

SB 1574 STAFF MEASURE SUMMARY

Senate Committee On Environment and Natural Resources

Action Date: 02/11/20

Action: Without recommendation as to passage and referral to Rules and then to Ways and Means by prior reference.

Vote: 3-2-0-0

Yeas: 3 - Dembrow, Prozanski, Roblan

Nays: 2 - Findley, Olsen

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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Meeting Dates: 2/11

WHAT THE MEASURE DOES:

Modifies statewide greenhouse gas emissions reduction goals. Establishes Oregon Greenhouse Gas Initiative operative January 1, 2022. Authorizes Public Utility Commission (Commission) to allow rate or rate schedule to include differential rates or to reflect amounts for programs that enable public utilities to assist low-income residential customers. Authorizes Commission to allow electric companies and natural gas utilities to recover costs for prudent investments in or expenses for infrastructure measures that support adoption of alternative forms of transportation. Repeals Energy Facility Siting Council carbon dioxide emissions standards. Requires Environmental Quality Commission to adopt standards and requirements for reducing methane emissions from landfills by rule. Requires Environmental Quality Commission to regulate use of hydrofluorocarbons in certain products. Abolishes Oregon Global Warming Commission. Modifies requirements for ethanol content in gasoline. Prohibits sale or offer for sale of general service lamps that do not meet certain efficiency standards. Authorizes State Department of Energy to modify prohibition by rule to align with laws of adjacent states. Provides for direct, expedited review by Oregon Supreme Court of certain constitutional questions related to Oregon Greenhouse Gas Initiative. Requires certain reports and reviews related to Oregon Greenhouse Gas Initiative. Establishes, within Department of Environmental Quality: Oregon Greenhouse Gas Reduction Board, Administrator of the Office of Greenhouse Gas Regulation and Office of Greenhouse Gas Regulation, and sets forth duties of board, administrator and office. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Recommendation to refer bill to another committee
- Other measures concerning greenhouse gas emissions

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

A cap-and-trade program is a market-based system designed to reduce greenhouse gas (GHG) emissions. Total allowed emissions are capped at a given level that decreases each year. Emitters are required to buy an allowance for each ton of greenhouse gas they emit above a specified amount, as quantified through mandatory reporting of emissions to the government. Allowances are purchased at auctions held either by the government or a contracted third party. Allowances may also be distributed for free, often to emissions-intensive, trade-exposed industries. Covered entities may also purchase offset credits to meet their compliance obligations. Offsets represent a verified emission reduction of one ton of carbon dioxide equivalent from an uncapped sector. At the end of each compliance period, emitters must remit a number of allowances equal to their emissions or

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face a penalty. Companies may sell surplus allowances to other companies. A cap-and-invest program uses the proceeds generated from the auction of allowances for designated purposes.

Eleven states currently have cap-and-trade systems. Ten are Northeastern states that have joined together to create a common carbon market through the Regional Greenhouse Gas Initiative. California runs a separate program that began in 2012 and is linked to the Canadian province of Quebec and Nova Scotia through the Western Climate Initiative. These programs include emissions from transportation fuels, natural gas, industrial processes, and electricity generation including emissions associated with imported electricity. The linked jurisdictions participate in joint auctions of allowances, and allowances issued by one jurisdiction can be used by any compliance entity within the linked programs.

During the 2017 session, the Senate and House environment committees held a series of joint meetings focused on state and regional cap-and-invest policies and programs, leading to the introduction of Senate Bill 1070 at the end of the 2017 session. During the interim that followed, the chairs of the Senate and House environment committees convened four work groups which resulted in the introduction of two similar, but not identical, measures in 2018: House Bill 4001 and Senate Bill 1507. These bills were heard during the 2018 session but were not enacted. House Bill 5201 was enacted by the 2018 Legislative Assembly which included a one-time appropriation of \$1,435,000 to establish the Carbon Policy Office. The funding included an allotment of \$650,000 for specific studies. In March 2018, the Joint Committee on Carbon Reduction was established.

During the 2019 session, House Bill 2020 was heard but not enacted. It would have established a cap-and-trade program in Oregon.

Senate Bill 1574 would modify state anthropogenic greenhouse gas (GHG) emissions reduction levels goals. The measure would also establish the Greenhouse Gas Reduction Board (Board) and the Office of Greenhouse Gas Regulation (Office) and require the Board to adopt the Oregon Greenhouse Gas Initiative (OGGI) by rule. The measure declares that the purposes of the regulatory and investment portions of OGGI are to: achieve emission level reductions; promote GHG emissions sequestration and mitigation; promote adaptation and resilience by natural and working lands, fish and wildlife resources, communities, the economy, and the state's infrastructure in the face of climate change and ocean acidification; and assist households, businesses, and workers impacted by climate change or climate change policies. Finally, the measure would require the Board to cap the total amount of regulated anthropogenic GHG emissions through setting allowance budgets starting in 2022 through 2050 and provides a system for covered entities to buy and sell allowances and offset credits used to demonstrate compliance.