

# Technical Workshop 5

## Cost Containment

Design Scoping for a Greenhouse Gas  
Emissions Cap and Reduce Program

Sept. 15, 2020

# Introductions

## Oregon DEQ

**Colin McConnaha**

Manager, Office of GHG Programs

**Nicole Singh**

Senior Climate Policy Advisor

**Jason Eisdorfer**

Policy Advisor

**Lauren Slawsky**

Climate Policy Analyst

**Matthew Espie**

Climate Policy Analyst

**Chloe Brown**

Greenhouse Gas Programs Analyst

## Kearns & West

**Sylvia Ciborowski**

Senior Director / Facilitator

# 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, and overview
9:20 a.m.	Input from stakeholders unable to join the entire meeting
9:30 a.m.	Cost containment introduction
9:40 a.m.	Consumers and small businesses
10:10 a.m.	Compliance periods
10:45 a.m.	Break
10:55 a.m.	Compliance instrument reserves
11:40 a.m.	Lunch
12:10 p.m.	Trading and banking
1:00 p.m.	Emerging issues and remaining questions
1:25 p.m.	Next steps
1:30 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)



# Defining the Topic: Cost Containment

**Focused on program design and mechanisms to maximize greenhouse gas emissions reductions while minimizing costs to businesses and consumers**

- Connection of regulated entity cost of complying with the program to consumer cost for goods and services affected by the program
- What policy mechanisms do DEQ/EQC have available in order to design the most cost-effective program?

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# Key Considerations for Program Design

There are many program design elements that can help to maximize emissions reductions and reduce program costs. To determine which mechanisms to include, DEQ and the EQC will:

- Rely on what is allowable under existing legal authorities
- Consider policy direction from the EQC, DEQ leadership, Oregon legislature, and Executive Order 20-04
- Look to existing programs in other jurisdictions for examples

# Connections Across Technical Workshops

## Previous Workshops:

1. Program scope: ultimately, cost effectiveness will be determined by the sectors and sources covered by the program and the options to reduce emissions that are available to them
2. Program stringency: flexibility enables a more stringent cap to be met more cost effectively
3. Alternative compliance options: could open up more compliance pathways, creating flexibility and therefore more ways to contain costs
4. Distribution of compliance instruments: how compliance instruments may be used can create flexibility, optionality, and therefore more ways to contain costs

## Upcoming Workshops:

6. Impacted communities: mitigating or removing economic burden due to costs of the program is an important design consideration

# Developing the Program Design

- DEQ does not believe the EQC may be able to include:
  - Auction or ability to sell rights to emit greenhouse gases
  - Raise revenue for investment
- DEQ believes the EQC may be able to include:
  - Single or multi-year compliance periods
  - Compliance instrument reserves
  - Trading and banking of compliance instruments
  - Alternative compliance options (Workshop 3)
  - Creative solutions to mitigate negative impacts for environmental justice and impacted communities (Workshop 6)

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# Consumer and Small Business Impacts

- DEQ is sensitive to economic impacts to all consumers and small businesses
  - Fiscal impacts analysis required as part of rulemaking
  - Contracted study to evaluate program scenarios will include evaluation of economic effects
- Environmental justice and impacted communities will be discussed more specifically at the next technical workshop (#6) this Thursday



# Key Questions for Discussion

## Considerations for Consumers and Small Businesses

- What potential economic effects are there to consumers and/or small businesses?
- What considerations need to be identified and discussed for understanding potential program costs to consumers and small businesses?

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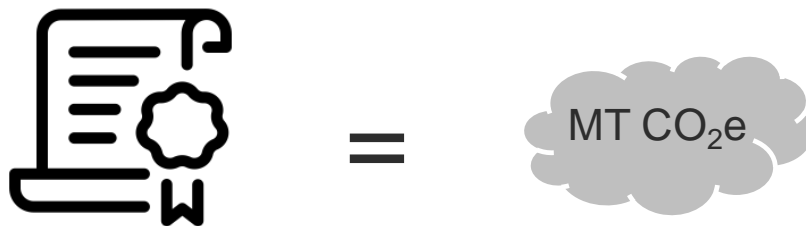
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# Defining Compliance Instruments

## Compliance Instruments

- Permit/allowance for a regulated entity to emit greenhouse gases
  - 1 compliance instrument likely equal to 1 MT CO<sub>2</sub>e
- Compliance instruments demonstrate allowable emissions under the cap
  - Regulated entities would hold compliance instruments equivalent to their emissions to comply with the program(s)
- As the cap decreases, available compliance instruments decrease



# Compliance Periods

## Annually

Must present to DEQ compliance instruments (in the following year) in an amount equal to emissions (of the previous year)

## Multi-year

Must present to DEQ compliance instruments (in the following year) to partially represent emissions (of the previous year) in each year for some number of years, with complete demonstration of compliance at the end of the period

Example Jurisdiction	# of years
California	2 → 3
Nova Scotia	4
RGGI	3
Quebec	2 → 3

# Key Questions for Discussion

## Considerations for Compliance Periods

- What compliance period considerations are there for cost containment and increased compliance flexibility?
- What length of time for compliance periods should DEQ consider?

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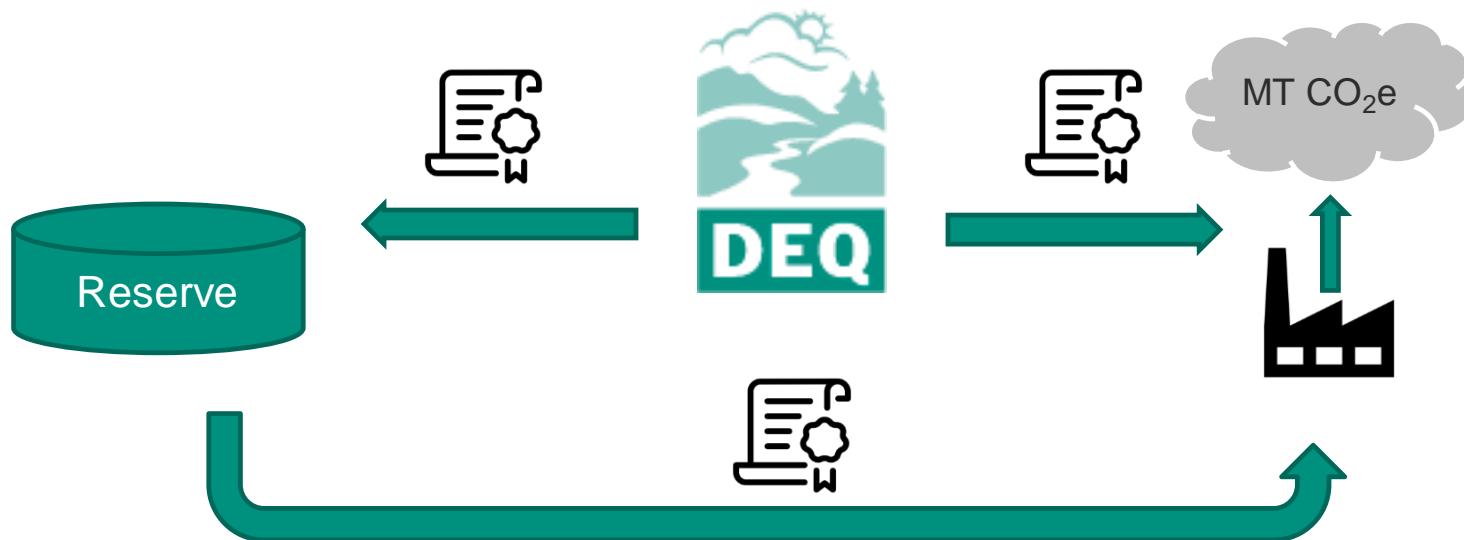
**We will keep the webinar open and will pick up with the next agenda item at 10:55 a.m.**

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# Reserves

- DEQ could hold some portion of compliance instruments in reserve to distribute on an as-needed basis
- Compliance instruments in reserve may be under program cap(s) or may be in addition to cap(s)





# Key Questions for Discussion

## Considerations for Compliance Instrument Reserves

- Should there be a compliance instrument reserve?
- What portion of compliance instruments should be held in reserve? Why?
- Under what circumstances should DEQ distribute from the reserve?

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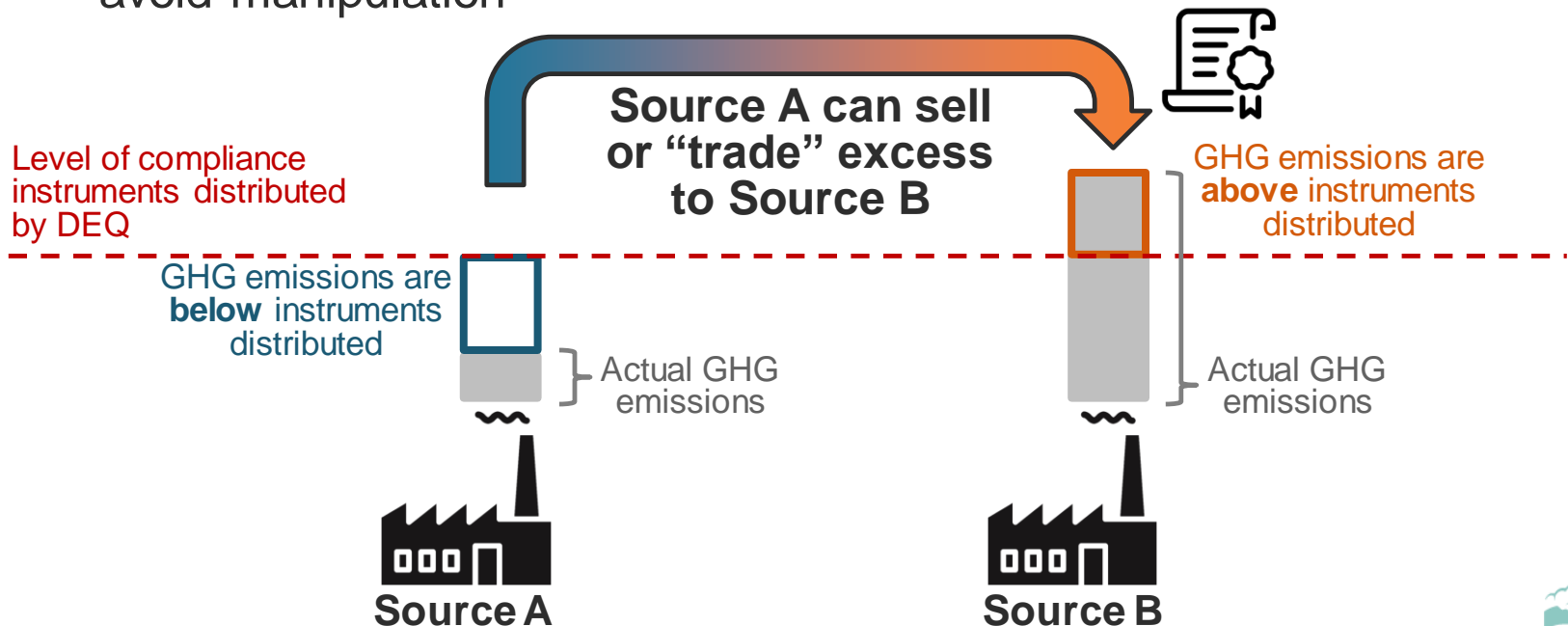
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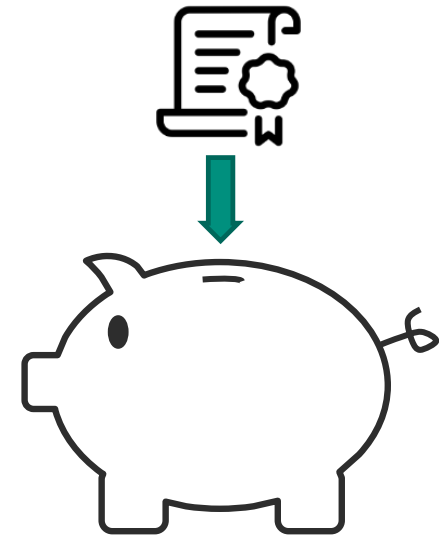
# Trading

- Those with more cost-effective reductions can sell compliance instruments to those with harder to find reductions
  - Provides flexibility while keeping total emissions under the cap
- The broader the market, the more opportunities for a cost-effective program overall
  - Price discovery and market monitoring can ensure efficiency and avoid manipulation



# Banking

- When a regulated entity saves unused compliance instruments for use in future compliance periods
- Banking alleviates uncertainty about availability of compliance instruments in the future as the cap declines
  - Rewards early action
  - Benefit from reductions over multiple compliance periods



# Key Questions for Discussion

## Considerations for Trading and Banking

- Should the program allow for trading and/or banking? Under what circumstances?
- What considerations are there for trading/banking to contain costs and increase compliance flexibility?
- If trading is allowed, what considerations are there for maintaining competitiveness and avoiding manipulation?
- If trading is allowed, how should the program account for sectoral differences?

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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)
- Final workshop is also this week: Workshop 6 on Impacted Communities
  - Thursday, Sept. 17, 9 a.m. – 1 p.m.
  - Meeting materials including issue brief (available now), agenda, and slides will be posted to the website prior to the meeting
- Update to the EQC on Sept. 18
- 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 22)
- **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)