

ANALYSIS

Department of Environmental Quality Priority Climate Action Plan

Analyst: April McDonald

Request: Approve the submission of a federal grant application to the U.S. Environmental Protection Agency, Climate Pollution Reduction Grants program, in the amount of \$3,000,000, for statewide pollution reduction planning activities.

Analysis: The Inflation Reduction Act provides an investment of \$5 billion to support efforts to develop and implement strong local greenhouse gas reduction strategies. This is structured into a two-stage grant program which provides \$250 million for noncompetitive planning grants, and \$4.6 billion for competitive implementation grants. The noncompetitive stage provides \$3 million to all states that apply, for development of priority actions plans. This is the first step required to access future Climate Pollution Reduction Implementation Grants, available in early 2024.

The Department of Environmental Quality (DEQ) will discuss three deliverables in their proposal, including: development of a Priority Climate Action Plan (PCAP) which defines scope; development of a Comprehensive Climate Action Plan, due two years from the date of award; and a status report, due at the close of the four-year grant period. The PCAP is required by the Environmental Protection Agency (EPA) and identifies the types of projects and programs which may be eligible to compete for implementation funding.

The application deadline is April 28, 2023, and the EPA anticipates delivery of awards as early as June 2023. There is no state match requirement. DEQ anticipates needing one additional position, funded by the grant, for coordination of planning efforts during the 2023-25 biennium. While DEQ will serve as the administrator, the agency anticipates approximately \$1.5 million will pass through to support other organizations. Depending on the timing of the award notification, the Department plans to request Federal Funds expenditure limitation as well as the position during the 2023 legislative session.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends approval of the request.

Department of Environmental Quality Filimoehala

Request: Authorization to apply for a grant for the Climate Pollution Reduction grants program from the U.S. Environmental Protection Agency; and establish one full-time permanent Project Manager 3 position (1.00 FTE) for the 2023-25 biennium.

Recommendation: Approve the request.

Discussion: The Department of Environmental Quality (DEQ) is preparing an application for a grant from the U.S. Environmental Protection Agency (EPA) for the Climate Pollution Reduction grants program. The application is a prerequisite required to receive future formula funding opportunities under the federal Inflation Reduction Act. This is a two-staged grant program that will provide both non-competitive planning grants and competitive implementation grants. This application is the non-competitive component to request funding for planning activities. A subsequent application will be needed to apply for additional funding through a competitive grant process.

EPA has made \$3 million available for each state for the development of plans to identify priority actions. The application for this funding is due on April 28, 2023 and does not require a state match. Grant funding is expected to be received on July 1, 2023, though backpay for work completed prior to this date is allowed under the grant.

DEQ has proposed to use grant monies to support three deliverables: 1) a Priority Climate Action Plan, 2) a Comprehensive Climate Action Plan, and 3) a status report at the close of the granting period. DEQ is requesting the establishment of one full-time Project Manager 3 position (1.00 FTE) that would expire at the end of the four-year granting period. The position would be entirely supported by grant funds and would be responsible for the coordination of planning efforts. DEQ anticipates at least 50 percent of grant funding will be passed through to partner entities.



Oregon

Tina Kotek, Governor

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Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
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Salem, Oregon 97301

Subject: Approval request for federal grant

Dear Co-Chairs,

DEQ is seeking legislative approval to submit an application for the Environmental Protection Agency's (EPA) Climate Pollution Reduction Grants program (EPA-R-OAR-CPRGP-23-10). A state planning grant is a required prerequisite to future funding opportunities under the Inflation Reduction Act. The application period for the state closes on **April 28, 2023**. Grant awards are formula-based and require no state match.

Background

Section 60114 of the Inflation Reduction Act provides an investment of \$5 billion to support efforts by states, municipalities, air pollution control agencies, tribes, and groups thereof to develop and implement strong, local greenhouse gas reduction strategies. This two-staged grant program provides funding of \$250 million for noncompetitive planning grants, and \$4.6 billion for competitive implementation grants. The noncompetitive stage is formula based and all states that apply will receive funding.

On March 14, 2023, Governor Kotek's office submitted to the EPA the notice of Oregon's intent to participate in the Climate Pollution Reduction Planning Grant program. DEQ is assigned as the lead agency, with the Department of Energy in a supporting role.

The \$3 million EPA is making available to each state is non-competitive. States' will use those funds to develop plans that identify priority actions for their jurisdictions. This is the required first step for interested parties in Oregon and their ability to access future Climate Pollution Reduction Implementation Grants (anticipated release early 2024). **This application does not require a state match. EPA intends to grant awards as early as June 2023 through a cooperative agreement process.**

Proposal

The following 3 deliverables are expected over the 4-year grant period:

- A Priority Climate Action Plan (PCAP), due in early 2024, which will include:
 - A greenhouse gas inventory;
 - Quantified greenhouse gas reduction measures;
 - A low-income and disadvantaged communities benefits analysis; and,
 - A review of authority to implement.

- A Comprehensive Climate Action Plan (CCAP), due 2 years from the date of the award, which will include:
 - A greenhouse gas inventory;
 - Greenhouse gas emission projections;
 - Greenhouse gas reduction targets;
 - Quantified greenhouse gas reduction measures;
 - A benefits analysis for the full geographic scope and population covered by the plan;
 - A low-income and disadvantaged communities benefits analysis;
 - A review of authority to implement.
 - A plan to leverage other federal funding; and,
 - A workforce planning analysis.
- A status report, due at the close of the 4-year grant period.

A “Priority Climate Action Plan” is the first deliverable EPA requires of states using their \$3 million and what provides interested parties in Oregon the scope of eligible projects and programs to apply for further federal implementation funding. Following the submittal of PCAPs in early 2024, EPA will disburse \$4.6 billion in Climate Pollution Reduction Grants in a competitive process. Only programs/projects identified in the PCAPs will be eligible to compete for those funds.

Oregon has done significant climate planning work and is actively implementing programs that reduce climate pollution, such as Oregon’s Clean Fuels Program. DEQ plans to build upon previous planning efforts such as the Transformational Integrated Greenhouse Gas Emissions Reduction (TIGHGER) report released by the Oregon Global Warming Commission as well as previous community-based listening sessions. DEQ will collaborate with agency partners, tribal nations, local jurisdictions, and low income and disadvantaged communities throughout the planning process. Additionally, DEQ will align with planning efforts by the Metro Regional Government (which is the one metropolitan area in Oregon also expected to receive EPA planning funds), and any tribal nation that applies for a separate pot of funding allocated for tribal nations.

DEQ anticipates needing one additional position (1.0 FTE in the 2023-25 biennium) for coordination of planning efforts. The position would be funded by the grant. While DEQ will serve as the administrator, the agency anticipates at least half or \$1.5 million will pass through to support the aforementioned engagement from other organizations.

This is an exciting opportunity to move Oregon further toward our climate goals and open the door to future implementation funding from EPA. Thank you for your review of this request letter. Please do not hesitate to reach out with any questions.

Sincerely,



Matt Davis
Interim Policy and External Affairs Manager
Oregon Department of Environmental Quality

CC:
April McDonald, Legislative Fiscal Office
Sione Filimoehala, Chief Financial Office

Bring Boling, Oregon DEQ
Colin McConnaha, Oregon DEQ