

Attachment 1



Oregon

Tina Kotek, Governor



550 Capitol St. NE
Salem, OR 97301
Phone: 503-378-4040
Toll Free: 1-800-221-8035
FAX: 503-373-7806
www.oregon.gov/energy

To: Energy Facility Siting Council

From: Thomas Jackman, EFSC Rules Coordinator

Date: June 12, 2026

Subject: Agenda Item G (Action Item):
2026 Carbon Dioxide Emissions Offset Rate Rulemaking for the June 26, 2026
EFSC Meeting

STAFF RECOMMENDATION

Staff recommends that the Energy Facility Siting Council (Council) authorize the Oregon Department of Energy to file a Notice of Proposed Rulemaking with the Secretary of State and initiate formal proceedings to amend OAR 345-024-0580 by increasing the carbon monetary offset rate from \$6.40 to \$9.60 per ton of carbon dioxide emissions.

This increase represents the maximum increase allowed under ORS 469.503(2)(c)(C), which allows the Council to increase or decrease the monetary offset rate by no more than 50 percent in any two-year period. The current rate became effective on October 30, 2024, so the Department recommends that any permanent rule be structured to take effect no earlier than October 30, 2026.

BACKGROUND

To issue a site certificate to a fossil-fueled power plant, or certain carbon dioxide-emitting nongenerating facilities, the Council must determine that the preponderance of evidence on the record supports a conclusion that the proposed energy facility complies with any applicable carbon dioxide emissions standard.

To meet the standard, most proposed facilities must reduce a portion of the gross carbon dioxide emissions the facility is projected to produce over an assumed 30-year life span by avoiding, displacing, or sequestering a sufficient amount of carbon dioxide or certain other greenhouse gases. As noted in the 2024 Carbon Monetary Offset Rate Rulemaking, all applicants have historically elected to use the monetary pathway to comply with the standard. Under that pathway, the monetary offset rate is used to determine the amount of funds deemed sufficient to produce the equivalent of a one-ton reduction in carbon dioxide emissions.

When the legislature enacted the carbon dioxide emissions standard in 1997, it set the monetary offset rate at \$0.57 per ton. The legislature authorized the Council to adjust the rate

by rule, but only if the change is based on empirical evidence of the cost of offsets and the Council finds that the modified rate will be economically achievable for natural gas-fired power plants. The statute also limits any increase or decrease to no more than 50 percent in any two-year period.

The Council most recently amended OAR 345-024-0580 in 2024, increasing the rate from \$4.27 to \$6.40 per ton. The Department's 2024 staff report concluded that the available empirical evidence supported a greater rate than the statute allowed, and therefore recommended the full 50 percent increase permitted at that time.

BASIS FOR PROPOSED INCREASE

Staff recommends increasing the monetary offset rate to \$9.60 per ton, which is 50 percent above the current \$6.40 rate. The recommended increase is supported by the same two statutory findings that supported the 2024 rulemaking:

1. The increase is supported by empirical evidence of the cost of offsets; and
2. The modified rate is economically achievable for natural gas-fired power plants.

Empirical Evidence of Offset Costs

The Department's 2024 rulemaking relied in part on Ecosystem Marketplace's 2024 State of the Voluntary Carbon Markets report, which found that the average global voluntary carbon market price was \$6.53 per metric ton of CO₂e in 2023, with North American voluntary market prices at a similar level. The 2024 staff report also noted that carbon prices in U.S. compliance markets were substantially higher, including the Regional Greenhouse Gas Initiative, California, and Washington.

More recent market information continues to support an increase above the current \$6.40 rate. Ecosystem Marketplace's 2025 State of the Voluntary Carbon Market materials indicate that, although voluntary-market transaction volumes declined in 2024, credit prices declined by only 5.5 percent, suggesting that voluntary offset prices remained near the 2023 level and did not fall in a manner that would undermine the Council's 2024 findings¹.

U.S. compliance-market prices remain substantially higher than both the current Oregon monetary offset rate and the proposed \$9.60 rate. The Regional Greenhouse Gas Initiative's March 11, 2026 auction cleared at \$24.99 per allowance, and its December 3, 2025 auction cleared at \$26.73 per allowance.² California and Québec's February 2026 joint auction cleared at \$27.94 per allowance for both current and advance vintage allowances.³ Washington's cap-and-invest market provides an especially relevant regional comparison: Washington's March 2026 auction sold all allowances offered and cleared at \$65.26 per allowance, and

¹ <https://www.ecosystemmarketplace.com/articles/sovcn-2025-finds-the-voluntary-carbon-market-in-transition-demand-holding-steady-as-turnover-stabilizes/>

² <https://www.rggi.org/auctions/auction-results>

³ <https://ww2.arb.ca.gov/news/california-and-quebec-release-summary-results-46th-joint-cap-and-invest-allowance-auction>

Washington's 2025 quarterly auction settlement prices ranged from \$50.00 to \$70.86 for current vintage allowances.⁴

These compliance-market prices are not identical to voluntary offset prices, and they should not be treated as a one-for-one substitute for the Council's monetary offset rate. However, they provide useful empirical evidence of observed carbon prices in functioning U.S. carbon markets. The proposed \$9.60 rate remains well below current U.S. compliance-market prices and is only moderately above recent average voluntary-market prices. Staff therefore recommends that the Council find that the proposed increase is supported by empirical evidence of the cost of offsets.

Economic Achievability

The Department's 2024 staff report used the 2022 rulemaking estimate that a Combined Cycle - Single Shaft natural gas plant in Oregon produces approximately 281,485 tons of annual excess CO2 emissions. Using that same assumption, increasing the monetary offset rate from \$6.40 to \$9.60 would increase annual compliance costs by approximately \$900,752.

Using the same example plant size used in 2024 - 418.3 MW with a 0.87 capacity factor - the facility would produce approximately 3,187,948 MWh per year. The U.S. Energy Information Administration reported that total average U.S. retail electricity revenue was 14.18 cents per kWh in March 2026, or \$141.80 per MWh.⁵ At that value, annual electricity sales from the example facility would be approximately \$452.1 million. The incremental cost of the proposed increase would represent approximately 0.20 percent of that annual retail value.

Even the full monetary-path cost at the proposed \$9.60 rate would be approximately \$2.70 million per year, or roughly 0.60 percent of the estimated annual retail value of the electricity produced by the example plant. This remains a small share of the value of electricity produced and supports a finding that the proposed rate is economically achievable.

As the Department noted in 2024, the practical likelihood of new fossil-fueled generation incurring these costs is limited by Oregon's broader energy policy framework, including HB 2021's restrictions on emissions-producing electricity sold to Oregon retail customers. The Council should nevertheless maintain a monetary offset rate that is supported by the empirical cost of offsets for those facilities and circumstances where the carbon dioxide emissions standards continue to apply.

Staff is unable to quantify the economic impact for every type of nongenerating carbon dioxide-emitting facility because the impact is project-specific. However, the same general conclusion applies: the proposed increase is modest compared to observed carbon prices in other U.S. markets and remains constrained by the statutory 50 percent limit.

Rule Change Overview

Staff proposes amending OAR 345-024-0580 as follows:

⁴ <https://apps.ecology.wa.gov/publications/documents/2614003.pdf>

⁵ <https://www.eia.gov/electricity/monthly/update/print-version.php>

345-024-0580 - Monetary Offset Rate

The monetary offset rate is \$~~6.40~~ 9.60 per ton of carbon dioxide emissions.

Future Forecast

Staff recommends the full 50 percent increase for the same basic reason the Department recommended the full increase in 2024 – the empirical evidence supports a rate higher than the statute allows the Council to adopt in a single rulemaking. The current \$6.40 rate remains below recent average prices observed in major U.S. compliance carbon markets and is only near the lower end of recent voluntary-market averages.

Because ORS 469.503(2)(c)(C) prevents the Council from fully aligning the rate with many observed carbon-market prices in a single rulemaking, regular biennial increases are necessary to move the Oregon rate toward the level indicated by empirical evidence while staying within statutory limits.