OREGON BUSINESS & INDUSTRY OBI

March 8, 2023

TO: Members of the House Committee on Climate, Energy and Environment

FR: Sharla Moffett, Oregon Business & Industry

RE: HB 3196

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

OBI opposes HB 3196, which would authorize the Department of Environmental Quality to collect 5% of the total revenue from the sale of Community Climate Investments (CCI) Credits for related administrative activities.

The purchase of CCI credits is a mechanism regulated entities may use to demonstrate compliance with the Climate Protection Program. OBI supports well-designed climate policies that are implementable and do not reduce the competitiveness of Oregon companies. But we have significant concern that the Climate Protection Program does not achieve these objectives.

Focusing back on HB 3196, what seems conspicuously missing in the discussion is an estimate of what it will cost DEQ to administer the CCIC program. Otherwise, the state is pegging a 5% allocation to DEQ for administering this program from some unknown amount of revenue.

I need to underscore that the CCIC revenue potential is *massive*. Based on the cap, the percentage of CCI credits allowed and the price of credits in a given year, the program could generate up to $515 million in the peak year of 2028. This is revenue of $515 million in a single year. However, this revenue stream is very much a bell curve, which means that DEQ's budget for administration would also be subject to that bell curve. DEQ's 5% in the peak year of 2028 would exceed $25 million, but that would drop to $4 million for program administration by 2050, when the cap is achieved.

Providing DEQ a hugely variable revenue stream to fund administrative activities would be a problematic. Providing far more money than needed also would be unfair to Oregon consumers, who ultimately will shoulder the costs of CCI credits. We really need to understand how much money DEQ needs to manage CCI credits, and also whether DEQ believes there is a correlation between the credit revenue and DEQ's annual budgetary needs. It's hard to believe the agency at any point would need $25 million in a single year to administer the program. Structuring DEQ's funding mechanism in this manner means the agency could have to return to the Legislature to ask for general fund revenue or a larger percentage as revenue from CCICs diminishes in later years of the program. It simply is not a good construct for stable funding and the agency should provide more detail about what resources are needed for the agency to administer the CCICs.

OBI believes that a lot more questions need to be asked about this bill and why DEQ is proposing such a highly variable and ostensibly unstable funding source from the start.

We urge you to oppose HB 3196 as written.