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and

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Chair Dembrow, Chair Helm, and members of the Committees, good afternoon. My name is Greg Dotson. I am an Assistant Professor of Law at the University of Oregon's School of Law where I teach Climate Change Law and Policy. I'd like to thank Chairs Dembrow and Helm and the members of the Committee for the opportunity to testify today. It is truly an honor to appear before you and testify upon my own behalf.

I've spent my professional life – the past twenty years – observing and engaging in climate change policy development. After graduating from the University of Oregon's School of Law, I spent 18 years working in the U.S. House of Representatives working as congressional staff on energy and environmental policies. My last six years in the House I was the Democratic Chief Counsel for Energy and Environment and the Democratic Staff Director for Energy and Environment on the House Energy and Commerce Committee. I was a lead energy policy staffer on the American Recovery and Reinvestment Act and one of the primary drafters of the Waxman-Markey climate bill that passed the House in 2009.

After leaving government service, I spent two and a half years as the Vice President for Energy Policy at the Center for American Progress, a nonprofit think tank dedicated to improving the lives of Americans through progressive ideas and actions. In that role, I worked to strengthen and defend important climate change policies such as the Clean Power Plan and the Paris Climate Agreement.

I'd like to begin by commending the Chairs, Senator Byer, Representatives Holvey and Barnhart and the members of the Committees for their leadership in holding today's hearing and focusing on the critically important issue of climate change.

The Threat of Climate Change

Climate change, which is caused by emissions of carbon dioxide and other greenhouse gases, is already causing serious adverse impacts across the United States – and especially here in Oregon.

According to the landmark U.S. government report the National Climate Assessment, the Northwest region faces important climate change related risks to its economy, public health, infrastructure and agricultural sector.[1] A reduction in the supply of water could result in "far-reaching ecological and socioeconomic consequences." The coast faces a "major threat" due to sea level rise, erosion, inundation, and increasing ocean acidity. Even today, increasing wildfire, insect outbreaks, and diseases are causing widespread tree die-off and these impacts are "virtually certain" to cause additional forest mortality in the coming decades. Unmitigated climate change is likely to transform the state's forest landscapes over the long-term. The agriculture sector will face challenges with respect to costs of adaptation, development of more climate resilient technologies and management, and availability and timing of water.

These findings are consistent with the most recent report of the Oregon Climate Change Research Institute, which found:

> Consequences of this warming are already being felt by Oregonians. Snowpack is declining, summer streamflow is lowering, wildfire activity is increasing, sea level is rising, and coastal waters are acidifying. Such consequences and others are expected to continue into the decades to come. Indeed, the year 2015, in which global and Oregon temperatures were the warmest on record, foreshadows what typical conditions may look like by the middle of this century.[2]

To address climate change, we must both reduce and ultimately eliminate emissions of carbon dioxide and other dangerous greenhouse gases and take steps to prepare for the impacts we cannot avoid by building resilience. As the Oregon Climate Change Research Institute has found:

> In order to avoid negative impacts, now and in the future, we must both mitigate climate change and adapt to climate change. That is, we must try to reduce or even eliminate greenhouse gas emissions, and we must make preparations and adjustments that will be needed to meet new environmental conditions, doing so at all levels of government and society, from the highest international agreements down to our own personal actions.[3]

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[1] U.S. Global Change Research Program, National Climate Assessment, 2014 (online at http://nca2014.globalchange.gov/report/regions/northwest#intro-section-2).
[2] Oregon Climate Change Research Institute, Third Oregon Climate Assessment, Jan. 2017 (online at http://www.occri.net/media/1055/ocar3_final_all_01-30-2017_compressed.pdf).
[3] Oregon Climate Change Research Institute, Third Oregon Climate Assessment, Jan. 2017 (online at http://www.occri.net/media/1055/ocar3_final_all_01-30-2017_compressed.pdf).

Need for More Progress

Ten years ago, Governor Ted Kulongoski signed into law House Bill 3543. This legislation set a statewide goal of stopping the growth of greenhouse gas emissions by 2010 and reducing that pollution to 10 percent below 1990 levels by 2020 and to 75 percent below 1990 levels by 2050.

Since that time, the state has made tremendous progress on clean energy, establishing and implementing important policies, including those relating to clean fuels, electric vehicles, land use planning and renewable energy. However, the state is not currently on track to meet its 2020 target.[4] Specifically, the Oregon Global Warming Commission reported to the legislature that "More action is needed, particularly in the transportation sector, if the state is to meet our longer-term [greenhouse gas] reduction goals."

While delivering the needed action will no doubt be challenging, the legislature is fortunate to have much more and better real-world information to inform this action than it had just ten years ago.

Consideration of Cap and Trade

Back in 2007, some argued that the state should establish a cap-and-trade program to create a market-based system to flexibly and cost-effectively reduce pollution over time. This position was supported by economic and environmental analysis as well as the demonstrated success of the Clean Air Act's acid rain program. But at that time, no state had yet established a carbon pollution cap-and-trade program to point to as an example of success. In the northeast, Governors had announced their intention to begin such a program and were in the process of standing up the Regional Greenhouse Gas Initiative, but there was not yet an operating program. In 2006, California had enacted its Global Warming Solutions Act, but its cap-and-trade program had not yet even been proposed by the California Air Resources Board.

Today, the situation is vastly different. Ten states, with a population of approximately 25% of Americans, and accounting for approximately one-third of the nation's economic activity, are demonstrating today that cap-and-trade is an effective climate change policy and that it is not at odds with economic growth.

Oregon should learn from their experience and consider joining with these states in leading the national response to climate change.

Nine northeastern states have nearly a decade of experience with the Regional Greenhouse Gas Initiative which caps carbon pollution from the electricity sector. This cap-and-trade program

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[4] Oregon Global Warming Commission, Biennial Report to the Legislature, 2017 (online at http://www.keeporegoncool.org/sites/default/files/ogwc-standard-documents/OGWC%202017%20Biennial%20Report%20to%20the%20Legislature_final.pdf).

has generated more than a billion dollars of investments in those states, funding efforts to deploy renewable energy, enhance energy efficiency, invest in the states' workforce and help low-income residents. These states have all experienced gross domestic product growth even while emissions have declined.[5]

California's cap-and-trade program has been operating since 2012 and now covers both stationary sources and the transportation sector. The state legislature has used the proceeds of this program to invest in the state's future and help ease equity issues faced by low-income communities and communities of color. The program has also generated billions of dollars for transit, affordable and sustainable housing, low carbon transportation options, programs that assist the agriculture sector with reducing emissions, as well as other important initiatives, including high-speed rail.[6]

Like the Northeast states, California is also showing that states can reduce emissions while thriving economically. For example, in 2013, California's capped emissions dropped by 4 percent while GDP grew by 2 percent and the state's job growth outpaced the national average.[7] According to a recent study of the last decade by Beacon Economics, new businesses are created in California at one of the fastest rates in the nation.[8] The state has also led in job creation over the years even as it has increased the ambition of its renewable energy, energy efficiency and climate change policies. California outpaced the national average in job creation from new firm start-ups in every single year from 1992 to 2013 – the most recent 10-year period examined.[9] Most recently, payroll employment in California expanded by 2.0% from December 2015 to December 2016, compared to 1.5% in the nation overall.[10]

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[5] Center for American Progress, Cutting Carbon Pollution While Promoting Economic Growth, May 27, 2015 (available online at https://www.americanprogress.org/issues/green/reports/2015/05/27/113865/cutting-carbon-pollution-while-promoting-economic-growth/).

[6] California Air Resources Board, Auction Proceeds Funded Programs and Events (online at https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/ggrfprogrampage.htm).

[7] Center for American Progress, Cutting Carbon Pollution While Promoting Economic Growth, May 27, 2015 (available online at https://www.americanprogress.org/issues/green/reports/2015/05/27/113865/cutting-carbon-pollution-while-promoting-economic-growth/).

[8] Los Angeles Times, California cranks out new businesses and jobs despite criticism, Jan. 2, 2016 (online at http://www.latimes.com/business/la-fi-business-climate-20160102-story.html).

[9] Next 10, California New Business Creation, Dec, 10, 2015 (online at http://next10.org/sites/next10.org/files/california-new-business-creation.pdf).

[10] Beacon Economics, Beacon Employment Report, California Ends 2016 Ahead of Nation in Job Growth, Jan. 2017 (online at https://beaconecon.com/products/employment_report).

Oregon's International Trading Partners

One argument against cap and trade in Oregon is that such a policy could harm the state's international competitiveness.

It is true that Oregon depends on foreign trade. As Oregon's Employment Department has found, "Oregon is one of the most trade dependent states in the nation and, to some extent, economic activity in other countries helps drive the state's economy." [11]

But adopting a cap-and-trade program need not place Oregon at a major competitive disadvantage for two primary reasons. First, four out of five of Oregon's largest international trading partners have embraced putting a price on carbon pollution. Oregon's largest international trading partners are China, Canada, Malaysia, Japan and South Korea.[12] South Korea and Japan have already established a price on carbon.[13] In September 2015, China announced that the nation would launch a national cap-and-trade program in 2017.[14] While some Canadian provinces have adopted both carbon taxes and cap-and-trade programs, the Canadian federal government has announced plans for a nationwide carbon price by 2018.[15]

Second, other states have grappled with this issue and have closely examined and adopted appropriate policies to minimize what is referred to as "leakage"—that is, a reduction in emissions from within the state only to result in those emissions being replaced by an increase in emissions from outside of the state. There is a wealth of research and experience that Oregon can draw upon in minimizing any leakage. California's experience has shown that this issue can be effectively handled. For example, even after the implementation of its cap-and-trade program, the state saw its share of total U.S. exports grow from 10.5% in 2012 to 11% in 2015.[16]

Finally, I would just note that rather than seeing the establishment of a cap-and-trade program as factor that has diminished its economic role in the world, California has found its engagement in climate solutions to be a reason to positively engage with other countries.[17] In

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[11] Oregon Blue Book (online at http://bluebook.state.or.us/facts/economy/economy01.htm).
[12] *Id*.
[13] World Bank Group, Carbon Pricing Watch, 2016 (online at https://openknowledge.worldbank.org/bitstream/handle/10986/24288/CarbonPricingWatch2016.pdf?sequence=4&isAllowed=y).
[14] *Id.*
[15] CBC News, Justin Trudeau gives provinces until 2018 to adopt carbon price plan, Oct. 3, 2016 (online at http://www.cbc.ca/news/politics/canada-trudeau-climate-change-1.3788825).
[16] United States Census Bureau, State Exports from California (online at https://www.census.gov/foreign-trade/statistics/state/data/ca.html).
[17] Los Angeles Times, China and the world turn to California for climate change expertise, Dec. 7, 2015 (online at http://www.latimes.com/politics/la-me-pol-sac-climate-california-china-20151207-story.html).

fact, parts of Canada have joined in the California cap-and-trade program and Mexico is considering participating as well.[18]

The Question Facing the Oregon Legislature

Today the state of Oregon does not face the question of whether the state will be among the first to establish a strong, market-based climate policy to drive deep emissions reductions. Instead the state benefits from seeing a path that has already been broken. Your committees face the question of whether Oregon will join the twenty per cent of states that have already acted to address climate change through market-based systems. In joining these states, Oregon would have the opportunity to learn from others' experience while also bringing Oregon's own unique approach, perspective and priorities to the state's policy.

As you deliberate on how to proceed, I urge you remain focused on several key points:

First, there is sufficient information today for policymakers to understand that climate change must be addressed. However, the current federal Administration has chosen to make abundantly clear that it is unlikely to act constructively. This makes action by the state of Oregon even more important.

Second, the strength of a state's economy is determined by many factors. We now know from the track records of states that have adopted cap-and-trade programs that these important pollution reduction programs are not incompatible with economic growth.

Third, California and the northeastern states have demonstrated there are a variety of specific policy details that the legislature can adopt to meet the various goals of the state. The state can address challenges to specific industries and constituencies, can phase-in requirements over time, use proceeds to achieve specific goals, or take other targeted action to build support for a strong policy.

Finally, a cap-and-trade program is complementary to other clean energy policies. Most of the states that are implementing cap-and-trade programs today had previously adopted state renewable energy standards, efficiency programs, zero-emission vehicle programs and other clean energy policies. Oregon should not rule out future success because of the successes it has had in the past.

Thank you again for the opportunity to testify today.

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[18] Center for American Progress, An Opportunity to Develop a North American Price on Carbon, Mar. 17, 2016 (online at https://www.americanprogress.org/issues/green/news/2016/03/17/133564/an-opportunity-to-develop-a-north-american-price-on-carbon/).