

ANALYSIS

Department of Environmental Quality Climate Pollution Reduction

Analyst: April McDonald

Request: Approve the submission of a federal grant application request to the U.S. Environmental Protection Agency in the amount of up to \$200,000,000 over a five-year period for reducing greenhouse gas emissions and other harmful air pollution.

Analysis: The Inflation Reduction Act provides the U.S. Environmental Protection Agency (EPA) with 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. In April 2023, the Department of Environmental Quality (DEQ) was granted legislative approval to apply for the noncompetitive planning grant, which provides \$3 million to all states that apply, for design of a Priority Climate Action Plan (PCAP). DEQ is currently developing Oregon's PCAP, which is due to the EPA by March 1, 2024. This initial plan will be expanded into a Comprehensive Climate Action Plan, due two years after award of the planning grant (by July 2025). The planning grant award and delivery of a PCAP are prerequisites to applying for the EPA's Climate Pollution Reduction implementation grants.

The EPA has assigned DEQ as the state's lead agency for this opportunity, with the Department of Energy (ODOE) leading efforts that fit within the Comprehensive Climate Action Plan, such as the Oregon Statewide Energy Strategy and the Natural and Working Lands Carbon Sequestration Inventory. DEQ intends to apply for up to \$200 million in federal funding, which has no state match requirement. At least a third of the total award will be passed on to ODOE, and most of the grant funds will pass from the state agencies to individuals, businesses, and local jurisdictions in the form of grants and rebates.

The EPA is prioritizing applications that achieve maximum reductions in greenhouse gas emissions in the shortest amount of time, while driving benefits to surrounding communities; and those that invest in measures ready to receive funds over the next few years. DEQ's application focuses on the three categories that contribute the most to greenhouse gas emissions, with roughly a third of the funds to support each area 1) transportation, 2) residential and commercial buildings, and 3) waste and materials management. Efforts include:

- Oregon's Charge Ahead electric vehicle rebate program
- Electrification of medium and heavy-duty vehicles
- Charging infrastructure for electric vehicles
- Incentives to build more energy-efficient housing
- Incentives for residential heat pump installation
- Weatherization assistance
- Incentives for early or voluntary adoption of building performance standards
- Food waste recovery and infrastructure grants
- Landfill methane reduction
- Grants to reduce embodied carbon in buildings

The application deadline is April 1, 2024, and the EPA intends to notify grant awardees in July 2024, with total awards announced in October 2024. If successful, DEQ will request additional Federal and Other Funds expenditure limitation from the legislature, as determined by the award, and additional position authority related to grant implementation, procurement, accounting, and reporting.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Joint Committee on Ways and Means approve the request.

Department of Environmental Quality Filimoehala

Request: Authorization to apply for a grant of up to \$200,000,000 for the Environmental Protection Agency Climate Pollution Reduction Grants program for Transportation, Residential and Commercial Building, and Waste and Materials Management projects.

Recommendation: Approve the request.

Discussion: The Department of Environmental Quality (DEQ) is requesting authorization to apply to the climate Pollution Reduction Grant (CPRG) program from the Environmental Protection Agency (EPA). The program provides \$4.3 billion in grants to states, local governments, tribes, and territories to develop and implement ambitious plans for reducing greenhouse gas emissions and other harmful air pollution. EPA anticipates awarding approximately 30 to 115 grants ranging between \$2 million and \$500 million under this general competition.

DEQ is proposing an application detailing three broad areas of programs: Transportation projects, Residential and Commercial Buildings projects, and Waste and Materials Management projects. DEQ will partner with the Oregon Department of Energy (ODOE), who will act as a subgrantee, for implementation of some of the programs.

DEQ will lead both Transportation projects as well as Waste and Materials Management projects. Within Transportation, DEQ is planning to add funding to the Charge Ahead Electric Vehicle Rebate program, Medium and Heavy-Duty vehicle electrification, and electric vehicle charging infrastructure. Waste and Materials Management projects include food waste recovery infrastructure grants, a landfill methane reduction program, and grants to reduce embodied carbon within buildings.

ODOE will lead Residential and Commercial Buildings projects including incentives for the building of energy efficient homes, heat pump incentives, weatherization assistance, and incentives for adoption of Building Performance Standard.

The grant application is due to EPA on April 1, 2024. No state matching funds are required to receive the grant. The granting period would last for five years. If awarded, DEQ will return before the committee to request additional Federal Funds expenditure limitation.



Oregon

Tina Kotek, Governor

Department of Environmental Quality

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February 07, 2024

Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Subject: Approval request for federal grant

Dear Co-Chairs:

The Oregon Department of Environmental Quality (DEQ) respectfully requests approval by the legislature to submit an application for the Environmental Protection Agency's (EPA) Climate Pollution Reduction Grants program (EPA-R-OAR-CPRGI-23-07). This grant opportunity is the second and final phase of CPRG funding available from EPA. No state match is required, and applications are due no later than April 1, 2024. DEQ anticipates applying for up to \$200 Million over a five-year award period.

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.

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 (CPRG) program. The legislature subsequently approved DEQ to apply for the \$3 million formula CPRG planning grant in April 2023. DEQ is assigned as the lead agency, with the Department of Energy (ODOE) in a supporting role. In the planning grant, ODOE is leading efforts within the Comprehensive Climate Action Plan such as the Oregon Statewide Energy Strategy and the Natural and Working Lands Carbon Sequestration Inventory.

DEQ was awarded a planning grant in the first phase of the Climate Pollution Reduction Grant funding opportunity and is currently developing a Priority Climate Action Plan, due to EPA March 1, 2024. The planning grant is a required prerequisite to apply for the implementation grants. Any measure included in the implementation grant application must be referenced in the state's Priority Climate Action Plan. This plan is a required deliverable of the grant and is not required by legislation.

DEQ is honored to continue to act as lead agency on the competitive implementation application. **This application does not require a state match.** The EPA intends to notify grant awardees in July 2024 with grant awards announced in October 2024.

Proposal

Given the potential award size, the agency felt it in the best interest of the state to seek early approval from the legislature, as opposed to retroactive approval after the 2024 short session. DEQ can provide regular updates to interested legislators as we finalize the application in advance of the April 1, 2024 submission deadline.

The EPA has stated objectives to prioritize grant funds: 1) that achieve maximum reductions in greenhouse gas emissions while driving benefits to surrounding communities, and 2) to invest in measures that are ready to receive funds to use over the next few years. Oregon has taken those objectives to heart, and that is reflected in the framework of our state's plan that will directly inform our application to EPA. This plan is not designed to address all the necessary and needed actions for emission reductions in Oregon. Instead, the application seeks to maximize Oregon's competitiveness by prioritizing measures that can achieve the most greenhouse gas emissions reductions in the shortest amount of time.

This application builds on existing efforts to reduce climate pollution in Oregon. Using reports and feedback from the Oregon Climate Action Commission and by utilizing existing authority and programs, Oregon can prove efficient implementation and quantifiable reductions within five years. We plan on submitting an application for up to \$200 million to be distributed across the measures and the 5-year implementation period. The three main areas of the grant application are 1) transportation, 2) residential and commercial buildings, and 3) waste and materials management. These categories contribute the most to greenhouse gas emissions in Oregon and were identified in prior climate planning efforts as key areas to focus reduction efforts.

The measures supported by the grant application include:

1. Transportation- DEQ lead

- a. Oregon's Charge Ahead Electric Vehicle rebate program: The state's Charge Ahead Rebate Program established by Oregon Legislature in 2017.
- b. Electrification of medium- and heavy- duty vehicles: The 2023 Oregon Legislature created the Medium- and Heavy- Duty Rebate Program and the Diesel Emissions Mitigation in support (HB 3409).
- c. Charging infrastructure for electric vehicles: The 2022 (HB 4139) Oregon Legislature created the Oregon Zero Emission Fueling Program to expand Oregon's network of EV charging infrastructure that can support medium- and heavy- duty vehicles.

2. Residential and commercial buildings- ODOE lead

- a. Incentives to build more energy-efficient housing: Oregon Revised Statute (ORS) 455.500, Oregon Reach Code is a statewide optional energy efficiency standard.

- b. Incentives for residential heat pump installation: SB 1536 (2023) directed ODOE to develop a heat pump deployment program and create a grant/rebate program for installation of heat pumps by landlords.
- c. Weatherization assistance: Existing programs include Oregon Housing and Community Service's Weatherization Assistance Program (federally funded) and Oregon Health Authority's Healthy Homes Grant Program (HB 2842).
- d. Incentives for early or voluntary adoption of Building Performance Standard: In HB 3409 (2023) the Oregon Legislature directed the Oregon Department of Energy to develop a building performance standard to regulate the energy consumption of many existing commercial buildings).

3. Waste and materials management- DEQ lead

- a. Food waste recovery and infrastructure grants: SB 263 (2015) set the goal of 25 percent recovery of both food waste and plastic waste by the year 2020- which our state was not able to meet. This measure will support this goal and will be implemented as a competitive application program.
- b. Landfill methane reduction: The Oregon Legislature has adopted goals requiring sharp decreases in all emissions, landfill methane controls are aligned with these goals and the full life cycle impact approach of the 2050 Vision. This measure will be implemented as a competitive application program.
- c. Grants to reduce embodied carbon in buildings: HB 3409 highlighted the need for reductions of embodied carbon in buildings. The reuse of existing buildings is one of the most effective ways to reduce emissions from building materials and is a priority in the 2050 Vision. Implemented as a competitive application program.

We anticipate roughly a third of the funds to support each of the three areas. All measures will reduce greenhouse gas emissions, support transformative change, and help Oregon meet the Legislature's climate goals.

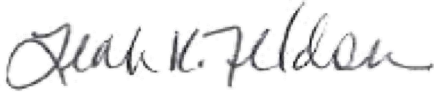
DEQ will collaborate with agency partners, Tribal nations, local jurisdictions, and low income and disadvantaged communities throughout the implementation process. EPA is using Justice40 to set goals for implementation and tracking of benefits to disadvantaged communities that are marginalized, underserved, and overburdened by pollution. DEQ has aligned this application with Metro Regional Government and Tribal Nations in Oregon, both of whom have indicated interest in applying for this competitive opportunity.

DEQ anticipates applying for an amount up to \$200 million. While DEQ will be the grant administrator, the application proposes at least a third of the total award will be passed through to the Oregon Department of Energy for the building related measures. In both cases, most of those monies would ultimately be provided to individuals, businesses, and local jurisdictions in the form of grants and rebates (e.g. purchasers of a zero-emission vehicle, homeowners, transit agencies). DEQ will need additional Federal and Other Funds expenditure limitation. The amount is determinate on any award offered by the EPA and the specific programs set to receive funding. DEQ also anticipates needing additional position authority (estimated 8.00 FTE) related to grant implementation, procurement, accounting, and reporting to EPA and other interested parties on the progress of the grants.

Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
February 07, 2024
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This is an exciting time to move Oregon further toward our climate goals and to take advantage of a once in a lifetime funding opportunity. Thank you for your consideration of this request. Please do not hesitate to reach out with any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Leah K. Feldon". The signature is fluid and cursive, with the first name "Leah" being more prominent.

Leah Feldon
Director

CC: Brian Boling, Department of Environmental Quality
Matthew Davis, Department of Environmental Quality
April McDonald, Legislative Fiscal Office
Sione Filimoehala, DAS Chief Financial Office