Oregon Climate Action Program (House Bill 2020)

What are Oregon's greenhouse emission goals?
House Bill 2020 sets new statewide goals to reduce greenhouse gas (**GHG**) emissions at least 45 percent below 1990 emission levels by 2035, and at least 80 percent below 1990 emission levels by 2050.

What is the Oregon Climate Action Program?
House Bill 2020 establishes the Carbon Policy Office (**CPO**) in the Department of Administrative Services and requires the CPO Director to adopt the Oregon Climate Action Program (**OCAP**) by rule. The bill requires that the OCAP: place a cap on the total regulated anthropogenic greenhouse gas emissions by setting allowance budgets starting in 2021 through 2050 and provide a market-based mechanism for covered entities to demonstrate compliance.

What emission would be covered by the Oregon Climate Action Program?
- Transportation fuels: Diesel, gasoline, propane, and natural gas supplied in Oregon used in vehicles
- Electricity: All electricity generated in Oregon, and electricity imported for use in the state
- Natural gas: All gas supplied in Oregon for use in buildings
- Large industrial sources: Facilities emitting over 25,000 tons CO_2e from natural gas use, emissions from specific manufacturing processes, and landfills
- Other fossil fuels: Propane, home heating oil, and distillate fuels used in non-transportation

How does a regulated entity comply with the Oregon Climate Action Program?
Regulated entities comply with the program by surrendering either allowances or offset credits equal to their emissions each year:
- An "**allowance**" authorizes the emission of up to one metric ton of carbon dioxide (CO_2) or CO_2 equivalent. Allowances can be bought and sold at auction or on the private market. The CPO will set an annual allowance budget for 2021 and decrease the budget on a schedule each year until 2050 in accordance with the declining emissions cap. Utilities and emission intensive, trade-exposed industrial sources would be directly allocated some allowances at no cost.
- An "**offset project**" is an activity that reduces or eliminates GHG emissions that is not subject to the cap, such as a forest project to sequester carbon. These projects generate offset credits that can used for compliance by emissions sources for a portion of a regulated entity's compliance obligation.

What regulated entities receive a direct allocation of allowances?

Investor Owned Electric Utilities (IOU)	100 percent of the IOU's forecasted emissions from 2021 – 2030 to align with the trajectory of emissions required under the renewable portfolio standard and statutes establishing the elimination of coal from the electricity supply; and For the period 2031 – 2050, direct allocation to IOUs will decline at the same annual decline as the program's overall cap, beginning from the allocation made in 2030.
Consumer Owned Electric Utilities (COU)	100 percent during 2021 for eligible covered emissions; and For the period 2022 until 2050 a declining amount proportionate to the decline in the overall cap.
Natural Gas Utilities	Would be directly distributed allowances at amount equal to emissions attributable to providing service to natural gas utility's low-income residential customers.
Emission-Intensive, Trade-Exposed Industries (EITE)	100 percent during 2021; and For the period 2022 - 2050 a percentage that is adjusted annually in schedule adopted by the CPO director by rule in amount proportionate to the decline in the overall cap.

Any proceeds received by an electric or natural gas utility from the sale of allowances directly distributed at no cost must be spent within their service and be used only for activities that serve to reduce GHG emissions or provide energy bill assistance.

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How do allowance auctions work?

After directly allocating allowances to entities and setting allowances aside in certain reserves, the state will sell the remainder of allowances at an auction. Entities interested in acquiring these allowances can register with the state to make bids at the auction to purchase them. This distributes allowances to those entities that value them the most.

How will program revenue be spent?

Process. Every two years, the CPO will issue, after consultation with certain agencies and citizen's advisory board, a biennial climate action investment plan to the Environmental Justice Task Force, the Governor, and the Joint Legislative Committee on Climate Action (JLCCA) that outlines the best available opportunities during the next biennial budget period for the legislature to invest state OCAP proceeds. The Environmental Justice Task Force will then review that report and issue its own recommendations to the JLCCA and the Governor. The JLCCA will then make a recommendation to the Joint Committee on Ways and Means how the program proceeds should be spent.

Expenditure requirements. House Bill 2020 requires proceeds from the auction of allowances be allocated:

1. In a manner consistent with state constitutional requirements;
2. To activities that advance the purposes of the OCAP:
    - reduce greenhouse gas emissions in line with state goals;
    - promote greenhouse gas emission sequestration and mitigation;
    - promote adaptation and resilience; and
    - provide assistance to households, businesses, and workers impacted by Oregon's economic transition.

In addition, allocations should, to the maximum extent feasible, cost-effective, and consistent with law:

- prioritize projects that benefit impacted communities;
- complement efforts to achieve and maintain local air quality;
- provide opportunities for Indian tribes, members of impacted communities and businesses owned by women or members of minority groups to participate and benefit from efforts to reduce GHG emissions;
- make use of domestically produced products;
- promote low carbon economic development opportunities; and
- provide assistance to help households businesses and workers transitioning to an economic system that allows Oregon to achieve its greenhouse gas emission goals.

House Bill 2020 directs allocations to specific funds for specific purposes.

Climate Investments Fund	Transportation Decarbonization Account	Just Transition Fund
Authorizes biennial legislative allocations as follows: • 10 percent for projects, programs, and activities that benefit Indian tribes; • A percentage not to exceed__ allocated to the Oregon Climate Action Program Operating Fund; • No less than $___ allocated to the Just Transition Fund; • Provides direction on types of investments that may be made with the remainder of the funds.	• Requires Proceeds that are constitutionally dedicated to the state Highway Trust Fund will be deposited in this account. • Those funds will be designated for highway fund eligible state, county, local, or metropolitan planning organization projects that also achieve the Oregon Climate Action Program goals.	• Higher Education Coordinating Commission • 50% set aside in Reserve Account to provide financial support to dislocated workers • Just Transition Program

Any funds determined to be subject to Article VIII, section 2 (1)(g), of the Oregon Constitution (i.e., revenues from royalty fees from fossil fuel mining/extraction in Oregon), will be transferred to the Common School Fund.