Designing a Cap-and-Trade Program in Oregon

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Legislative Context

- 2007: Legislature adopts GHG reduction goals
- 2007: Renewable Portfolio Standard
- 2013: Carbon tax study
- 2015: Clean Fuels Program
- 2016: SB 1547
- 2016: Cap-and-trade study (DEQ)
- 2017: Cap-and-trade bills introduced

2016 Budget Note

"Provide information for the 2017 legislative session on how a market-based carbon reduction system would work in Oregon"

- Senate Bill 5701 (2016)

Legislature's areas of interest

1. Scope and stringency necessary to
   - meet Oregon's GHG goals
   - link with other jurisdictions
2. Interaction with existing state programs
   - Renewable Portfolio Standard
   - Clean Fuels Program

Legislature's areas of interest

3. Mitigate impacts to businesses
   - How other jurisdictions have minimized "leakage"
   - How these could be adapted for Oregon

4. Effects on disadvantaged populations and rural communities
   - How other jurisdictions have addressed these
   - How these could be adapted for Oregon

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Study Process

- **June**: Public kickoff meeting
- **Summer/Fall**:
  - Review of literature and policies in other jurisdictions
  - Stakeholder input
  - Consultant models macroeconomic effects
- **November:** Released public draft
- **December**: Public meeting on draft
- **January**: Public workshop on economic modeling
- **February:** Published final study

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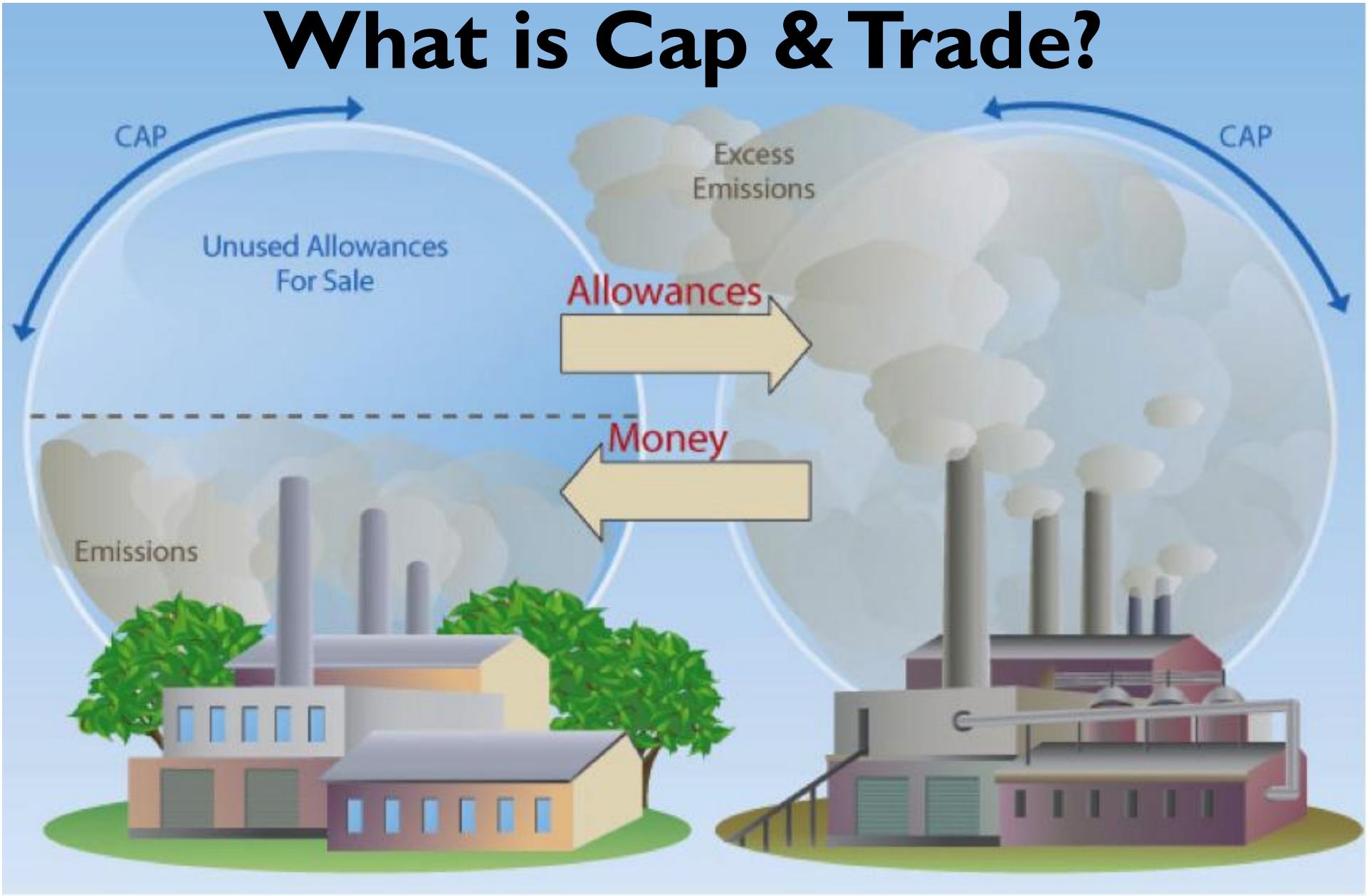
What is Cap & Trade?



Findings

How does cap & trade differ from a carbon tax?

- Emissions certainty vs. price certainty
- Cap & trade yields emission reductions where they are cheapest
- Cap & trade offers better tools to mitigate economic impacts

Findings

What are the key program design elements?

- Cover as many emissions as possible
- Align cap with Oregon's GHG goals
- Include cost containment mechanisms

Findings

How should the state distribute permits?

- Allocate permits up to Oregon's GHG limit
  - Auction allowances
  - Freely give some to industry to minimize leakage
  - Allocate to utilities to protect ratepayers

Findings

How could revenue be used?

- Revenue from transportation may be restricted
- Remaining revenue could
  - Benefit disadvantaged & rural communities
  - Minimize impacts to utility rates
  - Further reduce emissions
  - Other state priorities

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Findings

What are the potential economic effects?

- Statewide effects likely small
- Effects vary across economic sectors
- Larger impact to disadvantaged & rural communities
- Benefits to public health were not modeled

Findings

How could this work with Oregon's existing climate policies?

- Can be designed to complement existing programs
- Existing policies transform energy markets to help achieve state GHG goals
- Cap assures economy-wide GHG reductions

Questions?

DEQ's study is available here:
www.oregon.gov/deq/aq/programs/Pages/GHG-Market.aspx

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