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To: Energy Facility Siting Council

From: Thomas Jackman, EFSC Rules Coordinator

Date: November 3, 2026

Subject: Item L (Action Item): Carbon Monetary Offset Rate Rulemaking Final Consideration for the November 19–20, 2026 EFSC Meeting

Attachment: Attachment 1 (bottom of this staff report) – Draft Language
Attachment 2 – Public comments

STAFF RECOMMENDATION

Staff requests Council's authorization for the Oregon Department of Energy to file a Permanent Rulemaking Order with the Secretary of State amending OAR 345-024-0580 to increase the carbon dioxide monetary offset rate from $6.40 to $9.60 per ton. Staff recommends adopting the rate as noticed, with the rule effective upon filing following Council approval.

The increase is supported by recent offset purchase and delivery prices submitted by Chair Condon, the market evidence considered in the June staff report, and the economic achievability analysis summarized below. Both written public comments support the full increase. Staff recommends that Council make the required findings under ORS 469.503(2)(d)(C) and continue to review the rate at approximately two-year intervals, without committing to automatic future increases.

BACKGROUND

Oregon's carbon dioxide emissions standards allow an applicant, where the monetary pathway is available, to provide funds to a qualified organization to implement offsets. The monetary offset rate determines the funds deemed sufficient for each ton of required emissions reduction. The rate applies to the reduction required to meet the applicable standard, rather than to every ton a facility emits. The June report explains that applicants have historically elected the monetary pathway.

The legislature initially set the rate at $0.57 per short ton in 1997. The Council subsequently increased the rate several times, most recently from $4.27 to $6.40, effective October 30, 2024. This proposal would increase the rate by $3.20 per ton, or 50 percent. The proposed effective date would be more than two years after the previous change.

ORS 469.503(2)(d)(C) requires a rate change to be based on empirical evidence of offset costs and a finding that the standard remains economically achievable for natural gas-fired power plants. It limits increases or decreases to no more than 50 percent in any two-year period.

FORMAL RULEMAKING HISTORY

Council authorized formal rulemaking on June 26, 2026. The Department filed the notice on July 30, held the hearing on August 21, and closed written comments on September 25. No oral public comments were received, and no Rules Advisory Committee was convened for this targeted adjustment.

Rich Rodriguez submitted written comments on August 8, and Alex Houston submitted comments (See Attachment 2) for the Green Energy Institute at Lewis & Clark Law School (GEI) on September 23. Chair Condon commented at the August meeting and sent two August 21 emails with The Climate Trust (TCT) information: an Oregon offset-price memorandum and an August 18 email from Kyler Sherry about TCT's broader activity.

BASIS FOR THE PROPOSED RATE

Empirical Evidence of Offset Costs

The June staff report reviewed voluntary-market information and U.S. allowance prices. Chair Condon's information adds prices for offsets delivered or purchased for Oregon's program, providing more direct evidence of procurement costs than allowance prices alone.

TCT reports seeking Oregon or Pacific Northwest projects, community and environmental co-benefits, credits carrying the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles label, and novel projects that develop the market. It reports growing demand for higher-quality offsets and higher sequestration prices. This rate amendment would not establish new project eligibility or certification requirements.

TCT identifies one offset as one metric tonne of carbon dioxide. To compare its reported prices below with Oregon's short-ton rate, the last column multiplies by 0.90718474. One metric tonne is approximately 1.10231 short tons.

Offset or transaction	Period	Reported price per metric tonne	Equivalent price per short ton
Oregon forestry offsets delivered to the program	2024	$21.29	$19.31
Oregon forestry offsets delivered to the program	2025	$21.22	$19.25
31,000 forestry avoidance offsets purchased from an Oregon and Washington project	2026	$10.64	$9.65
Removal credits quoted to TCT	2026 context	About $25.00	About $22.68
Low-carbon cement project in Lakeview, Oregon	Approved in 2025	$15.00	$13.61
Oregon food waste recovery project	Approved in 2025	$11.43	$10.37

The proposed $9.60 per short ton is equivalent to approximately $10.58 per metric tonne. It is slightly below the reported 2026 forestry avoidance purchase price and below the other recent project prices shown above.

TCT also reports that the Oregon program has obligated approximately $24 million since 1997, with $3.3 million remaining to be obligated. Its historical average offset cost for credits delivered to Oregon facilities is $6.20 per metric tonne, or approximately $5.62 per short ton. That long-term average includes older, lower-cost transactions and is less representative of current procurement than the recent prices.

The second email describes TCT's broader national work. TCT reports financing and purchasing more than $110 million in offsets, representing 12 million offsets, since inception. It reports selling approximately 3.5 million offsets valued at $50 million during the preceding five years, with a reported average price of $14.10 per offset, equivalent to approximately $12.79 per short ton.

Broader Market Context

Ecosystem Marketplace reported that voluntary-market transaction volumes declined 25 percent in 2024 and prices declined 5.5 percent, while buyer preferences increasingly differentiated credits by quality, vintage, and project type. Staff therefore does not assume that every voluntary offset costs more than $9.60. The recent regional transactions reported by TCT provide a stronger basis for the recommended rate than a global average alone.

The June report also cited the March 2026 RGGI allowance price of $24.99, California and Québec's February 2026 price of $27.94, and Washington's March 2026 price of $65.26. Allowances authorize emissions under a cap and are different instruments from offsets. These prices provide context, and staff does not treat them as interchangeable measures of the cost of procuring offsets for Oregon's program.

Staff recommends that Council find that the recent offset transaction evidence supports the full increase to $9.60 per short ton. The proposed rate is supported even without treating allowance prices or estimates of climate damages as direct measures of offset costs.

Economic Achievability

The June staff report used an illustrative 418.3-megawatt combined-cycle natural gas plant, a capacity factor of 0.87, and 281,485 short tons of annual excess carbon dioxide emissions. These assumptions produce approximately 3,187,948 megawatt-hours (MWh) per year. Using those same assumptions, the rate change has the following scale.

Illustrative measure	Current rate	Proposed rate	Increase
Rate per short ton	$6.40	$9.60	$3.20
Offset funds for one year's assumed excess emissions	$1,801,504	$2,702,256	$900,752
Offset funds per MWh of assumed generation	$0.57	$0.85	$0.28

The June report compared these amounts with an illustrative annual retail value of approximately $452.1 million, using EIA's March 2026 U.S. average retail revenue of 14.18 cents per kilowatt-hour. The incremental offset amount is approximately 0.20 percent of that value, and the full amount at $9.60 is approximately 0.60 percent. Retail value is a reference for scale; it is not the plant's actual wholesale revenue, operating margin, or profit.

These figures express the offset-fund component on an annual-equivalent basis. They do not establish an annual invoice or replace the payment and security requirements in OAR 345-024-0710 and the site certificate. Additional statutory funds for selecting and contracting for offsets are separate from the amounts shown. Staff considers the modest increase of approximately $0.28 per MWh, together with the June analysis, sufficient to support a finding that the standard remains economically achievable at the modified rate for natural gas-fired power plants.
Effects on nongenerating facilities depend on each facility's emissions and required reduction. The amendment would change the rate used when applicable, rather than create a new reporting program. Staff does not project a quantified statewide consumer impact or assume that every existing holder's payment changes immediately.

PUBLIC COMMENTS AND STAFF RESPONSES

Support for the Proposed Increase
Rich Rodriguez supports increasing the rate to $9.60 and argues that substantially higher rates are warranted. He describes a 37 percent increase in atmospheric carbon dioxide during his lifetime, criticizes the treatment of the atmosphere as a free disposal resource, and identifies Oregon wildfires and flooding as examples of climate-related costs. He describes the energy transition as a major economic development opportunity. GEI also supports the full increase, considers it legally supported and economically achievable, and views it as a step toward bringing Oregon's rate closer to prices in other jurisdictions.

Staff Response
Staff recommends accepting both commenters' request to adopt the full $9.60 rate. The concerns about climate impacts and economic opportunity explain the commenters' support. The required findings for this action rest on empirical offset costs and economic achievability. Staff does not recommend an increase above $9.60 in this proceeding because the proposed 50 percent adjustment uses the full increase available following the prior rate change.

Social Cost of Carbon and Market Comparisons
Mr. Rodriguez cites estimates of climate damages exceeding $100 per metric ton and argues that $9.60 remains too low. GEI cites an economic analysis estimating a social cost above $1,200 per ton, supports considering Washington and California allowance prices as context, and argues that a higher carbon valuation creates stronger incentives to avoid, reduce, and mitigate emissions.

Staff Response
The social cost of carbon estimates damages associated with emissions; an offset price measures the cost of obtaining an emissions reduction. The statute directs this rate-setting

decision to offset costs. Staff acknowledges the commenters' broader concerns but does not need to resolve the cited damage estimates to recommend $9.60. Staff agrees with GEI that allowance markets offer useful context, with the qualifications described above. TCT's recent offset transactions provide direct additional support for the proposed rate.

Future Increases and the Timing of Review
Mr. Rodriguez requests annual increases until fossil-fueled electricity generation ends. GEI requests further increases at the maximum amount permitted every two years when supported by additional empirical evidence. Both seek to prevent Oregon's rate from falling further behind the costs associated with carbon emissions.

Staff Response
Staff notes that without a legislative change, the Council is limited to doing a review of the monetary offset on two-year intervals.

Ending fossil-fueled generation is a broader policy question than the amount of this offset rate. Current OAR 345-024-0500 separately requires a new fossil-fueled power plant receiving a site certificate on or after September 25, 2021, to generate electricity without emitting greenhouse gases into the atmosphere. Increasing the monetary offset rate does not provide an alternative to that requirement. The rate remains relevant where the existing offset standards and payment rules apply, including qualifying nongenerating facilities.

Use of Offset Funds
Mr. Rodriguez requests investment of offset proceeds in energy efficiency and renewable energy.

Staff Response
Staff recognizes that efficiency and renewable energy can avoid or displace emissions. Offset funds must be used through the statutory framework for implementing offsets, including the qualified organization's responsibilities under ORS 469.503(2)€.

Chair Condon's Comments and Submitted Information
At the August hearing, Chair Condon explained that TCT prioritizes Oregon and Pacific Northwest projects, community and environmental co-benefits, quality criteria, and innovative projects. She noted that evaluating local projects first can affect pricing and that TCT's national work provides additional market information. Her two August 21 emails supplied the transaction and portfolio information discussed above.

Staff Response
Staff recommends incorporating that information into the basis for adoption. It explains why current regional procurement costs may exceed older program averages or broad voluntary-market averages. Staff gives particular weight to the recent Oregon purchase and delivery prices, distinguishes avoidance credits from quoted removal credits, and keeps Oregon program

funds separate from TCT's national activity. The information supports the full $9.60 increase without requiring a change to the noticed rule text.

FINAL RECOMMENDATIONS

Staff recommends that Council:

- Find that recent offset purchase and delivery prices, supplemented by the broader market evidence, support increasing the rate to $9.60 per ton.
- Find that the carbon dioxide emissions standard remains economically achievable for natural gas-fired power plants with the modified rate.
- Authorize the Department to file a Permanent Rulemaking Order adopting the new $9.60 rate.

ATTACHMENT 1
Proposed Rule Language - for Final Consideration

OAR 345-024-0580
Monetary Offset Rate
The monetary offset rate is $9.60 per ton of carbon dioxide emissions.
Statutory/Other Authority: ORS 469.470 and ORS 469.503
Statutes/Other Implemented: ORS 469.503