DRAFT NOTICE OF PROPOSED RULEMAKING
INCLUDING DRAFT STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 345
DEPARTMENT OF ENERGY, ENERGY FACILITY SITING COUNCIL

FILING CAPTION: Updating the monetary offset rate for carbon dioxide emissions from new energy facilities.

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 06/25/2020, 5:30 PM
The Agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

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HEARING:
DATE: 06/25/2020
TIME: 5:00 PM
OFFICER: Christopher M. Clark
LOCATION: Virtual Hearing

Join Webinar at:
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Access code: 717 948 663

NEED FOR THE RULE(S):
To obtain a site certificate for a carbon dioxide emitting energy facility, the applicant must demonstrate that the proposed facility will meet the applicable carbon dioxide emissions standard. If the facility is required to reduce net emissions to meet the standard, it may do so by providing funds in an amount deemed sufficient to produce the necessary reduction. The Council may increase or decrease the monetary offset rate that is used to determine the amount of funds that is deemed sufficient by up to 50 percent in a two-year period.

The Council periodically updates the rate to ensure that to the extent allowed by law, the funds provided to meet the carbon standard are sufficient to produce a reduction in greenhouse gas emissions that is equivalent to the amount of carbon dioxide emissions a proposed fossil fueled power plant would otherwise have to avoid, displace, or sequester to meet the Council's standard.

Review of the empirical evidence of the costs of offsets suggests that the current monetary offset rate of $1.90 per ton of carbon dioxide is less than half of the actual amount needed to produce a one-ton reduction in carbon dioxide emissions. For this reason, the full 50 percent increase in the monetary offset rate is needed.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE:
Meeting Materials and Minutes for the April 24, 2020 and May 22, 2020 EFSC Meetings.
These materials are available from the Oregon Department of Energy upon request.

FISCAL AND ECONOMIC IMPACT:
The proposed rule change is expected increase costs of developing a new natural-gas fired power plant by about 1.5%. On average, this will result in an increased cost of about $0.15 for each megawatt hour of net electrical output a new natural-gas fired power plant is projected to produce. Based on the average cost of offsets negotiated by The Climate Trust, the additional $0.15 per megawatt hour would also increase the actual amount of greenhouse gasses reduced with offset funds by an average of around .0257 tons per megawatt hour. Assuming a Social Cost of $58 per ton of carbon dioxide, we estimate a net social benefit of $1.33 per megawatt hour produced by any new natural-gas power plant constructed in Oregon.

Staff were not able to locate the information needed to quantify the impact of the proposed rate on the cost of developing new nongenerating facilities with compressor stations or other surface facilities that must comply with the standard but expects the impacts to be of a similar magnitude.

It is important to note that while we expect the rate increase to result in a net social benefit if a new carbon dioxide emitting energy facility is approved and constructed in Oregon, no new facilities are being proposed at this time. As such, it is not clear what the total impact, if any, of the proposed rule will be.

COST OF COMPLIANCE:
The recommended rule change would increase the amount of funds that is needed to comply with the Council's Carbon Standard by $0.95 per ton of carbon dioxide emissions a proposed carbon dioxide emitting energy facility is expected to produce in excess of the amount allowed under the standard. The proposed rules are not otherwise expected to increase costs associated with reporting, recordkeeping, or administrative activities needed to comply with the Council's standard. Certificate holders for approved or operational facilities will not be affected by the proposed rate increase.

While the owners and operators of fossil-fueled power plants are generally utilities or energy developers with more than 50 employees, it is possible that one or two small businesses involved in the development and permitting of new energy facilities could be affected by the rate increase. Because the proposed rule does not change any existing procedural requirements, no changes to costs associated with reporting, recordkeeping, or administrative activities is expected.

DESCRIBE HOW SMALL BUSINESSES WERE INVOLVED IN THE DEVELOPMENT OF THESE RULE(S):
Small businesses were not specifically consulted in the development of these rules.

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? Yes.

AMEND: 345-024-0580

RULE TITLE: Monetary Offset Rate

RULE SUMMARY: The monetary rate used to calculate the amount of funds needed to demonstrate compliance with the Carbon Standard is increased by 50 percent based on historic increased in the costs of offsets. Removes provisions included in statute.

RULE TEXT:

The monetary offset rate is $~~1.90~~**2.85** per ton of carbon dioxide emissions. ~~After two years from October 23, 2017, the Council may by rule increase or decrease the monetary offset rate, subject to the requirements of ORS 469.503.~~

STATUTORY/OTHER AUTHORITY: ORS 469.470, 469.503

STATUTES/OTHER IMPLEMENTED: ORS 469.503