2017 SB557 / HB 2135: The Clean Energy Jobs Bill

Purpose:

SB557 will impose a cap on greenhouse gas (GHG) emissions resulting from in-state activities and electricity generated elsewhere but used in-state via a quota of emissions allowances (cap). Proceeds from the auction of allowances are invested in reducing emissions and promoting renewable energy.

Reason:
In supporting this proposal, the legislature acknowledges, among other things, that US National action is occurring too slowly so states have a responsibility to act, and that by doing so Oregon can both position itself as a leader in the field and benefit economically. It is also recognized both:

- that climate change itself and programs designed to address it can have a disproportionately negative impact on disadvantaged communities, and
- that effective climate change policies can redress these imbalances

Emissions Targets:
The bill initiates a cap on GHG emissions for 2021 and schedules reduction through 2050 with these targets compared to 1990 emissions levels:

- Goal of at least 20% reduction by 2025;
- Limit of at least 45% reduction by 2035;
- Limit of at least 75% reduction by 2050.

Details: The bill -
Establishes a climate pollution auction of allowances for Greenhouse Gas (GHG) emissions (i.e. any gas causing global warming).

- Addresses GHG emissions from emitters of 25,000 tons $CO2_e$ annually totaling fewer than 100 entities emitting over 80% of the state's climate pollution.
- Schedules maximum of 4 auctions annually during which bidder collusion is barred.
- Requires that allowances are purchased at auction during which a floor price will be set; though this will rise over time.
- Imposes a penalty for non- surrender of allowances at rate of four allowances for every one surrendered.
- Permits unused allowances to be carried over to following cycles or traded.
- Requires that GHG emissions reductions achieved are real, permanent, quantifiable, verifiable and enforceable.
- Allows linkage with other cap and trade programs.
- Assigns the primary task of making rules not included within the bill to EQC, (the Oregon Environmental Quality Commission = Oregon Department of Environmental Quality) with advice from the Environmental Justice Task Force, Indian Tribes, Public Utilities Commission (PUC), Oregon Departments of Energy and Transportation, with input from an Advisory Committee[1].
- Establishes a Greenhouse Gas Cap and Investment Program Oversight Committee[2] to provide oversight and evaluate program effectiveness and recommend to EQC, the Governor, and Legislature additional legislation regarding the climate pollution market.
- Offsets that generate GHG emissions reductions or atmospheric removals are permitted providing they otherwise would not occur. However, offsets may not apply if they are otherwise required by law, and may not exceed 50% of required emissions reduction during any compliance period though greater restrictions to protect disadvantaged communities are possible.

Fund Disbursement:
Because of state requirements, auction funds raised from the transportation sector are assigned to a Climate Investment Account in the State Highway Fund to be used by the Transportation Department as follows:

- 20% to projects in disadvantaged communities,
- 20% to projects benefitting disadvantaged communities,
- Remainder serving greenhouse gas emissions goals administered through advisory committee. Advice will come from the Climate Investments in Disadvantaged Communities Advisory Committee[3].
- Funded projects should reduce greenhouse gas emissions.

Utilities get some free allowances which they return to the auction pool to generate funds that they must use ***for low income bill assistance***, ***bill assistance for energy intensive industries*** not receiving free allowances, ***and residential and small business climate credits***. Utilities also purchase Allowances to cover their emissions. The Public Utilities Commissions will adopt rules to govern this section.

The non-transportation auction funds are assigned: ***(a)*** 85% to the Oregon Climate Investment Fund to be expended as follows:

- 50% to projects located in geographically disadvantaged communities,
- 40% to economically distressed areas (defined by Oregon Business Development Department).

(b) 15% to the Just Transition Fund to support communities adversely affected by climate change programs to support economic diversification, job training, and mental health services.

The Oregon Climate Investment Fund shall be operated by a Climate Investment Grant Program administered by a committee[3] and disbursed to promote GHG emissions reductions as above. The EQC, with input from the Environmental Justice Task Force, Oregon Health Authority plus other state and local agencies will designate disadvantages communities. Grant application reviews shall include input from the Climate Investments in Disadvantaged Communities Advisory Committee[4]. Projects must address atmospheric greenhouse gas reduction goals.

Construction projects resulting from these funds shall require that contractors:

- Offer an apprenticeship program,
- Must be eligible to receive state contracts,
- Must have a history of compliance with federal construction contractor rules, and may employ high road standards.

The Just Transition Fund is established within the Department of Treasury with fund disbursement managed by a Just Transition Grant Program within the Oregon Business Development Department advised by the Greenhouse Gas Cap and Investment Program Oversight Committee[2].

DEQ is tasked with exploring the feasibility of undertaking full life cycle assessment of emissions (including fugitive emissions) and incorporating this into the program when possible.

The bill incorrectly defines climate change as "an increase in the average temperature of the earth's atmosphere that is associated with the release of greenhouse gases." The name 'Oregon Global Warming Commission' is changed to 'Oregon Commission on Climate Change;' the bill defines membership thereof – with no climate expertise. Linkage with other cap and trade programs is permissible

Committees

1 – Rule-making Advisory Committee:
Appointed by Governor – comprising one representatives from each of the following Commissions: Asian and Pacific Islanders Affairs, Black Affairs, Hispanic Affairs, Indian Services, five reps reflecting geographic and demographic diversity of the state.

2 – Greenhouse Gas Cap and Investment Program Oversight Committee
Appointed by Governor – comprising 1 Senator, 1 House Rep., 1 Governor Rep., 1 disadvantaged community rep, 1 labor organization rep, 1 environmental organization rep, 1 covered entity rep, 1 climate scientist, 1 business rep. Staffing for this committee is provided by DEQ.

3 – Climate Investment Grants Program Committee
Appointed by Governor with Senate confirmation required. Comprising representation from:

- Each Congressional District
- Ethnic diversity with expertise in renewable energy,
- Civil rights / racial equality,
- Energy efficiency / climate resilience for low income residents,
- Water conservation,
- Financing the above,
- Job training/contracting with businesses owned by women or minorities,
- Climate / environmental justice,
- Climate science;

4 – Climate Investments in Disadvantaged Communities Committee
Seventeen member Governor appointed committee: at least one member from each Congressional District from among: Membership: 8 recommended by Environmental Justice Task Force 3 representing labor interests

- 3 with expertise in sustainable development
- 1 representing cities
- 1 representing counties
- 1 representing business

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Confronting Climate Change
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