



House Bill 2020 Does Not Work for Oregon Agriculture

Oregon's agricultural sector is committed to natural resources stewardship and sustainability; we are part of the solution to atmospheric CO₂. Oregon already is a leader in building one of the cleanest economies in the country through the adoption of major renewable fuel and energy policies (i.e. Low Carbon Fuel Standard, Renewable Portfolio Standard, and Coal-to-Clean). Oregon's share of U.S. greenhouse gas emissions is less than one percent and on a clear downward trend. HB 2020 will not make a measurable change in global greenhouse gas (GHG) emissions;¹ however, the policy will reduce the competitiveness of Oregon's family farms and ranches.

HB 2020 imposes real costs on farmers and ranchers.

HB 2020 will levy cost increases on Oregon's farm and ranch families through the purchase of fuel and natural gas. As price-takers, farmers have a limited ability to recoup the increased costs associated with production. Farmers operate on thin margins, and these additional costs put Oregon's agriculture sector at an economic disadvantage compared to farmers in other states and countries. The impacts will be especially harmful to young and beginning farmers.

Fuel costs will increase.

During the 2018 interim, members of our coalition participated in an Agricultural Work Group hosted by the Governor's Carbon Policy Office. A key focus of the group was to mitigate cap-and-trade-related cost increases borne by farmers and ranchers. That work resulted in a December 2018 presentation to the Joint Committee on Carbon Reduction, recommending the exemption of off-road agricultural fuels from the cap.

We are disappointed to see that HB 2020 includes agricultural fuels under the carbon cap. This will increase fuel costs for farm and ranch families by thousands of dollars each year, beginning in the first year of the program. Farmers and ranchers have a farm vehicle registration available under ORS 805.300 to 805.410. The use of dyed diesel is not allowed in these vehicles as they can be used on public highways. In order to truly exempt farms and ranches from a cap-and-trade system, the on-road diesel used in farm vehicles must also be exempt from the cap in any version of the bill going forward.

Natural gas rates will climb.

We urge the Committee to adopt measures to alleviate natural gas price increases under HB 2020. Greenhouses, hop driers, and mint stills all rely on natural gas or propane to process raw agricultural products. It is estimated that small commercial natural gas rates will increase 13% in 2021, reaching a 44% increase midway through the program. Industrial facilities, such as food processors, will see even bigger rate spikes. These costs must be curbed if Oregon wants a thriving agricultural sector.

HB 2020 should create accessible incentive and offset programs.

During the 2018 interim, members of our coalition participated in the Work Group on Natural and Working Lands, hosted by the Governor's Carbon Policy Office. We appreciate the group's

¹ Richard Whitman, Director of ODEQ. Testimony before the House Committee on Energy and Environment and Senate Committee on Environment and Natural Resources, November 13, 2017.

acknowledgment that agriculture plays a key role in carbon sequestration. Through the work group process, we had the opportunity to work with state and federal agencies to develop incentive programs that leverage existing programs that farmers and ranchers are already familiar with. Our goal was to develop voluntary incentives that help Oregon agriculture remain competitive globally while sequestering carbon at the same time. That means they are accessible and affordable for farmers and ranchers across the state, regardless of geography, crop type, or production method.

HB 2020, Section 31 makes brief mention of the potential for investments on Oregon's working landscapes but includes no details to give producers certainty that these programs will be available to farm and ranch families. We ask that the Committee adopt recommendations made by the work group last year and ensure that voluntary incentives are accessible to producers across the state. As currently drafted, there is no certainty that voluntary incentives will be available to the broader agricultural community.

We also urge the Committee to revisit stringent and inaccessible offset requirements that are ill-suited to Oregon's dynamic agricultural landscape. Like California, the current criteria for offsets—real, additional, quantifiable, permanent, verifiable, and enforceable—will limit producer participation in the program and restrain the ability of offsets as a mechanism to reduce emissions.² HB 2020 should, instead, develop flexible protocols that expand and expedite the use of offsets and ensure that once an offset project is approved, it can continue to generate offsets throughout the intended life of the project.

As a final point, we believe that collaboration with Oregon's land grant university will be key to developing an accounting framework and methodology for a comprehensive inventory of GHG fluxes from Oregon's working lands. It is imperative that targets in this sector are done carefully, and we must first understand the long-term impact of various policy scenarios. HB 2020 should prioritize investments in research and independent economic analysis to better inform the development of voluntary incentive and offset programs.

HB 2020 lacks appropriate oversight.

HB 2020 turns the bulk of decision-making over to an unknown bureaucracy with few checks on the system. Section 21 directs the Carbon Policy Office to set "an auction floor price for 2021 and a schedule for the floor price to increase by a fixed percentage over inflation each calendar year" and a "set a hard price ceiling for 2021 and a schedule for the hard price ceiling to increase by a fixed percentage over inflation each calendar year." Policy decisions, such as allowance floor and ceiling prices, should not be left to the discretion of any state agency. Similarly, Sections 40 and 41 give the Environmental Justice Task Force the responsibility for reviewing and recommending investments of revenues derived from HB 2020. This body is neither elected nor organized to provide expertise with regard to sequestration practices on Oregon's farms and forests.

As a final point, Section 72 invests cap-and-trade revenue in a Governor-appointed task force whose primary focus has been farmworker safety and limiting the use of pesticides on Oregon's farms. HB 2020 should not be the vehicle that permanently funds this task force without a deeper look at the make-up of the task force and its objectives, which historically have not been climate-related.

Oregon agriculture opposes HB 2020, as drafted. The bill will levy unnecessary costs on Oregon's farmers, ranchers, and rural communities and fails to address significant work over the interim to remedy these concerns.

² Oregon Carbon Policy Office. *Offset Credits Under Oregon Climate Action Program*.
https://www.oregon.gov/gov/Documents/OffsetsExplainer_v1.pdf