February 18, 2019

Joint Committee on Carbon Reduction
Oregon State Capitol
Salem, CA 97301

RE: House Bill 2020

Chair Dembrow, Chair Power, and Members of the Committee:

The American Carbon Registry (ACR) supports HB 2020. As Oregon faces heat waves, wildfires, and acidified crabbing waters, climate action is both a moral and economic responsibility. The cap-and-invest model has been proven to achieve ambitious emissions reductions at limited cost. Passage of HB 2020 will help protect present and future generations, while enabling Oregonians to capitalize on the emerging opportunities of a low-carbon economy.

ACR, an enterprise of nonprofit Winrock International, was founded in 1996 as the first private voluntary greenhouse gas registry in the world. A mission-driven institution named for philanthropist Winthrop Rockefeller, Winrock believes that climate change will have a profound impact and that markets are the most effective path to mobilize actions to reduce emissions. Since inception of the California cap-and-trade program, ACR has been an approved Offset Project Registry and has now issued more than 70% of the compliance-protocol offsets. While HB 2020 is, on the whole, a potent vehicle for climate action, ACR's experience grounds the following recommendations for improvement.

Section 8(9)(a)

Regarding the definition of "direct environmental benefits in this state" as it pertains to air contaminants, ACR suggests modification to allow for inclusion of in-state offset projects that reduce fluorinated gases. With adoption of corresponding offset protocols, Oregon could see investments that

- Upgrade supermarket refrigeration systems;
- Transition insulation installers to climate friendly propellants; and,
- Protect citizens from UV rays associated with leaks of ozone-damaging refrigerants.

If these are desired outcomes, then the qualifier "other than a greenhouse gas" should be deleted, or it should be changed to "other than a greenhouse gas that is not a fluorinated compound."

Section 9, (1)(b)(B) and (1)(b)(C)

ACR suggests eliminating the stipulation that annual allowance budgets must decline "by a constant amount." Over the course of this long-term program, it should not be assumed that a constant rate of emission reduction will always be appropriate. Probably no similar program has tightened the cap at a constant rate over such long durations. For example, California's allowance budget shrank at a lower rate at the beginning of the program, in consideration of economic impact, than it does now. Regulators should have the flexibility to design and adjust the emissions cap as best for Oregon's unique challenges and progress. This may entail a rate of emissions reduction that is not constant.

Section 19(2)(a)
ACR supports the 8% offsets limit. This is the offsets limits currently in effect in both California and Quebec. This limit has allowed for cost-effective reductions from unregulated sectors, while also driving emissions reductions within regulated sectors.

ACR suggests eliminating the four percent carve-out for offsets that provide direct environmental benefits in the state. As greenhouse gases are global pollutants, the climate benefit to Oregonians is the same regardless of where mitigation takes place. Imposing an in-state quota will simply saddle Oregon consumers with higher costs. Oregonians should be free to access the least-cost emissions reductions, irrespective of state boundaries.

Section 21(5)(c) and Section 31
Revenue raised from allowances sold at the price ceiling should be used to ensure that Oregon's emissions cap is not breached. Every allowance created at the price ceiling allows for a metric ton of CO2e to be emitted in exceedance of the cap. Therefore, the revenue for each such allowance should be used for at least one metric ton of CO2e mitigation. The manner by which this takes place can be left quite broad, subject to basic requirements for the integrity of the emissions reductions. For reference, the corresponding text from California's AB 398 is as follows:

If the allowances from the allowance price containment reserve are exhausted, the state board shall offer covered entities additional metric tons at the price ceiling if needed for compliance. All moneys generated pursuant to this clause shall be expended by the state board to achieve emissions reductions, on at least a metric ton for metric ton basis, that are real, permanent, quantifiable, verifiable, enforceable by the state board and in addition to any greenhouse gas emission reduction otherwise required by law or regulation and any other greenhouse gas emission reduction that otherwise would occur.[1]

Section 24(2)(a)
The stipulation that Oregon may only link with other programs that are of stringency equivalent to that of Sections 8 to 26 *may be so broad as to be unworkable*. Sections 8 to 26 are quite prescriptive and, in many cases, determining the meaning of equivalent strictness may be problematic. While California statute does contain a similarly expansive linkage requirement, this was written when the referenced sections were much less prescriptive than they are today. California has not tested the current statutory requirement for linkage and may well face new challenges. Linkage requirements should be greatly simplified, with the objectives being that Oregon's linkage partners are at least as ambitious on GHG reductions and have a credible program. ACR recommends that Sec. 24(2)(a) be revised to read, "The jurisdiction with which the director proposes to enter an agreement to link has adopted program requirements for greenhouse gas reductions that are equivalent to or stricter than those required by sections 9 to 12 of this 2019 Act."

[1] California Assembly Bill 398, Sec. 4(c)(2)(A)(ii)(II)):
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB398

To reiterate, ACR supports passage of HB 2020. With the proven cap-and-invest model, Oregon would establish a foundation for effective climate action and a robust, green economy. Thank you for consideration of our comments. If you would like to further discuss our thoughts, please feel free to get in touch.

Respectfully,

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