



**Testimony Before the Joint Committee on Carbon Reduction  
Relating to HB 2020**

**Submitted by Tracy Rutten and Jim McCauley League of Oregon Cities**

Co-Chairs Senator Dembrow and Representative Power, and members of the Joint Committee on Carbon Reduction, on behalf of Oregon's 241 cities we offer the following comments regarding HB 2020.

The League of Oregon Cities (LOC) takes the issue of carbon reduction, climate change and adaptation seriously. In advance of the 2019 session the LOC intergovernmental relations team worked within the policy committee structure at the LOC to develop a framework for cities to submit comments into the process. In January, the LOC Board of Directors provided further direction to LOC staff, which resulted in the finalization of the comments included below. Many members of the Joint Committee on Carbon Reduction, along with the co-chairs, have received this material in the past.

The League understands that the development of final language for HB 2020 will take place over the course of the session. We have the following principles to submit for consideration by the Joint Carbon Committee.

- The League will advocate for transportation revenues, generated through a carbon cap on the transportation fuels sector, be directed to the State Highway Trust Fund and distributed via the 50-30-20 split between the state, counties, and cities.
- Every effort must be made to allow the transportation infrastructure package from the 2017 session to advance to full implementation. This legislation was critical to addressing needed transportation infrastructure needs for communities across the state. Any legislation that disrupts implementation of HB 2017 will be opposed by the League.
- The League will advocate for flexibility in the use of transportation revenues to account for varying needs of local communities.
- The League will oppose any new public contracting requirements that may increase the costs of designing, constructing or maintaining public infrastructure.
  - The public contracting elements described in the body of the bill will, in fact, create higher costs and make it more difficult to develop any project utilizing expected revenues from the regulatory triggers in HB 2020.
- The legislation and subsequent rulemaking processes would need to establish a forum to generate meaningful dialogue with rural Oregon communities and those with energy-intensive, trade-exposed industries. Equity considerations should be considered throughout this process

by including cities and counties representing a variety of populations, regions of the state, and community demographics (e.g. low-income and underserved populations). Specific action should be taken to have representation from cities with populations of less than 1,500.

- At the very least, any revenue sharing scheme must have some geographic balance across Oregon and not be concentrated in the urban core. One method may be the use of the Area Commissions on Transportation structure. This would provide a more regionalized view and would allow communities to combine their resources for determining project priority and viability. This structure also has a decision-making process that is based on local government knowledge and relationships, something that will be critical to implementing HB 2020, should it move through the legislature.
- The cap would need to apply to all sectors including utilities, industry and the transportation fuels sector (e.g. fuel producers) if annual carbon emissions exceed 25,000 metric tons. As written, HB 2020 does not treat all sectors equal. This results in a fee/tax structure targeting just a few sectors.
- The program should be designed to link to the Western Climate Initiative which has a multijurisdictional carbon market (linking with programs in California, Ontario and Quebec).
- The revenue from the purchase of allowances should be invested in evidence-based technologies to reduce emissions from regulated sectors with excess revenues being invested in statewide programs to support climate resilience and rural Oregon economies. Requiring the reinvestment of allowance revenue will help regulated sectors become more efficient over time and less carbon intensive.
- In addition, the LOC will advocate that additional revenues generated be dedicated to support local governments in climate adaptation and resilience programs to further reduce greenhouse gas emissions and efforts to incentivize clean energy job creation and economic development opportunities.

The League of Oregon Cities appreciates the opportunity to provide input during this committee process. We are prepared to work with the legislature and Governor to find a solution that can work for Oregon's cities.