

Climate Policy – Oregon

As states continue to express interest and take action on climate policy at the state level, it is important that policy makers ensure that the mix of programs efficiently maximize greenhouse gas emission reductions while balancing the interests of consumers and Oregon’s economy.

Current Oregon Policies Intended to Reduce Greenhouse Gas Emissions

Oregon currently has a several programs intended to reduce greenhouse gas emissions in the state.

They include:

- Clean Fuels Program (a low-carbon fuel standard)
- Renewable Portfolio Standard
- “Coal-to-Clean” Legislation
- Energy efficiency program funded through the Energy Trust of Oregon

Cap-and-Trade

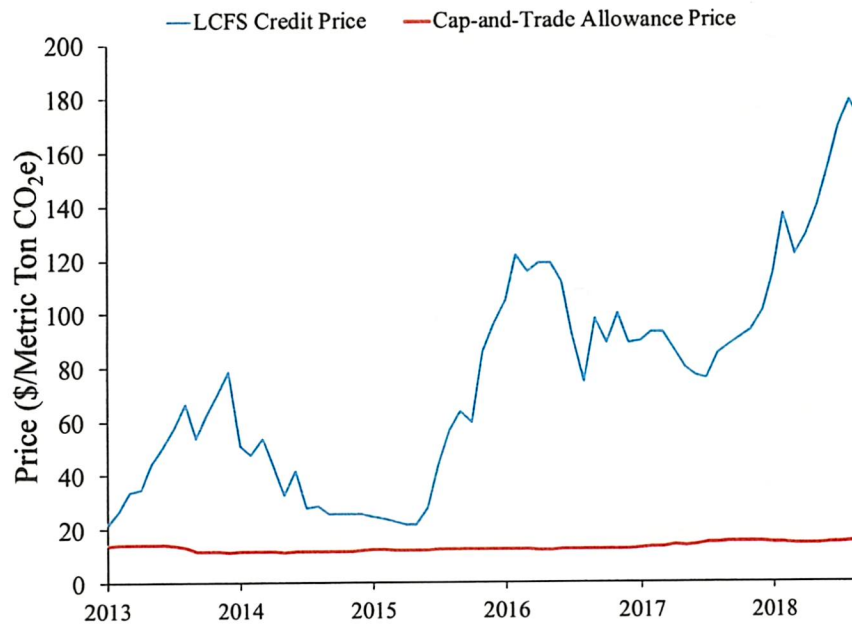
Oregon is now also considering adoption of a cap-and-trade system to reduce greenhouse gas emissions. A *well-designed* cap-and-trade system has advantages over other approaches to reducing greenhouse gas emissions.

- First, a cap-and-trade program provides relative certainty over emissions outcomes. The “cap” ensures achievement of emission targets.
- By comparison, policies that target particular activities or sectors through standards cannot achieve an emission target with certainty.
- According to Dr. Robert Stavins of Harvard, the Clean Fuels Program (CFP) only affects the mix of fuels on the market; it does not affect miles driven, or fuel efficiency of motor vehicles.
- Only carbon-pricing can achieve economy-wide emission reductions -
 - Lowest cost approach to reducing greenhouse gas emissions
 - Provides price signals to stimulate long-term technological change

Moreover, in its recent report “*Assessing California’s Climate Policies – Transportation*” the California Legislative Analyst’s Office determined that the current credit prices in the California Low Carbon Fuel Standard (LCFS) market indicates that the program is a relatively costly GHG reduction strategy. “Notably, the marginal costs [of the LCFS] are more than ten times higher than the state’s cap-and-trade program where the market price for allowances is currently about \$15 per ton¹.”

¹ California Legislative Analyst’s Office, *Assessing California’s Climate Policies – Transportation*, December 2018

Figure 1. California's LCFS Credit Prices vs. Cap-and-Trade Allowance Prices²



Policy Overlap Can Have Perverse Consequences

In general, when policies overlap with cap-and-trade, the other policies (for example LCFS) will fail to create any additional emission reductions. In some cases, this overlap can make the environment worse off. In *"GHG Cap-and-Trade: Implications for Effective and Efficient Climate Policy In Oregon"* Dr. Stavins' analysis of California's LCFS shows that the program actually increases emissions relative to cap-and-trade alone, while also increasing costs. Since the cap-and-trade program was expanded in 2015 to include transportation fuels, emissions outside of California (and outside the state's GHG cap-and-trade system) have increased by more than 1.8 million MTCO₂e (through 2017).

"The LCFS subsidizes fuels that generate a significant amount of GHGs- such as certain types of ethanol – which actually encourages more consumption of these fuels."
– CA Legislative Analyst's Office

² California Air Resources Board; SNL Financial