

Council Communication

February 2, 2016, Business Meeting

Council Endorsement of SB 1574, Relating to Greenhouse Gas Emission Goals and Carbon Pollution Markets

FROM:

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SUMMARY

Councilor Marsh has requested that the Council consider formal written support of the recently proposed Healthy Climate Act (Senate Bill 1574), which has been introduced in the 2016 session of the Legislature.

BACKGROUND AND POLICY IMPLICATIONS:

In June of 2015, the Council discussed and approved the drafting of a letter with Mayor Stromberg's signature in support of House Bill 3470, a bill intended to establish greenhouse gas emission limits and creating financial systems to ensure compliance with the established limits. While that particular bill failed to pass, a new bill has been introduced for the upcoming legislative session that aims to accomplish similar goals.

The Healthy Climate Act (SB 1574) would require the establishment of greenhouse gas emissions goals and limits and require the creation of a carbon pollution marketplace, with proceeds from the market placed in dedicated state funds. These dedicated funds include a Climate Investments Account within the State Highway Fund, a newly formed Climate Investments Fund (DEQ) and a Just Transition Fund (Business Oregon), all designated for specific climate related uses.

At its meeting of January 27, 2016, the Conservation Commission approved a motion to recommend that Council support SB 1574. Their suggested motion is as follows:

At its January 27, 2016 meeting, the Conservation Commission made a motion to encourage the City Council, Mayor, and Director of the Electric Utility Department to send Sen. Bates, Rep. Buckley, Senator Edwards & Senate President Courtney a letter of support for SB1574. Additionally, they encourage Mayor Stromberg to personally sign onto the Oregon Mayors letter of support for the same legislation.

COUNCIL GOALS SUPPORTED:

22. Prepare for the impact of climate change on the community.

FISCAL IMPLICATIONS:

As of this time, no financial impact statements have been released by sponsors of the bill.



STAFF RECOMMENDATION AND REQUESTED ACTION:

Staff has no specific recommendation on this matter. A copy of the Mayor's letter of support is attached for reference should the Council be interested in pursuing a similar path of formal support with SB 1574.

SUGGESTED MOTION:

I move to authorize Mayor Stromberg to draft and submit a letter of support for SB 1574 consistent with the tone and content of the HB 3470 letter of support dated June 2, 2015.

ATTACHMENTS:

[SB 1574 – Healthy Climate Act - Introduced](#)

Mayor's Letter in Support of HB 3470 – June 2, 2015



Senate Bill 1574

Sponsored by Senators EDWARDS, BEYER (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Repeals greenhouse gas emissions goals and requires Environmental Quality Commission to adopt by rule statewide greenhouse gas emissions goal for 2025, and limits for years 2035 and 2050.

Requires Environmental Quality Commission to adopt carbon pollution market by rule. Requires commission to consult with certain interested persons and be advised by advisory committee in adopting rules. Provides for minimum requirements of carbon pollution market. Declares legislative purposes of carbon pollution market.

Requires Department of Environmental Quality to administer auctions of carbon allowances under carbon pollution market. Provides for distribution of auction proceeds.

Requires entities covered by carbon pollution market to surrender compliance instruments to meet compliance obligations. Imposes penalties for failure to timely submit compliance instruments.

Requires electric utilities and natural gas utilities to use proceeds from sale of allowances consigned to auction only for certain activities consistent with legislative purposes of carbon pollution market. Requires Public Utility Commission to adopt rules necessary to prescribe such uses.

Establishes Climate Investments Account within State Highway Fund. Requires that certain auction proceeds be deposited in account for purpose of funding programs consistent with legislative purposes of carbon pollution market.

Establishes Oregon Climate Investments Fund. Requires that certain auction proceeds be deposited in fund, to be distributed through Climate Investments Grant Program adopted by Environmental Quality Commission by rule.

Establishes Just Transition Fund. Requires that certain auction proceeds be deposited in fund, to be distributed through Just Transition Grant Program adopted by Oregon Business Development Department by rule.

Makes all provisions related to carbon pollution market and distribution of auction proceeds operative January 1, 2020. Authorizes Environmental Quality Commission, Public Utility Commission and Oregon Business Development Department to adopt rules prior to operative date.

Requires registration and reporting by certain sources of greenhouse gas emissions. Becomes operative January 1, 2017.

Changes name of Oregon Global Warming Commission to Oregon Commission on Climate Change. Becomes operative January 1, 2017.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to entities that contribute to greenhouse gas emissions; creating new provisions; amending
3 ORS 184.889, 352.823, 468A.050, 468A.200, 468A.210, 468A.215, 468A.220, 468A.225, 468A.230,
4 468A.235, 468A.240, 468A.245, 468A.250, 468A.255, 468A.260, 468A.270, 468A.280 and 757.528 and
5 section 9, chapter 751, Oregon Laws 2009; repealing ORS 468A.205 and 468A.210; and declaring
6 an emergency.

7 Whereas climate change and ocean acidification caused by greenhouse gas emissions threaten
8 to have significant detrimental effects on public health and the economic vitality, natural resources
9 and environment of this state; and

10 Whereas the diverse impacts of climate change and ocean acidification include the exacerbation
11 of air quality problems, a reduction in the quantity and quality of water available to this state from
12 mountain snowpack, a rise in sea levels resulting in the displacement of thousands of coastal busi-
13 nesses and residences, damage to marine ecosystems and food sources, the degradation of the nat-
14 ural environment from increased severity of forest fires and pest infestations of stressed land-based
15 ecosystems, extreme weather events and an increase in the incidences of infectious diseases, asthma

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 and other human health-related problems; and

2 Whereas climate change and ocean acidification will have detrimental effects on some of this
3 state's most important industries, including agriculture, forestry, commercial fishing, recreation and
4 tourism; and

5 Whereas climate change will strain the electricity and domestic water supplies that are neces-
6 sary for economic stability and the most basic levels of human well-being and survival in this state;
7 and

8 Whereas national and international actions are necessary to fully address climate change and
9 ocean acidification; and

10 Whereas national actions in the United States are emerging too slowly to address the scope,
11 magnitude and urgency of climate change and ocean acidification; and

12 Whereas many greenhouse gases persist in the atmosphere for millennia, meaning that the costs
13 of early policy inaction will be severe; and

14 Whereas in the absence of effective national engagement, it is the responsibility of the individ-
15 ual states, deemed to be the laboratories of process, to take immediate leadership actions to address
16 climate change and ocean acidification; and

17 Whereas by exercising a leadership role in addressing climate change and ocean acidification,
18 the State of Oregon will position its economy, technology centers, financial institutions and busi-
19 nesses to benefit from the national and international efforts that must occur to reduce greenhouse
20 gas emissions; and

21 Whereas by joining together with other leadership jurisdictions similarly resolved to address
22 climate change and ocean acidification, Oregon will help encourage more states, the federal gov-
23 ernment and the international community to act; and

24 Whereas global climate change has a disproportionate effect on disadvantaged communities,
25 which typically have fewer resources to adapt to climate change and are therefore the most vul-
26 nerable to displacement, adverse health effects, job loss, property damage and other effects of cli-
27 mate change; and

28 Whereas climate change policies can be designed to protect disadvantaged communities, rural
29 communities and workers from economic costs and can provide co-benefits to and within these
30 communities that include, but are not limited to, opportunities for job creation and training, in-
31 vestments in infrastructure, affordable housing investment, economic development, air quality im-
32 provements, energy savings and conservation and increased utilization of clean energy technologies;
33 and

34 Whereas any climate policy should address leakage to ensure a level playing field between in-
35 state and out-of-state companies to prevent jobs from leaving this state; and

36 Whereas the climate crisis is pressing; and

37 Whereas it is the intent of the Legislative Assembly to obtain reductions in greenhouse gas
38 emissions through legally binding market-based mechanisms; now, therefore,

39 **Be It Enacted by the People of the State of Oregon:**

40 **SECTION 1. Sections 4 and 6 to 17 of this 2016 Act shall be known and may be cited as**
41 **the Healthy Climate Act of 2016.**

42
43 **STATEWIDE GREENHOUSE GAS EMISSIONS LIMITS**

44
45 **SECTION 2. ORS 468A.205 is repealed.**

1 **SECTION 8.** As used in ORS 468A.200 to 468A.260 and sections 6 to 17 of this 2016 Act:

2 (1) “Allowance” means a tradable authorization to emit up to:

3 (a) One metric ton of carbon dioxide; or

4 (b) One unit of carbon dioxide equivalent.

5 (2) “Annual allowance budget” means the total number of allowances allocated by the
6 Environmental Quality Commission for auction or distribution in one calendar year.

7 (3) “Carbon dioxide equivalent” means the potential contribution of a greenhouse gas to
8 anthropogenic climate change expressed such that the potential contribution of one unit of
9 carbon dioxide equivalent is equal to the potential contribution of one metric ton of carbon
10 dioxide.

11 (4) “Carbon pollution market” means the system for regulating greenhouse gas emissions
12 from sources established by the Environmental Quality Commission by rule under section 9
13 of this 2016 Act.

14 (5) “Compliance instrument” means an allowance or an offset credit that may be used
15 to fulfill a compliance obligation.

16 (6) “Compliance obligation” means the quantity of compliance instruments that an entity
17 is required to surrender to the Department of Environmental Quality during a compliance
18 period under the carbon pollution market.

19 (7) “Covered entity” means a source that is required by the Environmental Quality
20 Commission to participate in the carbon pollution market.

21 (8) “Disadvantaged communities” includes, but is not limited to:

22 (a) Communities with a high percentage of people of color, low-income households, im-
23 migrants or refugees relative to other communities;

24 (b) Linguistically isolated communities; and

25 (c) Communities with high exposures to pollution or toxics relative to other communities.

26 (9) “Economically distressed area” means an area designated as distressed by the Oregon
27 Business Development Department under ORS 285A.020 and 285A.075.

28 (10) “Electric utility” has the meaning given that term in ORS 757.600.

29 (11) “General market participant” means a person that:

30 (a) Is a registered entity;

31 (b) Is not a covered entity or an opt-in entity; and

32 (c) Intends to purchase, hold, sell or voluntarily retire compliance instruments in the
33 carbon pollution market.

34 (12) “Greenhouse gas” means any gas that has contributed to anthropogenic climate
35 change, including but not limited to carbon dioxide, methane, nitrous oxide,
36 hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

37 (13) “High road agreement” means an agreement among multiple stakeholders that
38 specifies goals for a project or program that are related to the quality and accessibility of
39 economic opportunities provided by that project or program, and that includes:

40 (a) Strategies for advancing the specified goals based on metrics that may include but
41 are not limited to:

42 (A) Requirements for wages and benefits;

43 (B) Workforce and business diversity;

44 (C) Training and career development; and

45 (D) Environmental benefits;

1 (b) A mechanism for implementing the agreement; and

2 (c) A process for evaluating a program or project's progress toward achieving the goals
3 specified in the agreement.

4 (14) "Leakage" means a reduction in greenhouse gas emissions within this state that is
5 offset by an increase in greenhouse gas emissions outside this state.

6 (15) "Natural gas utility" means a natural gas utility regulated by the Public Utility
7 Commission under ORS chapter 757.

8 (16) "Offset credit" means a tradable compliance instrument that is generated by an
9 offset project and that represents a reduction or removal of greenhouse gas emissions equal
10 to one metric ton of carbon dioxide or one unit of carbon dioxide equivalent.

11 (17) "Offset project" means a project that reduces or removes greenhouse gas emissions
12 that derive from sources that are not covered entities.

13 (18) "Opt-in entity" means a source that is not required to participate in the carbon
14 pollution market and that voluntarily chooses to participate in the carbon pollution market
15 as if it were a covered entity.

16 (19) "Registered entity" means a covered entity, opt-in entity, or general market partic-
17 ipant that has successfully registered to participate in the carbon pollution market.

18 (20) "Retire" means to permanently remove an allowance or offset credit from the carbon
19 pollution market such that the allowance or offset credit may not be sold, traded or other-
20 wise used again.

21 (21) "Source" means:

22 (a) An air contamination source as defined in ORS 468A.005;

23 (b) Any person that imports, sells, allocates or distributes for use in this state electricity,
24 the generation of which emits greenhouse gases; and

25 (c) Any person that imports, sells or distributes for use in this state fossil fuel that
26 generates greenhouse gases when combusted.

27 (22) "Surrender" means to transfer an allowance or offset credit to the Department of
28 Environmental Quality, either to meet a compliance obligation or on a voluntary basis.

29
30 (Carbon Pollution Market)

31
32 **SECTION 9.** (1) The Environmental Quality Commission shall adopt a carbon pollution
33 market by rule. Rules adopted under this section must, at a minimum:

34 (a) Identify sources subject to the carbon pollution market. In adopting rules under this
35 subsection, the commission:

36 (A) May not require sources that are subject to the provisions of the low carbon fuel
37 standards adopted under ORS 468A.275 to be subject to the carbon pollution market until the
38 reductions in greenhouse gas emissions per unit of fuel energy pursuant to the schedule de-
39 scribed in ORS 468A.275 (2)(b)(A) have been accomplished through the low carbon fuel stan-
40 dards.

41 (B) May not require a source to be subject to the carbon pollution market unless or until
42 the annual verified greenhouse gas emissions reported under ORS 468A.050 or 468A.280 at-
43 tributable to that source meet or exceed 25,000 metric tons of carbon dioxide.

44 (b) Set an annual allowance budget that will serve to cap the total combined greenhouse
45 gas emissions allowed from covered entities during the calendar year 2020, and a schedule

1 for annual allowance budgets to decrease by a predetermined amount each calendar year,
2 consistent with the greenhouse gas emission reductions necessary to prevent exceedance of
3 the greenhouse gas emissions levels established by section 4 of this 2016 Act.

4 (c) Establish a market for allowances and criteria for the distribution of allowances ei-
5 ther directly at no cost or through an auction administered by the Department of Environ-
6 mental Quality pursuant to section 10 of this 2016 Act. In distributing allowances, the
7 department:

8 (A) Shall place a certain percentage of allowances, as determined necessary by the com-
9 mission by rule, directly in an allowance price containment reserve designed to assist in
10 containing compliance costs for covered entities in the event of unanticipated high costs for
11 compliance instruments;

12 (B) Shall distribute to electric utilities and natural gas utilities, directly and free of
13 charge, allowances to be used by the utilities subject to section 12 of this 2016 Act;

14 (C) Shall distribute a limited quantity of allowances directly and free of charge, as de-
15 termined necessary by the commission, to covered entities other than electric utilities and
16 natural gas utilities in order to address leakage; and

17 (D) Shall allocate all remaining allowances to an auction holding account to be auctioned
18 pursuant to section 10 of this 2016 Act and associated rules.

19 (d) Establish standards for offset projects that may generate offset credits for covered
20 entities to use in meeting their compliance obligations under the carbon pollution market.
21 Offset projects must be projects not otherwise required by law that result in quantifiable,
22 permanent and verifiable greenhouse gas emissions reductions that would not have occurred
23 if the emission reduction activity had not been implemented as part of the offset project. In
24 adopting standards under this section, the commission shall take into consideration any
25 standards for offsets established by other states and countries with comparable carbon pol-
26 lution markets.

27 (e) Allow for the trading of compliance instruments.

28 (f) Establish three-year compliance periods, standards for calculating covered entities'
29 compliance obligations relative to the annual allowance budgets applicable during each com-
30 pliance period and, subject to section 11 of this 2016 Act, procedures by which covered enti-
31 ties shall meet their compliance obligations.

32 (g) Allow opt-in entities and general market participants to participate in the carbon
33 pollution market.

34 (2) All covered entities, opt-in entities and general market participants must register as
35 registered entities to participate in the carbon pollution market. The commission shall adopt
36 by rule registration requirements and any additional requirements necessary for registered
37 entities to participate in auctions administered by the department under section 10 of this
38 2016 Act. The commission may adopt a schedule of fees for registration under this sub-
39 section. Fees shall be reasonably calculated not to exceed the costs to the department in
40 administering the carbon pollution market.

41 (3) Greenhouse gas emissions reductions achieved pursuant to the carbon pollution
42 market developed under this section must be real, permanent, quantifiable, verifiable and
43 enforceable.

44 (4) In developing and administering the carbon pollution market under this section, the
45 commission may pursue linkage agreements with market-based programs in other states or

1 countries.

2 **SECTION 10.** (1) Except as provided in subsection (2) of this section, auctions of allow-
3 ances under the carbon pollution market shall be open to registered entities. The Environ-
4 mental Quality Commission shall adopt rules necessary for the Department of Environmental
5 Quality to administer the auctions. Rules adopted under this subsection must, at a minimum:

6 (a) Require the department to hold a maximum of four auctions annually. An auction
7 may include allowances from the annual allowance budget of the current year and allowances
8 from the annual allowance budgets from prior years that remained unsold at previous auc-
9 tions. The department may auction allowances from future annual allowance budgets sepa-
10 rately from allowances from current and previous annual allowance budgets.

11 (b) Require the department to engage:

12 (A) A qualified, independent contractor to run the auctions; and

13 (B) A qualified financial services administrator to hold bid guarantees, evaluate bid
14 guarantees and inform the department of the value of bid guarantees once the bids are ac-
15 cepted.

16 (c) Require the department to issue notice for an upcoming auction at least 90 days prior
17 to the auction. The auction must consist of a single round of sealed bids submitted during
18 a three-hour open window and must be conducted through a secure online system.

19 (d) Set an auction floor price and a schedule for the floor price to increase by a prede-
20 termined amount each calendar year as necessary for proper functioning of the carbon pol-
21 lution market. The department may not sell allowances at bids lower than the auction floor
22 price.

23 (e) Specify, as holding limits, the maximum number of allowances that may be held for
24 use or trade by a registered entity at any one time.

25 (f) Require allowances distributed free of charge to electric utilities and natural gas
26 utilities to be consigned to the state for auction. Proceeds from the sale of allowances con-
27 signed to the state under this subsection may be used only as provided in section 12 of this
28 2016 Act.

29 (g) Require a registered entity intending to participate in an auction to submit an appli-
30 cation to participate at least 30 days prior to the auction.

31 (h) Include provisions to guard against bidder collusion and minimize the potential for
32 market manipulation.

33 (2)(a) The department shall conduct reserve auctions of allowances from the allowance
34 price containment reserve once each calendar quarter, separate from the auction of other
35 allowances. Allowances unsold at a reserve auction must be made available again at future
36 reserve auctions.

37 (b) Only covered entities may participate in reserve auctions.

38 (c) The department shall follow the procedures for auctions adopted by rule under sub-
39 section (1) of this section for reserve auctions, except that the department may choose to
40 establish multiple price tiers for the allowances from the allowance price containment re-
41 serve.

42 (3) Upon completion and verification of the results of an auction conducted under this
43 section, the financial services administrator shall notify winning bidders and transfer the
44 proceeds of the auction as follows:

45 (a) For auction proceeds from allowances consigned to auction under subsection (1)(f) of

1 this section, to the electric utilities and natural gas utilities that consigned the allowances,
2 to be used only as specified in section 12 of this 2016 Act;

3 (b) For auction proceeds that constitute revenues described in Article IX, section 3a, of
4 the Oregon Constitution, to the State Treasurer to be deposited in the Climate Investments
5 Account in the State Highway Fund; and

6 (c) For auction proceeds remaining after distribution under paragraphs (a) and (b) of this
7 subsection, to the State Treasurer to be deposited as follows:

8 (A) Eighty-five percent in the Oregon Climate Investments Fund; and

9 (B) Fifteen percent in the Just Transition Fund.

10 **SECTION 11.** (1) A covered entity subject to the carbon pollution market developed under
11 section 9 of this 2016 Act must surrender to the Department of Environmental Quality the
12 quantity of compliance instruments equal to the entity's compliance obligation no later than
13 the surrender date for a compliance period specified by the Environmental Quality Commis-
14 sion by rule or order.

15 (2) The commission may require that offset credits constitute no more than eight percent
16 of the total quantity of compliance instruments submitted by a covered entity to meet the
17 entity's compliance obligation for a compliance period.

18 (3) In addition to any other penalty provided by law, a covered entity that fails to timely
19 surrender to the department a sufficient quantity of allowances to meet the entity's com-
20 pliance obligation must, no later than six months after the specified surrender date for the
21 compliance period, surrender to the department a penalty of four allowances for every one
22 allowance that the entity failed to timely surrender.

23 (4) If a covered entity reasonably believes that it will be unable to meet a compliance
24 obligation, the entity shall immediately notify the Department of Environmental Quality.
25 Upon receiving notification, the department shall issue an order requiring the entity to sur-
26 render penalty allowances as provided for under subsection (3) of this section.

27 (5) Three out of every four penalty allowances surrendered by a covered entity to the
28 department pursuant to this section must be offered by the department for purchase in fu-
29 ture auctions conducted under section 10 of this 2016 Act. The remaining penalty allowances
30 surrendered must be retired by the department and counted toward fulfilling the compliance
31 obligation of the covered entity in the compliance period for which the penalty allowances
32 were surrendered.

33
34 (Climate Investments)
35

36 **SECTION 12.** (1) An electric utility or natural gas utility that receives the proceeds from
37 the sale of allowances at auction under section 10 of this 2016 Act may use the auction pro-
38 ceeds only for the following activities, consistent with the purposes of sections 6 to 17 of this
39 2016 Act as stated in section 6 of this 2016 Act:

40 (a) Bill assistance for low-income residential customers;

41 (b) Bill assistance for energy intensive industrial customers; or

42 (c) Residential or small business climate credits.

43 (2) The Public Utility Commission shall adopt rules necessary to implement this section.
44 In adopting rules under this section, the commission shall consult with the advisory com-
45 mittee established under section 7 of this 2016 Act.

1 **SECTION 13.** (1) The Climate Investments Account is established within the State High-
2 way Fund. Interest earned by the Climate Investments Account shall be credited to the ac-
3 count. Moneys in the account are continuously appropriated to the Department of
4 Transportation to be used only for actions that further the purposes of sections 6 to 17 of
5 this 2016 Act as stated in section 6 of this 2016 Act.

6 (2) The Climate Investments Account shall consist of moneys deposited in the account
7 under section 10 of this 2016 Act.

8 (3)(a) Of the moneys deposited in the account each biennium:

9 (A) At least 20 percent must be used to support projects that are geographically located
10 in disadvantaged communities; and

11 (B) At least 20 percent must be used to support projects that otherwise benefit disad-
12 vantaged communities.

13 (b) For purposes of this section, the Department of Transportation shall designate dis-
14 advantaged communities using the methodology adopted by the Environmental Quality
15 Commission by rule under section 15 of this 2016 Act.

16 (4) In distributing moneys in the account, the Department of Transportation shall:

17 (a) Be advised by an advisory committee; and

18 (b) To the maximum extent feasible and practicable, give funding preference to projects
19 and programs that will result in the highest levels of greenhouse gas emission reductions.

20 (5) The advisory committee required under subsection (4) of this section shall consist of
21 11 members appointed by the Governor, with at least one from each congressional district
22 in this state. The Governor shall appoint members to the committee as follows:

23 (a) At least six members must be recommended by the Environmental Justice Task Force
24 and have experience in working to support environmental justice in disadvantaged commu-
25 nities;

26 (b) Three members must represent labor interests; and

27 (c) Two members must have expertise in energy and climate policy.

28 **SECTION 14.** (1) The Oregon Climate Investments Fund is established in the State
29 Treasury, separate and distinct from the General Fund. Interest earned by the Oregon Cli-
30 mate Investments Fund shall be credited to the fund. Moneys in the fund are continuously
31 appropriated to the Department of Environmental Quality to be distributed pursuant to the
32 Climate Investments Grant Program adopted under section 15 of this 2016 Act.

33 (2) The Oregon Climate Investments Fund shall consist of moneys deposited in the fund
34 under section 10 of this 2016 Act.

35 (3) Moneys in the fund may be used only for activities that further the purposes of
36 sections 6 to 17 of this 2016 Act as stated in section 6 of this 2016 Act.

37 **SECTION 15.** (1) The Environmental Quality Commission shall develop by rule a Climate
38 Investments Grant Program for distributing moneys in the Oregon Climate Investments
39 Fund. In developing the grant program, the commission shall consult with the advisory
40 committee created under section 7 of this 2016 Act. The grant program must carry out the
41 purposes of sections 6 to 17 of this 2016 Act as stated in section 6 of this 2016 Act.

42 (2)(a) Moneys must be distributed through the grant program developed under this sec-
43 tion such that, of the moneys deposited in the Oregon Climate Investments Fund each
44 biennium:

45 (A) At least 40 percent are distributed to projects that are geographically located in dis-

1 **advantaged communities; and**

2 **(B) At least 40 percent are distributed to projects that are geographically located in**
 3 **economically distressed areas, with an emphasis placed on projects or programs funded un-**
 4 **der this paragraph that support job creation and job education and training opportunities.**

5 **(b) The commission shall consult with other state agencies, local agencies and officials**
 6 **to develop by rule a methodology for designating disadvantaged communities for purposes**
 7 **of paragraph (a) of this subsection.**

8 **(3) The grant program shall include the appointment of a grant committee. Members of**
 9 **the grant committee shall be appointed by the Governor. The grant committee may be**
 10 **composed of any number of individuals with qualifications that the Governor determines**
 11 **necessary. However, the Governor shall include individuals with experience in administering**
 12 **state grant programs.**

13 **(4) The commission shall determine the form and method of applying for grants from the**
 14 **grant program, the eligibility requirements for grant applicants and general terms and con-**
 15 **ditions of the grants.**

16 **(5) The commission shall provide that the grant committee review grant applications and**
 17 **make a determination of funding based on a scoring system developed by the commission.**
 18 **The scoring system shall, to the maximum extent feasible and practicable, give funding**
 19 **preference to projects and programs that utilize high road agreements in the completion of**
 20 **the projects or programs. The scoring system shall also give funding preference to projects**
 21 **and programs that:**

22 **(a) Maximize multiple benefits in this state, including but not limited to environmental,**
 23 **social and economic benefits;**

24 **(b) Result in greenhouse gas emissions reductions that are cost effective or that are the**
 25 **product of business and research development interests in this state;**

26 **(c) Constitute investments in and the development of clean energy infrastructure and**
 27 **technologies in this state;**

28 **(d) Complement efforts to achieve and maintain federal and state air quality standards;**

29 **(e) Protect disadvantaged communities and economically distressed areas from economic**
 30 **uncertainties associated with climate change or climate change policies; or**

31 **(f) Make use of domestically produced products to the maximum extent feasible.**

32 **(6) The grant process developed under this section may:**

33 **(a) Require that a grant applicant provide matching funds for completion of the program**
 34 **or project.**

35 **(b) Allow an applicant to appeal any determination of grant funding to the commission**
 36 **for reevaluation.**

37 **(7) Subject to the grant rules established by the commission and subject to reevaluation**
 38 **by the commission, the grant committee has the responsibility to review and make deter-**
 39 **minations on grant applications under the grant program adopted pursuant to this section.**

40 **SECTION 16. The Just Transition Fund is established in the State Treasury, separate and**
 41 **distinct from the General Fund. Interest earned by the Just Transition Fund shall be cred-**
 42 **ited to the fund. The Just Transition Fund shall consist of moneys deposited in the fund**
 43 **under section 10 of this 2016 Act. Moneys in the fund are continuously appropriated to the**
 44 **Oregon Business Development Department to be distributed pursuant to the Just Transition**
 45 **Grant Program developed under section 17 of this 2016 Act. Moneys in the fund may be used**

1 only for activities that further the purposes of sections 6 to 17 of this 2016 Act as stated in
 2 section 6 of this 2016 Act.

3 **SECTION 17.** (1) The Oregon Business Development Department shall develop by rule a
 4 Just Transition Grant Program for the disbursement of moneys in the Just Transition Fund.
 5 In developing the grant program, the department shall consult with the advisory committee
 6 created under section 7 of this 2016 Act. The purpose of the grant program shall be to sup-
 7 port economic diversification, job creation, job training and other employment and mental
 8 health services for workers and communities in this state that are adversely affected by
 9 climate change or climate change policies.

10 (2) The grant program shall include the appointment of a grant committee. Members of
 11 the grant committee shall be appointed by the Governor. The grant committee may be
 12 composed of any number of individuals with qualifications that the Governor determines
 13 necessary. However, the Governor shall include on the committee:

- 14 (a) Individuals who have experience in administering state grant programs;
- 15 (b) Individuals recommended by the Environmental Justice Task Force who have experi-
 16 ence in working to support environmental justice in disadvantaged communities;
- 17 (c) Representatives of labor organizations; and
- 18 (d) Individuals with energy and climate policy expertise.

19 (3) Subject to the grant rules established by the commission and subject to reevaluation
 20 by the commission, the grant committee has the responsibility to review and make deter-
 21 minations on grant applications under the grant program established pursuant to this sec-
 22 tion.

23 (4) The department shall determine the form and method of applying for grants from the
 24 grant program, the eligibility requirements for grant applicants and general terms and con-
 25 ditions of the grants.

26 (5) The grant process developed under this section may:

- 27 (a) Require that a grant applicant provide matching funds for completion of the program
 28 or project.
- 29 (b) Allow an applicant to appeal any determination of grant funding to the department
 30 for reevaluation.

31
 32 **GREENHOUSE GAS EMISSIONS REGISTRATION AND REPORTING**

33
 34 **SECTION 18.** ORS 468A.280 is amended to read:

35 468A.280. (1) In addition to any registration and reporting that may be required under ORS
 36 468A.050, the Environmental Quality Commission by rule may require registration and reporting by:

- 37 (a) Any person who imports, sells, allocates or distributes for use in this state electricity, the
 38 generation of which emits greenhouse gases.
- 39 (b) Any person who imports, sells or distributes for use in this state fossil fuel that generates
 40 greenhouse gases when combusted.

41 (2) Rules adopted by the commission under this section for electricity that is imported, sold, al-
 42 located or distributed for use in this state may require reporting of information necessary to deter-
 43 mine greenhouse gas emissions from generating facilities used to produce the electricity and related
 44 electricity transmission line losses.

45 (3)(a) The commission shall allow consumer-owned utilities, as defined in ORS 757.270, to comply

1 with reporting requirements imposed under this section by the submission of a report prepared by
2 a third party. A report submitted under this paragraph may include information for more than one
3 consumer-owned utility, but must include all information required by the commission for each indi-
4 vidual utility.

5 (b) For the purpose of determining greenhouse gas emissions related to electricity purchased
6 from the Bonneville Power Administration by a consumer-owned utility, as defined in ORS 757.270,
7 the commission may require only that the utility report:

8 (A) The number of megawatt-hours of electricity purchased by the utility from the Bonneville
9 Power Administration, segregated by the types of contracts entered into by the utility with the
10 Bonneville Power Administration; and

11 (B) The percentage of each fuel or energy type used to produce electricity purchased under each
12 type of contract.

13 (4)(a) Rules adopted by the commission pursuant to this section for electricity that is purchased,
14 imported, sold, allocated or distributed for use in this state by an electric company, as defined in
15 ORS 757.600, must be limited to the reporting of:

16 (A) Greenhouse gas emissions emitted from generating facilities owned or operated by the elec-
17 tric company;

18 (B) Greenhouse gas emissions emitted from transmission equipment owned or operated by the
19 electric company;

20 (C) The number of megawatt-hours of electricity purchased by the electric company for use in
21 this state, including information, if known, on:

22 (i) The seller of the electricity to the electric company; and

23 (ii) The original generating facility fuel type or types; and

24 (D) An estimate of the amount of greenhouse gas emissions, using default greenhouse gas emis-
25 sions factors established by the commission by rule, attributable to:

26 (i) Electricity purchases made by a particular seller to the electric company;

27 (ii) Electricity purchases from an unknown origin or from a seller who is unable to identify the
28 original generating facility fuel type or types;

29 (iii) Electricity purchases for which a renewable energy certificate under ORS 469A.130 has
30 been issued but subsequently transferred or sold to a person other than the electric company;

31 (iv) Electricity transmitted for others by the electric company; and

32 (v) Total energy losses from electricity transmission and distribution equipment owned or oper-
33 ated by the electric company.

34 (b) Pursuant to paragraph (a) of this subsection, a multijurisdictional electric company may rely
35 upon a cost allocation methodology approved by the Public Utility Commission for reporting emis-
36 sions allocated in this state.

37 (5) Rules adopted by the commission under this section for fossil fuel that is imported, sold or
38 distributed for use in this state may require reporting of the type and quantity of the fuel and any
39 additional information necessary to determine the carbon content of the fuel. For the purpose of
40 determining greenhouse gas emissions related to liquefied petroleum gas, the commission shall allow
41 reporting using publications or submission of data by the American Petroleum Institute but may
42 require reporting of such other information necessary to achieve the purposes of the rules adopted
43 by the commission under this section.

44 (6) To an extent that is consistent with the purposes of the rules adopted by the commission
45 under this section, the commission shall minimize the burden of the reporting required under this

1 section by:

2 (a) Allowing concurrent reporting of information that is also reported to another state agency;

3 (b) Allowing electronic reporting;

4 (c) Allowing use of good engineering practice calculations in reports, or of emission factors
5 published by the United States Environmental Protection Agency;

6 (d) Establishing thresholds for the amount of specific greenhouse gases that may be emitted or
7 generated without reporting;

8 (e) Requiring reporting by the fewest number of persons in a fuel distribution system that will
9 allow the commission to acquire the information needed by the commission; or

10 (f) Other appropriate means and procedures determined by the commission.

11 **(7)(a) Rules adopted under this section must support implementation of the carbon pol-
12 lution market developed under section 9 of this 2016 Act.**

13 **(b) If a person that has a compliance obligation under the carbon pollution market de-
14 veloped under section 9 of this 2016 Act fails to submit a report under this section, the de-
15 partment shall develop an assigned emissions level for that person for purposes of
16 participation in the carbon pollution market.**

17 [(7)] **(8) As used in this section, “greenhouse gas” [has the meaning given that term in ORS
18 468A.210] means any gas that has contributed to anthropogenic climate change, including but
19 not limited to carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons
20 and sulfur hexafluoride.**

21 **SECTION 19.** ORS 468A.050 is amended to read:

22 468A.050. (1) By rule the Environmental Quality Commission may classify air contamination
23 sources according to levels and types of emissions and other characteristics [*which*] **that** cause or
24 tend to cause or contribute to air pollution and may require registration or reporting or both for
25 any such class or classes.

26 (2) Any person in control of an air contamination source of any class for which registration and
27 reporting is required under subsection (1) of this section shall register with the Department of En-
28 vironmental Quality and make reports containing such information as the commission by rule may
29 require concerning location, size and height of air contaminant outlets, processes employed, fuels
30 used and the amounts, nature and duration of air contaminant emissions and such other information
31 as is relevant to air pollution.

32 **(3)(a) In addition to any other registration or reporting required under subsection (1) of
33 this section, the commission shall by rule require registration and reporting of greenhouse
34 gas emissions by air contamination sources classified pursuant to subsection (1) of this sec-
35 tion. Rules adopted under this subsection must support implementation of the carbon pol-
36 lution market developed under section 9 of this 2016 Act.**

37 **(b) If an air contamination source that has a compliance obligation under the carbon
38 pollution market developed under section 9 of this 2016 Act fails to submit a report under
39 this section, the department shall develop an assigned emissions level for that air contam-
40 ination source for purposes of participation in the carbon pollution market.**

41 [(3)] **(4) By rule the commission may establish a schedule of fees for the registration of any class
42 of air contamination sources classified pursuant to subsection (1) of this section for which a person
43 is required to obtain a permit under ORS 468A.040 or 468A.155 but chooses instead to register if
44 allowed by the commission by rule. The commission shall base the fees on the anticipated cost of
45 developing and implementing programs related to the different classes, including but not limited to**

1 the cost of processing registrations, compliance inspections and enforcement. A registration must
 2 be accompanied by any fee specified by the commission by rule, and a subsequent annual registra-
 3 tion fee is payable as prescribed by rule of the commission.

4 [(4)(a)] (5)(a) By rule the commission may establish a schedule of fees for reporting of any class
 5 of air contamination sources classified pursuant to subsection (1) of this section for which a person
 6 is required to obtain permits under ORS 468A.040 or 468A.155 or is subject to the federal operating
 7 permit program pursuant to ORS 468A.310.

8 (b) Before establishing fees pursuant to this subsection, the commission shall consider the total
 9 fees for each class of sources subject to reporting under this subsection and for which permits are
 10 required under ORS 468A.040 or 468A.155 or the federal operating permit program under ORS
 11 468A.315.

12 (c) The commission shall limit the fees established under this subsection to the anticipated cost
 13 of developing and implementing reporting programs. Any fees collected under this subsection for any
 14 air contamination source issued a permit under ORS 468A.040 or 468A.155 or sources subject to the
 15 federal operating permit program under ORS 468A.310 must be collected as part of the fee for that
 16 specific permit.

17 **SECTION 20. (1) The Department of Environmental Quality shall study the feasibility of**
 18 **requiring greenhouse gas emissions reported under ORS 468A.050 and 468A.280 to be quanti-**
 19 **fied and reported in a manner that meets:**

20 (a) **The standards established by the International Organization for Standardization un-**
 21 **der ISO 14064; or**

22 (b) **Other standards that meet criteria identified by the department for calculating**
 23 **emissions on a complete life cycle basis, including the emissions attributable to the ex-**
 24 **traction, production, storage, transportation, delivery and final use combustion of a**
 25 **greenhouse gas and fugitive losses, expressed in carbon dioxide equivalents.**

26 (2) **If the department determines that it is feasible, pursuant to the study required by**
 27 **subsection (1) of this section, the Environmental Quality Commission may require**
 28 **greenhouse gas emissions to be quantified and reported under ORS 468A.050 and 468A.280 in**
 29 **a manner that meets the standards specified in subsection (1)(a) or (b) of this section.**

30 OREGON GLOBAL WARMING COMMISSION NAME CHANGE

31
 32
 33 **SECTION 21.** ORS 468A.200 is amended to read:

34 468A.200. The Legislative Assembly finds that:

35 (1) In December 2004 the Governor's Advisory Group on Global Warming issued its report call-
 36 ing for immediate and significant action to address [*global warming*] **climate change**, to reduce
 37 Oregon's exposure to the risks of [*global warming*] **climate change** and to begin to prepare for the
 38 effects of [*global warming*] **climate change**. The advisory group also identified 46 specific recom-
 39 mendations for measurable reductions in the state's greenhouse gas emissions.

40 (2) In partnership with the Governor's advisory group, 50 scientists signed the "Scientific Con-
 41 sensus Statement on the Likely Impacts of Climate Change on the Pacific Northwest," which exam-
 42 ined the potential effects of climate change on temperature, precipitation, sea level, marine
 43 ecosystems and terrestrial ecosystems. The scientists recommended additional, improved scientific
 44 studies and modeling of the effects of climate change on the atmosphere, oceans and land, as well
 45 as modeling of the effects of economic and management policies.

1 (3) [*Global warming*] **Climate change** poses a serious threat to the economic well-being, public
2 health, natural resources and environment of Oregon.

3 (4) Oregon relies on snowpack for summer stream flows to provide energy, municipal water,
4 watershed health and irrigation. Also, a potential rise in sea levels threatens Oregon's coastal
5 communities. Reduced snowpack, changes in the timing of stream flows, extreme or unusual weather
6 events, rising sea levels, increased occurrences of vector-borne diseases and impacts on forest health
7 could significantly impact the economy, environment and quality of life in Oregon.

8 (5) Oregon forests play a significant role in sequestering atmospheric carbon, and losing this
9 potential to sequester carbon will have a significant negative effect on the reduction of carbon lev-
10 els in the atmosphere.

11 (6) [*Global warming*] **Climate change** will have detrimental effects on many of Oregon's largest
12 industries, including agriculture, wine making, tourism, skiing, recreational and commercial fishing,
13 forestry and hydropower generation, and will therefore negatively impact the state's workers, con-
14 sumers and residents.

15 (7) There is a need to assess the current level of greenhouse gas emissions in Oregon, to monitor
16 the trend of greenhouse gas emissions in Oregon over the next several decades and to take neces-
17 sary action to begin reducing greenhouse gas emissions in order to prevent disruption of Oregon's
18 economy and quality of life and to meet Oregon's responsibility to reduce the impacts and the pace
19 of [*global warming*] **climate change**.

20 (8) Oregon has been a national leader in energy conservation and environmental stewardship,
21 including the areas of energy efficiency requirements and investments, renewable energy invest-
22 ments, natural resource conservation, greenhouse gas offset requirements and investments, and
23 global warming pollution standards for passenger vehicles. Significant opportunities remain to re-
24 duce greenhouse gas emissions statewide, especially from major contributors of greenhouse gas
25 emissions, including electricity production, transportation, building construction and operation, and
26 the residential and consumer sectors.

27 (9) Actions to reduce greenhouse gas emissions will reduce Oregon's reliance on foreign sources
28 of energy, lead to the development of technology, attract new businesses to Oregon and increase
29 energy efficiency throughout the state, resulting in benefits to the economy and to individual busi-
30 nesses and residents.

31 (10) In devising measures to achieve reduction of greenhouse gas emissions, Oregon must strive
32 to not disadvantage Oregon businesses as compared to businesses in other states with which Oregon
33 cooperates on regional greenhouse gas emissions reduction strategies.

34 (11) Policies pursued, and actions taken, by Oregon will:

35 (a) In concert with complementary policies and actions by other states and the federal govern-
36 ment, substantially reduce the global levels of greenhouse gas emissions and the impacts of those
37 emissions;

38 (b) Encourage similar policies and actions by various stakeholders;

39 (c) Inform and shape national policies and actions in ways that are advantageous to Oregon
40 residents and businesses; and

41 (d) Directly benefit the state and local governments, businesses and residents.

42 **SECTION 22.** ORS 468A.210 is amended to read:

43 468A.210. As used in ORS 352.823 and 468A.200 to 468A.260:

44 (1) [*“Global warming”*] **“Climate change”** means an increase in the average temperature of the
45 earth's atmosphere that is associated with the release of greenhouse gases.

1 (2) "Greenhouse gas" means any gas that contributes to anthropogenic global warming includ-
 2 ing, but not limited to, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons
 3 and sulfur hexafluoride.

4 [(3) "Greenhouse gas cap-and-trade system" means a system that:]

5 [(a) Establishes a total cap on greenhouse gas emissions from an identified group of emitters;]

6 [(b) Establishes a market for allowances that represent emissions; and]

7 [(c) Allows trading of allowances among greenhouse gas emitters.]

8 **SECTION 23.** ORS 468A.215 is amended to read:

9 468A.215. (1) There is created the [*Oregon Global Warming Commission*] **Oregon Commission**
 10 **on Climate Change**. The commission shall consist of 25 members, including 11 voting members ap-
 11 pointed by the Governor under this section and 14 ex officio nonvoting members specified in ORS
 12 468A.220.

13 (2) Members of the commission appointed under this section shall be appointed so as to be rep-
 14 resentative of the social, environmental, cultural and economic diversity of the state and to be rep-
 15 resentative of the policy, science, education and implementation elements of the efforts to reduce
 16 greenhouse gas emissions and to prepare Oregon for the effects of [*global warming*] **climate**
 17 **change**. Of the members appointed by the Governor under this section:

18 (a) One member shall have significant experience in manufacturing;

19 (b) One member shall have significant experience in energy;

20 (c) One member shall have significant experience in transportation;

21 (d) One member shall have significant experience in forestry;

22 (e) One member shall have significant experience in agriculture; and

23 (f) One member shall have significant experience in environmental policy.

24 (3) The Governor shall select a chairperson and a vice chairperson from among the members
 25 appointed under this section.

26 (4) The term of office of a member appointed under this section is four years. Before the expi-
 27 ration of the term of a member, the Governor shall appoint a successor whose term begins on Jan-
 28 uary 31 next following. A member appointed under this section is eligible for reappointment. In case
 29 of vacancy for any cause, the Governor shall make an appointment to become immediately effective
 30 for the unexpired term.

31 (5) The members of the commission appointed under this section must be residents of this state.
 32 Failure of a member to maintain compliance with the eligibility requirements related to the
 33 member's appointment shall result in disqualification from serving on the commission.

34 (6) Voting members of the commission appointed under this section are entitled to expenses as
 35 provided in ORS 292.495 (2).

36 **SECTION 24.** ORS 468A.220 is amended to read:

37 468A.220. (1) In addition to the members appointed under ORS 468A.215, the [*Oregon Global*
 38 *Warming Commission*] **Oregon Commission on Climate Change** includes the following ex officio
 39 nonvoting members:

40 (a) The Director of the State Department of Energy;

41 (b) The Director of Transportation;

42 (c) The chairperson of the Public Utility Commission of Oregon;

43 (d) The Director of the Department of Environmental Quality;

44 (e) The Director of Agriculture;

45 (f) The State Forester;

1 (g) The Water Resources Director; and

2 (h) Three additional [*ex officio*] **advisory** nonvoting members, each from a state agency or an
3 academic institution.

4 (2) The following representatives of the Legislative Assembly also shall serve as ex officio non-
5 voting members:

6 (a) Two members of the Senate, not from the same political party, appointed by the President
7 of the Senate; and

8 (b) Two members of the House of Representatives, not from the same political party, appointed
9 by the Speaker of the House of Representatives.

10 [(3) *Each legislative member serves at the pleasure of the appointing authority and may serve so
11 long as the member remains in the chamber of the Legislative Assembly from which the member was
12 appointed.*]

13 [(4)] (3) Notwithstanding ORS 171.072, members of the commission who are members of the
14 Legislative Assembly are not entitled to mileage expenses or a per diem and serve as volunteers on
15 the commission.

16 **SECTION 25.** ORS 468A.225 is amended to read:

17 468A.225. (1) A majority of the members of the [*Oregon Global Warming Commission*] **Oregon
18 Commission on Climate Change** constitutes a quorum for the transaction of business.

19 (2) The commission shall meet at times and places specified by a majority of the members of the
20 commission.

21 (3) **Official action by the commission requires the approval of a majority of the voting
22 members of the commission.**

23 [(3)] (4) The State Department of Energy shall provide clerical, technical and management per-
24 sonnel to serve the commission. Other agencies shall provide support as requested by the depart-
25 ment or the commission.

26 **SECTION 26.** ORS 468A.230 is amended to read:

27 468A.230. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
28 may adopt by rule such standards and procedures as it considers necessary for the operation of the
29 commission.

30 **SECTION 27.** ORS 468A.235 is amended to read:

31 468A.235. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
32 shall recommend ways to coordinate state and local efforts to reduce greenhouse gas emissions in
33 Oregon consistent with the **limits on** greenhouse gas emissions [*reduction goals*] established by
34 [*ORS 468A.205*] **section 4 of this 2016 Act** and shall recommend efforts to help Oregon prepare for
35 the effects of [*global warming*] **climate change**. The Office of the Governor and state agencies
36 working on multistate and regional efforts to reduce greenhouse gas emissions shall inform the
37 commission about these efforts and shall consider input from the commission for such efforts.

38 **SECTION 28.** ORS 468A.240 is amended to read:

39 468A.240. (1) In furtherance of the **limits on** greenhouse gas emissions [*reduction goals*] estab-
40 lished by [*ORS 468A.205*] **section 4 of this 2016 Act**, the [*Oregon Global Warming Commission*]
41 **Oregon Commission on Climate Change** may recommend statutory and administrative changes,
42 policy measures and other recommendations to be carried out by state and local governments,
43 businesses, nonprofit organizations or residents. In developing its recommendations, the commission
44 shall consider economic, environmental, health and social costs, and the risks and benefits of alter-
45 native strategies, including least-cost options. The commission shall solicit and consider public

1 comment relating to statutory, administrative or policy recommendations.

2 [(2) *The commission shall examine greenhouse gas cap-and-trade systems, including a statewide*
3 *and multistate carbon cap-and-trade system and market-based mechanisms, as a means of achieving the*
4 *greenhouse gas emissions reduction goals established by ORS 468A.205.*]

5 [(3)] (2) The commission shall examine possible funding mechanisms to obtain low-cost
6 greenhouse gas emissions reductions and energy efficiency enhancements, including but not limited
7 to those in the natural gas industry.

8 **SECTION 29.** ORS 468A.245 is amended to read:

9 468A.245. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
10 shall develop an outreach strategy to educate Oregonians about the scientific aspects and economic
11 impacts of [*global warming*] **climate change** and to inform Oregonians of ways to reduce greenhouse
12 gas emissions and ways to prepare for the effects of [*global warming*] **climate change**. The com-
13 mission, at a minimum, shall work with state and local governments, the State Department of En-
14 ergy, the Department of Education, the Higher Education Coordinating Commission and businesses
15 to implement the outreach strategy.

16 **SECTION 30.** ORS 468A.250 is amended to read:

17 468A.250. (1) The [*Oregon Global Warming Commission*] **Oregon Commission on Climate**
18 **Change** shall track and evaluate:

19 (a) Economic, environmental, health and social assessments of [*global warming*] **climate change**
20 impacts on Oregon and the Pacific Northwest;

21 (b) Existing greenhouse gas emissions reduction policies and measures;

22 (c) Economic, environmental, health and social costs, and the risks and benefits of alternative
23 strategies, including least-cost options;

24 (d) The physical science of [*global warming*] **climate change**;

25 (e) Progress toward **preventing exceedance of** the greenhouse gas emissions [*reduction goals*]
26 **limits** established by [*ORS 468A.205*] **section 4 of this 2016 Act**;

27 (f) Greenhouse gases emitted by various sectors of the state economy, including but not limited
28 to industrial, transportation and utility sectors;

29 (g) Technological progress on sources of energy the use of which generates no or low
30 greenhouse gas emissions and methods for carbon sequestration;

31 (h) Efforts to identify the greenhouse gas emissions attributable to the residential and commer-
32 cial building sectors;

33 (i) The carbon sequestration potential of Oregon's forests, alternative methods of forest man-
34 agement that can increase carbon sequestration and reduce the loss of carbon sequestration to
35 wildfire, changes in the mortality and distribution of tree and other plant species and the extent to
36 which carbon is stored in tree-based building materials;

37 (j) The advancement of regional, national and international policies to reduce greenhouse gas
38 emissions;

39 (k) Local and regional efforts to prepare for the effects of [*global warming*] **climate change**; and

40 (L) Any other information, policies or analyses that the commission determines will aid in [*the*
41 *achievement of the greenhouse gas emissions reduction goals established by ORS 468A.205*] **preventing**
42 **exceedance of the greenhouse gas emissions limits established by section 4 of this 2016 Act**.

43 (2) The commission shall:

44 (a) Work with the State Department of Energy and the Department of Environmental Quality
45 to evaluate all gases with the potential to be greenhouse gases and to determine a carbon dioxide

1 equivalency for those gases; and

2 (b) Use regional and national baseline studies of building performance to identify incremental
 3 targets for the reduction of greenhouse gas emissions attributable to residential and commercial
 4 building construction and operations.

5 **SECTION 31.** ORS 468A.255 is amended to read:

6 468A.255. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
 7 may recommend to the Governor the formation of citizen advisory groups to explore particular areas
 8 of concern with regard to the reduction of greenhouse gas emissions and the effects of [*global*
 9 *warming*] **climate change**.

10 **SECTION 32.** ORS 468A.260 is amended to read:

11 468A.260. The [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**
 12 shall submit a report to the Legislative Assembly, in the manner provided by ORS 192.245, by
 13 [*March 31 of each odd-numbered year*] **September 15 of each even-numbered year** that describes
 14 Oregon’s progress toward [*achievement of the greenhouse gas emissions reduction goals established*
 15 *by ORS 468A.205*] **preventing exceedance of the greenhouse gas emissions limits established**
 16 **by section 4 of this 2016 Act**. The report may include relevant issues and trends of significance,
 17 including trends of greenhouse gas emissions, emerging public policy and technological advances.
 18 The report also may discuss measures the state may adopt to mitigate the impacts of [*global warm-*
 19 *ing*] **climate change** on the environment, the economy and the residents of Oregon and to prepare
 20 for those impacts.

21
 22 **2017 CONFORMING AMENDMENTS**
 23

24 **SECTION 33.** ORS 184.889 is amended to read:

25 184.889. (1) The Oregon Transportation Commission, after consultation with and in cooperation
 26 with metropolitan planning organizations, other state agencies, local governments and stakeholders,
 27 as a part of the state transportation policy developed and maintained under ORS 184.618, shall adopt
 28 a statewide transportation strategy on greenhouse gas emissions to aid in [*achieving the greenhouse*
 29 *gas emissions reduction goals set forth in ORS 468A.205*] **preventing exceedance of the greenhouse**
 30 **gas emissions limits established by section 4 of this 2016 Act**. The commission shall focus on
 31 reducing greenhouse gas emissions resulting from transportation. In developing the strategy, the
 32 commission shall take into account state and federal programs, policies and incentives related to
 33 reducing greenhouse gas emissions.

34 (2) The commission shall actively solicit public review and comment in the development of the
 35 strategy.

36 **SECTION 34.** ORS 352.823 is amended to read:

37 352.823. (1) The Oregon Climate Change Research Institute is established at Oregon State Uni-
 38 versity. In administering the institute, Oregon State University may seek the cooperation of other
 39 public universities listed in ORS 352.002.

40 (2) The purpose of the Oregon Climate Change Research Institute is to:

- 41 (a) Facilitate research by faculty at public universities listed in ORS 352.002 on climate change
- 42 and its effects on natural and human systems in Oregon;
- 43 (b) Serve as a clearinghouse for climate change information;
- 44 (c) Provide climate change information to the public in integrated and accessible formats;
- 45 (d) Support the [*Oregon Global Warming Commission*] **Oregon Commission on Climate Change**

1 in developing strategies to prepare for and to mitigate the effects of climate change on natural and
2 human systems; and

3 (e) Provide technical assistance to local governments to assist them in developing climate
4 change policies, practices and programs.

5 (3) The Oregon Climate Change Research Institute shall assess, at least once each biennium, the
6 state of climate change science, including biological, physical and social science, as it relates to
7 Oregon and the likely effects of climate change on the state. The institute shall submit the assess-
8 ment to the Legislative Assembly in the manner provided in ORS 192.245 and to the Governor.

9 (4) State agencies may contract with the Oregon Climate Change Research Institute to fulfill
10 agency needs regarding the collection, storage, integration, analysis, dissemination and monitoring
11 of climate change information, research and training.

12 **SECTION 35.** Section 9, chapter 751, Oregon Laws 2009, is amended to read:

13 **Sec. 9.** (1) The Public Utility Commission shall develop estimates of the rate impacts for electric
14 companies and natural gas companies to meet the following alternative greenhouse gas emission
15 reduction goals for 2020:

16 (a) Ten percent below 1990 levels[, *as specified in ORS 468A.205*]; and

17 (b) Fifteen percent below 2005 levels.

18 (2) The commission shall submit a report presenting the estimates and explaining the analysis
19 used to develop the estimates to the appropriate interim committee of the Legislative Assembly prior
20 to November 1 of each even-numbered year.

21 22 **2020 CONFORMING AMENDMENTS**

23
24 **SECTION 36. ORS 468A.210 is repealed.**

25 **SECTION 37.** ORS 468A.270 is amended to read:

26 468A.270. (1) As used in this section:

27 (a) “Greenhouse gas” has the meaning given that term in [*ORS 468A.210*] **section 8 of this 2016**
28 **Act.**

29 (b) “Motor vehicle” has the meaning given that term in ORS 801.360.

30 (2) The Environmental Quality Commission may adopt by rule standards and requirements de-
31 scribed in this section to reduce greenhouse gas emissions.

32 (3)(a) The commission may adopt requirements to prevent the tampering, alteration and modifi-
33 cation of the original design or performance of motor vehicle pollution control systems.

34 (b) Before adopting requirements under this section, the commission shall consider the anti-
35 tampering requirements and exemptions of the State of California.

36 (4) The commission may adopt requirements for motor vehicle service providers to check and
37 inflate tire pressure according to the tire manufacturer’s or motor vehicle manufacturer’s recom-
38 mended specifications, provided that the requirements:

39 (a) Do not apply when the primary purpose of the motor vehicle service is fueling vehicles; and

40 (b) Do not require motor vehicle service providers to purchase equipment to check and inflate
41 tire pressure.

42 (5) The commission may adopt restrictions on engine use by commercial ships while at port, and
43 requirements that ports provide alternatives to engine use such as electric power, provided that:

44 (a) Engine use shall be allowed when necessary to power mechanical or electrical operations if
45 alternatives are not reasonably available;

1 (b) Engine use shall be allowed when necessary for reasonable periods due to emergencies and
2 other considerations as determined by the commission; and

3 (c) The requirements must be developed in consultation with representatives of Oregon ports
4 and take into account operational considerations, operational agreements, international protocols
5 and limitations, the ability to fund the purchase and use of electric power equipment and the po-
6 tential effect of the requirements on competition with other ports.

7 (6) In adopting rules under this section, the commission shall evaluate:

8 (a) Safety, feasibility, net reduction of greenhouse gas emissions and cost-effectiveness;

9 (b) Potential adverse impacts to public health and the environment, including but not limited to
10 air quality, water quality and the generation and disposal of waste in this state;

11 (c) Flexible implementation approaches to minimize compliance costs; and

12 (d) Technical and economic studies of comparable greenhouse gas emissions reduction measures
13 implemented in other states and any other studies as determined by the commission.

14 (7) The provisions of this section do not apply to:

15 (a) Motor vehicles registered as farm vehicles under the provisions of ORS 805.300.

16 (b) Farm tractors, as defined in ORS 801.265.

17 (c) Implements of husbandry, as defined in ORS 801.310.

18 (d) Motor trucks, as defined in ORS 801.355, used primarily to transport logs.

19 **SECTION 38.** ORS 757.528 is amended to read:

20 757.528. (1) Unless modified by rule by the State Department of Energy as provided in this sec-
21 tion, the greenhouse gas emissions standard that applies to consumer-owned utilities is 1,100 pounds
22 of greenhouse gases per megawatt-hour for a generating facility.

23 (2) Unless modified pursuant to subsection (4) of this section, the greenhouse gas emissions
24 standard includes only carbon dioxide emissions.

25 (3) For purposes of applying the emissions standard to cogeneration facilities, the department
26 shall establish an output-based methodology to ensure that the calculation of emissions of
27 greenhouse gases for cogeneration facilities recognizes the total usable energy output of the process
28 and includes all greenhouse gases emitted by the facility in the production of both electrical and
29 thermal energy.

30 (4) The department shall review the greenhouse gas emissions standard established under this
31 section no more than once every three years. After public notice and hearing, and consultation with
32 the Public Utility Commission, the department may:

33 (a) Modify the emissions standard to include other greenhouse gases as defined in [ORS
34 468A.210] **section 8 of this 2016 Act**, with the other greenhouse gases expressed as their carbon
35 dioxide equivalent; and

36 (b) Modify the emissions standard based upon current information on the rate of greenhouse gas
37 emissions from a commercially available combined-cycle natural gas generating facility that:

38 (A) Employs a combination of one or more gas turbines and one or more steam turbines and
39 produces electricity in the steam turbines from waste heat produced by the gas turbines;

40 (B) Has a heat rate at high elevation within the boundaries of the Western Electricity Coordi-
41 nating Council; and

42 (C) Has a heat rate at ambient temperatures when operating during the hottest day of the year.

43 (5) In modifying the greenhouse gas emissions standard, the department shall:

44 (a) Use an output-based methodology to ensure that the calculation of greenhouse gas emissions
45 through cogeneration recognizes the total usable energy output of the process and includes all

1 greenhouse gases emitted by the generating facility in the production of both electrical and thermal
2 energy; and

3 (b) Consider the effects of the emissions standard on system reliability and overall costs to
4 electricity consumers.

5 (6) If upon a review conducted pursuant to subsection (4) of this section, the department deter-
6 mines that a mandatory greenhouse gas emissions limit has been established pursuant to state or
7 federal law, the department shall issue a report to the appropriate legislative committees of the
8 Legislative Assembly stating which portions, if any, of the greenhouse gas emissions standard are
9 no longer necessary as a matter of state law.

10 OPERATIVE DATES

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13 **SECTION 39.** (1)(a) Sections 3 and 4 of this 2016 Act, the amendments to ORS 184.889,
14 352.823, 468A.050, 468A.200, 468A.210, 468A.215, 468A.220, 468A.225, 468A.230, 468A.235,
15 468A.240, 468A.245, 468A.250, 468A.255, 468A.260 and 468A.280 and section 9, chapter 751,
16 Oregon Laws 2009, by sections 18, 19 and 21 to 35 of this 2016 Act, and the repeal of ORS
17 468A.205 by section 2 of this 2016 Act become operative on January 1, 2017.

18 (b) The Environmental Quality Commission may adopt rules before the operative date
19 specified in paragraph (a) of this subsection or take any actions before the operative date
20 specified in paragraph (a) of this subsection that are necessary to carry out the provisions
21 of section 4 of this 2016 Act. Any rules adopted by the commission under this subsection do
22 not become operative until January 1, 2017.

23 (2)(a) Sections 5, 6 to 17 and 20 of this 2016 Act, the amendments to ORS 468A.270 and
24 757.528 by sections 37 and 38 of this 2016 Act, and the repeal of ORS 468A.210 by section 36
25 of this 2016 Act become operative on January 1, 2020.

26 (b) The Environmental Quality Commission, the Public Utility Commission, the Depart-
27 ment of Transportation and the Oregon Business Development Department may adopt rules
28 before the operative date specified in paragraph (a) of this subsection or take any actions
29 before the operative date specified in paragraph (a) of this subsection that are necessary to
30 carry out the provisions of sections 6 to 17 and 20 of this 2016 Act. Any rules adopted by the
31 Environmental Quality Commission, the Public Utility Commission, the Department of
32 Transportation or the Oregon Business Development Department under this subsection do
33 not become operative until January 1, 2020.

34 REPORT

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37 **SECTION 40.** The Department of Environmental Quality shall report on the implemen-
38 tation of sections 6 to 17 and 20 of this 2016 Act to the interim legislative committees on
39 environment and natural resources on or before September 15, 2018.

40 CAPTIONS

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43 **SECTION 41.** The unit captions used in this 2016 Act are provided only for the conven-
44 ience of the reader and do not become part of the statutory law of this state or express any
45 legislative intent in the enactment of this 2016 Act.

EMERGENCY CLAUSE

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SECTION 42. This 2016 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2016 Act takes effect on its passage.

June 2, 2015

Representative Phil Barnhart
Representative Paul Holvey
Representative Peter Buckley

Dear Representatives,

The Ashland City Council and I are submitting this letter of support for the passage of House Bill 3470.

We concur with both the timing and the need to establish greenhouse gas emission limits in Oregon. Developing firm emission limits and creating financial systems to ensure compliance in order to achieve those target emission reductions is an important step for Oregon's future.

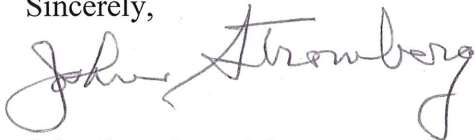
Information regarding this bill was first brought to our attention by citizen and local groups advocating before the City's Conservation Commission. The support of that Commission reflects the wide spread support and interest in the community of Ashland of this issue.

We believe that joining with Washington, California, and the Province of British Columbia in passing legislation can have positive national and international impacts. We recognize the importance of this issue and of implementing legislation to take meaningful action towards the common goal of reducing greenhouse gas emissions.

We recognized that HB 3470 remains in legislative committee and would request that this letter of support be entered into the record.

We appreciate the efforts that you, as chief sponsors of this bill, have made to move this legislation forward. We wish you continued success and thank you for your time and energy on this topic of vital importance.

Sincerely,



John Stromberg, Mayor

C: Senator Alan Bates, District 3
Ashland City Council
Ashland Conservation Commission

