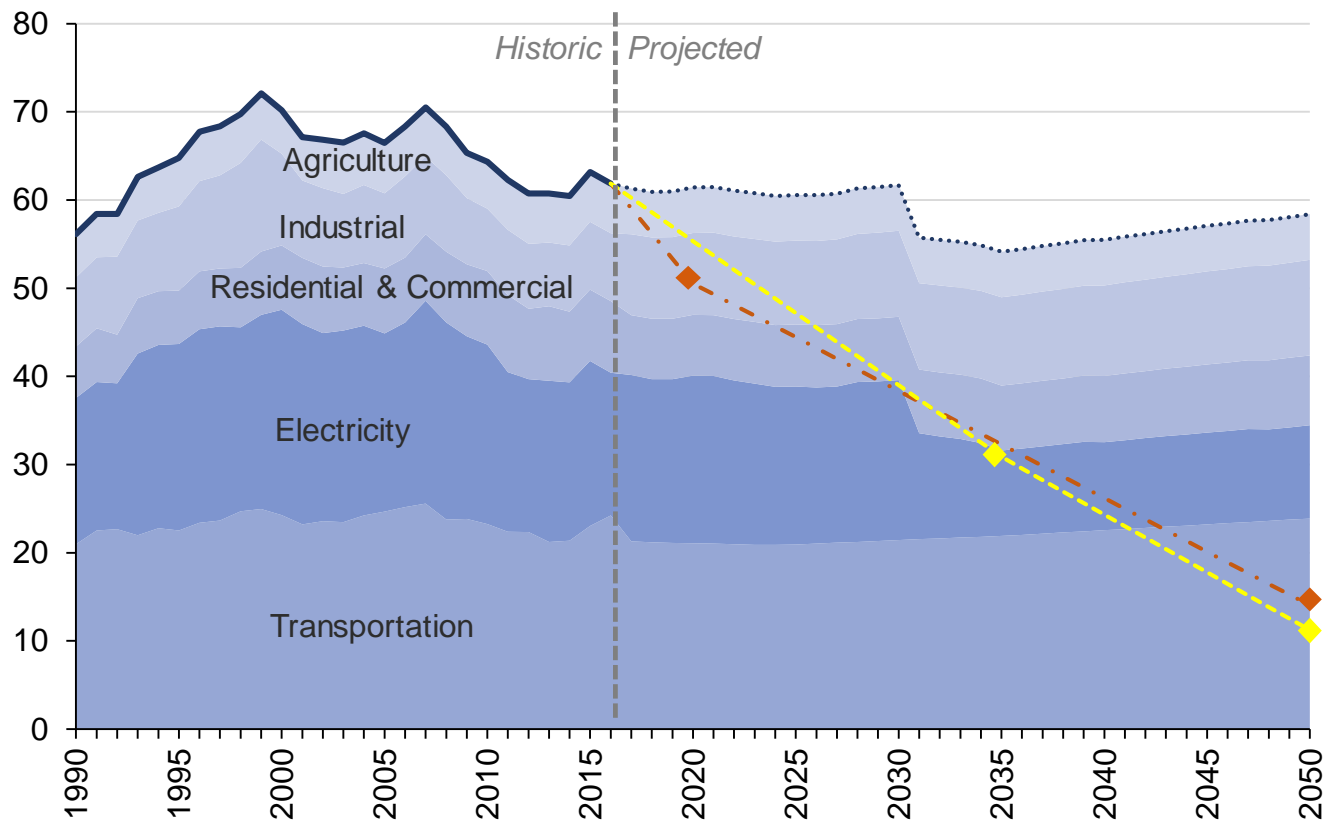
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Oregon Emissions and Trajectories

Oregon Greenhouse Gas Emissions

Million Metric Tons of
Carbon Dioxide Equivalent (CO₂e)



Oregon Legislature (2007)

10% below 1990 by 2020
51 Million MT CO₂e

75% below 1990 by 2050
14 Million MT CO₂e

Executive Order 20-04 (2020)

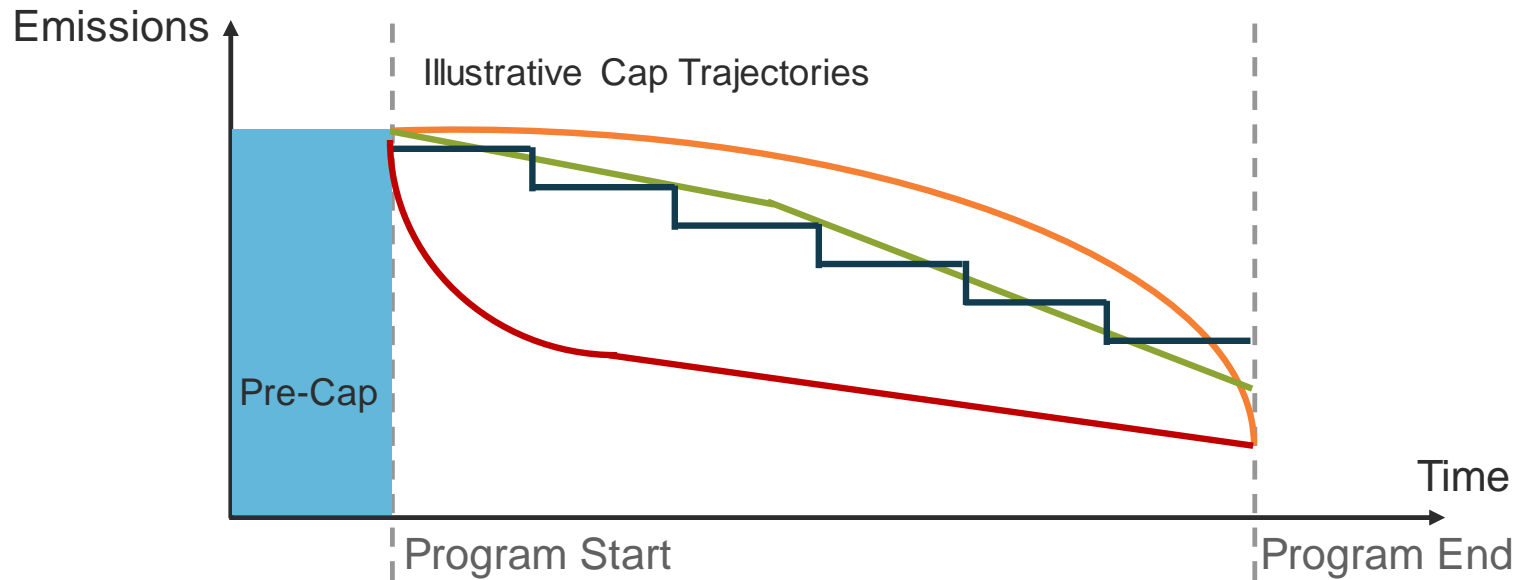
45% below 1990 by 2035
31 Million MT CO₂e

80% below 1990 by 2050
11 Million MT CO₂e

Cap Trajectories

- There are countless cap trajectory options to balance achievability of emissions reductions with interim and long-term state targets, but there are implications for cumulative emissions reductions over time
- Examples from existing programs:

RGGI	Quebec	Nova Scotia
2.5% annual decline	~3.5% annual decline	1% to 7% annual decline



Key Questions for Discussion

Cap(s) Decline over Time

- What considerations are there for setting declining caps over time?
- Are there sector-specific considerations that should be accounted for in declining cap(s)?
- How can the program(s) balance the reductions options for regulated sectors with Oregon's GHG targets?
- How/when should program performance be evaluated? Should adjustment mechanisms be considered?

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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?

Zoom:



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Connection to Alternative Compliance Options

- This program could incorporate existing currencies in established programs elsewhere...
 - Offset credits in voluntary registries
 - Offsets from regulatory programs elsewhere
- ...And/or award credits to certain activities that reduce emissions and achieve other policy objectives
- Available alternatives may inform cap setting
- There will be focused discussion on this next week:
 - What, if any, alternative compliance options should be considered, and why?
 - What restrictions on the use of these options should be considered?

Next Steps

- A summary of today's workshop will be posted to the cap and reduce website:
www.oregon.gov/deq/ghgp/Pages/ghg-cap-and-reduce.aspx
- DEQ will announce upcoming meetings two weeks in advance of each meeting date. Meeting materials including issue brief, agenda, and slides will be posted to the website prior to each meeting. Announced meetings:
 - Workshop 3 on Alternative Compliance Options
 - Wednesday, Sept. 2, 9 a.m. – 1:30 p.m.
 - Workshop 4 on Distribution of Compliance Instruments
 - Wednesday, Sept. 9, 9 a.m. – 1:30 p.m.
- Future public comment opportunities will be posted to the cap and reduce website

Contact Us

- **Email:** CapandReduce@deq.state.or.us
 - Please submit any comments in relation to this workshop within the next week (by September 2)
- **Sign up for updates:**
www.oregon.gov/deq/ghgp/Pages/ghg-cap-and-reduce.aspx
- **For alternative formats and materials in languages other than English:** 800-452-4011 or email deqinfo@deq.state.or.us