

OREGON CARBON POLICY OFFICE

Summary of Core Elements of the Oregon Climate Action Program

Program element	Description
<b>Statewide GHG goals &amp; cap</b>	
New statewide GHG goals	<p>2035: 45% below 1990 emission levels</p> <p>2050: 80% below 1990 emission levels</p>
Establishment of cap	<p>Places an overall limit across regulated sectors to achieve the state’s greenhouse gas goals. The cap declines each year by a constant tonnage amount to achieve a 45% reduction from 1990 levels by 2035, and an 80% reduction below 1990 levels by 2050.</p>
<b>Program coverage</b>	
Gases covered	<p>Greenhouse gases covered include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride. The program covers anthropogenic greenhouse gases, which excludes carbon dioxide from certain biofuels (ethanol, biodiesel) and biomass.</p>
Sectors covered	<p>Fossil fuels: All fossil fuels distributed in Oregon, including natural gas, gasoline, diesel and propane</p> <p>Electricity: All electricity generated in Oregon, and electricity imported for use in the state</p> <p>Industrial processes: Landfills and specific manufacturing processes that emit GHGs as a byproduct, including manufacture of cement, pulp and paper products, iron and steel, certain chemicals.</p>
Regulated entities	<p>Emissions from fuels such as gasoline, diesel, and propane will be regulated at the companies importing the fuels for distribution within Oregon.</p> <p>Emissions from natural gas will be regulated at the natural gas utilities for their direct sales to residential, commercial, or industrial customers.</p> <p>Emissions from natural gas sold by marketers and distributors will be regulated at those companies, not at the utility.</p> <p>Emissions from electricity generated in Oregon will be regulated at the generating facilities.</p> <p>Electricity imported for use in Oregon will be regulated at the entities scheduling this power for delivery in the state.</p> <p>Large industrial entities with reported emissions &gt; 25,000 tons will be directly regulated for their process related emissions and natural gas emissions. Emissions from the gas that serves these entities will be subtracted from the emissions obligation of the natural gas utility or marketer that serves them.</p> <p>Public universities or Oregon Health and Science University that exceed the 25,000 ton threshold for direct regulation are not directly regulated by the program. However, this gas would still be covered by the program at the utility or other entity that supplies that gas.</p>

Exemptions & exclusions	<p>The following entities are exempted from being covered by the program:</p> <ul style="list-style-type: none"> <li>• Landfills closed before the effective date of the bill</li> <li>• A consumer-owned utility, or entity scheduling imported electricity on behalf of a consumer owned utility in cases where the emissions from that imported electricity have averaged less than 25,000 tons/year over the past three years</li> <li>• Entities importing less than a small amount of gasoline and diesel fuel – this amount to be determined in rulemaking</li> </ul> <p>The following emissions are excluded from being covered by the program:</p> <ul style="list-style-type: none"> <li>• Methane emissions from a landfill that are captured and used to create renewable energy</li> <li>• GHG emissions from combustion of municipal solid waste to create renewable energy</li> <li>• GHG emissions from generation of electricity in Oregon that is delivered to consumers in another state for which the capital and fuel costs are included in the rates of a multi-state utility</li> <li>• GHG emissions from fuels used in aviation, watercraft, or locomotives</li> </ul> <p>There is also a temporary exclusion for fluorinated gases generated from semiconductor manufacturing. This exclusion extends through January 1, 2026.</p>
<b>Direct distribution of allowances</b>	
Investor-owned utilities	<p>2021 – 2030: Direct allocation to these companies will follow a forecast of emissions from electricity to serve their retail customers. This forecast will be based on data in the most recent plan acknowledged by the Public Utility Commission or an update to the plan, as of January 1, 2021.</p> <p>2031 – 2050: Direct allocation to these companies will decline at the same annual decline as the program’s overall cap, beginning from the allocation made in 2030.</p> <p>Allowances distributed to IOUs can be used for compliance with emissions associated with their Oregon load, or can be monetized to the benefit of the utility’s customers. This will be overseen by the Public Utility Commission.</p>
Public power	<p>2021: Direct allocation to entities scheduling electricity for COUs equal to a forecast of emissions in 2021 based on a representative years’ emissions.</p> <p>2022 – 2050: Decline from the amount of allowances allocated in 2021 at the same annual decline as the program’s overall cap.</p> <p>Allowances distributed to COUs can be used for compliance with emissions associated with their Oregon load, or can be monetized to the benefit of their customers, as overseen by their boards.</p>
Natural gas utilities	<p>Direct allocation to these companies in an amount needed to cover emissions associated with service to their low-income residential customers. This amount will be determined every three years in consultation with the Public Utility Commission.</p>

Emissions Intensive, Trade Exposed Facilities	Directly regulated entities operating in sectors identified as emissions intensive, trade exposed, will receive a direct output-based allocation of allowances based on an initial benchmark. They will receive allowances equal to 100% of the benchmark and the allocation will decline each year at the same rate as the overall rate of decline of the economy-wide cap.
<b>Additional set-asides</b>	
Price containment reserve	Each year, an amount of allowances to be determined in rulemaking will be distributed to a price containment reserve. See the following section on how this price containment reserve would operate.
Voluntary renewable electricity	Allowances may be set aside to account for the voluntary renewable electricity market for new facilities begin operations on or after January 1, 2021.
Electricity price containment reserve	Each year, an amount of allowances to be determined in rulemaking will be distributed to an electricity price containment reserve. Allowances in this reserve will be used to moderate electricity price increases from unexpected increases in emissions that are outside the control of utilities, such as extreme variability in hydroelectric output.
Emissions Intensive, Trade Exposed Process Reserve	Each year, an amount of allowances to be determined in rulemaking will be distributed to an account for emissions intensive, trade exposed entities that experience significant changes to the emissions or their competitive environment. These allowances would also be accessible for direct allocation to new or expanded industrial manufacturing that is identified as emissions-intensive, trade exposed.
<b>Market Design</b>	
Auction	After directly allocating allowances to entities and setting allowances aside in reserve, the state will distribute the remainder of allowances at regular auction. Entities interested in acquiring these allowances can register with the state to participate in the auction and make bids at the auction to purchase them. This distributes allowances to those entities that value them the most.
Price “floor”	The state auction will include a minimum price that the state is willing to sell the allowances made available at the auction.
Price “ceiling”	The state auction will also include a maximum price that allowances can be sold.
Price containment reserve auctions	The state will make available allowances set aside in the allowance price containment reserve for sale at predetermined price points between the price floor and ceiling.
Banking	Entities are able to bank allowances for use in future compliance periods.
Compliance	For each three year compliance period, entities must submit allowances equal to their total emissions over the three years at the end of each compliance period.
<b>Offset credits</b>	
Concept	Offset credits represent emission reductions from sources not covered by the cap. They can be used for compliance for a portion of a regulated entity’s compliance obligation. Offset projects must result in greenhouse gas emissions reductions or removals that are real, permanent, quantifiable, verifiable, enforceable, and not otherwise required by law;

	and are in addition to any other greenhouse gas emissions reductions or removals that would otherwise occur.
Restrictions on use	<p>Using up to 8 percent offsets for compliance is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• <i>Geographic Limits:</i> Offset project must be located in the United States or a jurisdiction with which the state has agreed to link.</li> <li>• <i>Air Quality Limits:</i> The number of offset credits that a regulated entity can submit may be limited if that entity is located in an impacted community and a non-attainment area (significant air quality challenges) or is in violation of their air quality permit.</li> <li>• <i>Direct Environmental Benefits:</i> At least 4 percent of the offsets used for compliance by a regulated entity must have a direct environmental benefit in Oregon.</li> </ul>
Oregon-specific offsets	<p>The state will develop offset protocols to fit the needs for Oregon natural and working lands.</p> <p>The state will investigate opportunities to aggregate offset credits to allow smaller landowners to participate in offset projects and investigate offset projects that reduce methane emissions from agriculture.</p>
Agency and Public Input	In developing offset protocols, the agency will work closely with the Department of Agriculture, Board of Forestry, Environmental Justice Task Force, and the Oregon Watershed Enhancement Board, and will convene an advisory committee on the development of offset protocols.