

Summary of Core Elements of the Oregon Climate Action Program

HB 2020B

Program Element	Description
Statewide GHG goals & cap	
New statewide GHG goals	<p>2035: 45% below 1990 emission levels</p> <p>2050: 80% below 1990 emission levels</p>
Establishment of cap	Places an overall limit across total emissions from regulated sectors to achieve the state's greenhouse gas goals. The cap applies to total emissions across the sectors covered by the program, not to individual sectors or entities regulated by the program. 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.
Program coverage	
Gases covered	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.
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: Specific manufacturing processes that emit GHGs as a by-product, including manufacture of cement, pulp and paper products, iron and steel, certain chemicals.</p> <p>All combined, emissions from these sources and sectors account for roughly 80% of the state's reported GHG emissions.</p>
Regulated emissions	<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 > 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>

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Exemptions & exclusions	<p>The following emissions are excluded from being covered by the program: De minimis quantities of imported gasoline or diesel fuels</p> <p>Emissions from landfills (not covered by cap and trade but the bill directs the Environmental Quality Commission to regulate large landfills to ensure they are using landfill management and monitoring practices that best reduce greenhouse gas emissions).</p> <p>GHG emissions from fuels used in aviation, watercraft, or locomotives</p>
Direct distribution of allowances	
Investor-owned utilities	<p>2021 – 2030: Direct allocation to these companies will follow a one-time forecast of emissions from electricity to serve their retail customers. This forecast will be based on the most recent integrated resource plan acknowledged by the Public Utility Commission or an update to the plan, as of January 1, 2021.</p> <p>2031 – 2050: Direct allocation of allowances declines in a constant annual amount from the amount allocated in 2030 to reach an amount that is 80 percent below the average emissions in the five years preceding the passage of HB 2020 by 2050.</p> <p>Use of Funds: 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 utilities' retail 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 2021 baseline. This baseline will account for emissions from representative years and consider anticipated growth in customers or load, and hydrovariability.</p> <p>2022 – 2050: Decline from the amount of allowances allocated in 2021 at the same annual decline as the program's overall cap, with a floor of 20% of the 2021 allocation.</p> <p>Use of allowances: 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>

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Natural gas utilities	<p>Allocation for Low Income Customers: Natural gas utilities receive allowances at no cost in an amount equal to 100% of the emissions from serving utilities' low income residential customers. This allocation is maintained for the duration of the program, updated regularly to ensure adequate protection of low income customers.</p> <p>Allowances allocated for consignment: In addition to the allocation for low income customers, natural gas utilities will be provided allowances at no cost equal to 60% of the utilities' forecasted 2021 total emissions associated with their sales customers. Utilities will be required to consign these allowances for sale at the state auction. Proceeds from the sale of these consigned allowances will be held by the State Treasury and their use overseen by the PUC. This allocation for consignment begins declining at the rate of the economy-wide allowance budget in 2022.</p> <p>PUC Oversight: Utilities must develop a plan that will be acknowledged by the PUC that addresses the range of programs, activities or technologies designed to reduce GHGs, acquire renewable natural gas, and provide rate relief.</p>
Emissions Intensive, Trade Exposed Facilities	<p>For 2021-2024, allowance allocation to EITE entities is based on 95% of the facilities' emissions per unit of output in the years preceding the start of the cap and trade program. For 2025-2050, the allocation is based on a Best Available Technology benchmark. The benchmark can be set either individually for each good, or for a group of goods. Benchmark findings will be issued as an order (similar to a permit), that may be challenged through a contested case hearing and normal administrative hearings processes.</p> <p>Best Available Technology is the fuels, processes, equipment and technology that will most effectively reduce the greenhouse gas emissions associated with the manufacture of a good, without changing the characteristics or quantity of the good being manufactured, that is technically feasible, commercially available, economically viable, and compliant with all applicable laws. Best Available Technology benchmarks will be updated every 9 years. In the BAT determination process, the Carbon Policy Office will consider facilities' emissions efficiency audit reports subject to requirements about the third party conducting the audit.</p> <p>Opt In Entities: Subject to identification of their sector as emissions intensive and trade exposed, facilities with less than 25,000 tons of emissions may opt in as EITEs, meaning that the facility is directly regulated for its emissions and can receive allowance allocation as outlined above for EITE entities.</p>
Reserves	
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 emissions reductions from the voluntary renewable electricity market for new facilities that begin operations on or after January 1, 2021.

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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. Priority will be given to 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.
Market Design	
Auction	After directly allocating allowances to entities and setting allowances aside in reserve, the state will distribute the remainder of allowances for sale at regular auctions. 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.
Allowance Banking	Entities are able to bank allowances for use in future compliance periods.
Compliance	For each compliance period, entities must submit allowances equal to their total emissions over that timeframe following the end of each compliance period.
Offset credits	
Concept	Offset credits represent emission reductions or removals from sources not covered by the cap. The credits 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.
Restrictions on use	<p>A maximum of 8 percent offsets can be used to meet entities’ compliance, and is subject to the following conditions:</p> <ul style="list-style-type: none"> • <i>Geographic Limits</i> : Offset project must be located in the United States or a jurisdiction with which the state has agreed to link. • <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. • <i>Direct Environmental Benefits</i> : No more than 4 percent of entities’ compliance obligations can be met using offset credits from projects that do not have a direct environmental benefit in Oregon.

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<p>Oregon offset considerations</p>	<p>The state will develop offset protocols to fit the needs of Oregon's 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> <p>In developing forest offset protocols, the Carbon Policy Office must avoid impacts on wood fiber supply available to wood products manufacturers. There will also be a regular analysis and reporting to the legislature by the Oregon Department of Forestry to determine and address any significant net effects on wood fiber supply to wood products manufacturers.</p> <p>Carbon Policy Office must adopt a process for issuing early action offset credits that are generated on or after the bill's effective date.</p> <p>Offset protocols must include a crediting period during which the project remains eligible to earn credits; provide flexibility for landowners in both developing and operating a project; and be straightforward and effective to implement.</p> <p>The Carbon Policy Office will prioritize developing offset protocols for reforestation, avoided forest or grassland conversion, improved forest management, low-carbon impact building materials, urban forestry, manure management, and projects that will reduce greenhouse gas emissions from agriculture.</p>
<p>Development of Offset Rules</p>	<p>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. The agency will also convene technical advisory committees to advise the Carbon Policy Office on development of specific offset protocols, and a compliance offset program advisory committee.</p>