

# DRAFT

## SUMMARY

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 fund 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.

**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.

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 Relating to entities that contribute to greenhouse gas emissions; creating  
2 new provisions; amending ORS 184.889, 352.823, 468A.050, 468A.200,  
3 468A.210, 468A.215, 468A.220, 468A.225, 468A.230, 468A.235, 468A.240,  
4 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  
6 468A.210; and declaring an emergency.

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

11 Whereas the diverse impacts of climate change and ocean acidification  
12 include the exacerbation of air quality problems, a reduction in the quantity  
13 and quality of water available to this state from mountain snowpack, a rise  
14 in sea levels resulting in the displacement of thousands of coastal businesses  
15 and residences, damage to marine ecosystems and food sources, the degrada-  
16 tion of the natural environment from increased severity of forest fires and  
17 pest infestations of stressed land-based ecosystems, extreme weather events  
18 and an increase in the incidences of infectious diseases, asthma and other  
19 human health-related problems; and

20 Whereas climate change and ocean acidification will have detrimental  
21 effects on some of this state's most important industries, including agricul-  
22 ture, forestry, commercial fishing, recreation and tourism; and

23 Whereas climate change will strain the electricity and domestic water  
24 supplies that are necessary for economic stability and the most basic levels  
25 of human well-being and survival in this state; and

26 Whereas national and international actions are necessary to fully address

climate change and ocean acidification; and

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

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

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

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

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

Whereas global climate change has a disproportionate effect on disadvantaged communities, which typically have fewer resources to adapt to climate change and are therefore the most vulnerable to displacement, adverse health effects, job loss, property damage and other effects of climate change; and

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

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

Whereas the climate crisis is pressing; and

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

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

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

## **STATEWIDE GREENHOUSE GAS EMISSIONS LIMITS**

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

**SECTION 3. Section 4 of this 2016 Act is added to and made a part of ORS chapter 468A.**

**SECTION 4. (1) As used in this section, “statewide greenhouse gas emissions” means the total annual emissions of greenhouse gases in this state and all emissions of greenhouse gases from the generation of electricity generated outside this state that is delivered to and consumed in this state, accounting for transmission and distribution line losses.**

**(2) The Environmental Quality Commission shall adopt by rule:**

**(a) A statewide greenhouse gas emissions goal for the year 2025 to limit greenhouse gas emissions to levels that are at least 20 percent below 1990 levels;**

**(b) A statewide greenhouse gas emissions limit for the year 2035 that limits greenhouse gas emissions to levels that are at least 45 percent below 1990 levels; and**

**(c) A statewide greenhouse gas emissions limit for the year 2050 that limits greenhouse gas emissions to levels that are at least 75**

percent below 1990 levels.

**GREENHOUSE GAS CAP AND INVESTMENT PROGRAM**  
**(Statement of Purposes)**

**SECTION 5.** Sections 6 to 11, 14 and 15 of this 2016 Act and ORS 468A.200 to 468A.260 are added to and made a part of ORS chapter 468A.

**SECTION 6.** (1) The Legislative Assembly finds and declares that the purposes of sections 6 to 17 of this 2016 Act are to reduce greenhouse gas emissions consistent with the statewide greenhouse gas emission limits established under section 4 of this 2016 Act and to promote adaptation and resilience by this state's communities and economy in the face of climate change.

(2) Sections 6 to 17 of this 2016 Act and the rules adopted pursuant to sections 6 to 17 of this 2016 Act:

(a) Shall not be interpreted to limit the authority of any state agency to adopt and implement measures to reduce greenhouse gas emissions; and

(b) Shall be interpreted in a manner consistent with federal law.

**(Rules Advisory Committee)**

**SECTION 7.** In adopting rules as required by sections 9, 10 and 11 of this 2016 Act, the Environmental Quality Commission shall consult with the Environmental Justice Task Force, Indian tribes, the Public Utility Commission, the State Department of Energy, the Department of Transportation and other interested state and federal agencies, and shall be advised by an advisory committee appointed by the Governor. The advisory committee may be composed of any number of individuals with qualifications that the Governor determines necessary. However, the Governor shall include members on the advisory com-

mittee who reflect the geographic and demographic diversity of this state, as well as the diversity of interests relating to efforts by the state to limit greenhouse gas emissions consistent with section 4 of this 2016 Act. In appointing members to the advisory committee, the Governor shall give preference to individuals who can represent the interests of multiple constituencies.

(Definitions)

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

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

(a) One metric ton of carbon dioxide; or

(b) One unit of carbon dioxide equivalent.

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

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

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

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

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

1       (7) “Covered entity” means a source that is required by the Envi-  
2       ronmental Quality Commission to participate in the carbon pollution  
3       market.

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

5       (a) Communities with a high percentage of people of color, low-  
6       income households, immigrants or refugees relative to other commu-  
7       nities;

8       (b) Linguistically isolated communities; and

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

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

14      (10) “Electric utility” has the meaning given that term in ORS  
15      757.600.

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

17      (a) Is a registered entity;

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

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

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

25      (13) “High road agreement” means an agreement among multiple  
26      stakeholders that specifies goals for a project or program that are re-  
27      lated to the quality and accessibility of economic opportunities pro-  
28      vided by that project or program, and that includes:

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

31      (A) Requirements for wages and benefits;

1 (B) Workforce and business diversity;

2 (C) Training and career development; and

3 (D) Environmental benefits;

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

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

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

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

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

16 (17) "Offset project" means a project that reduces or removes  
17 greenhouse gas emissions that derive from sources that are not cov-  
18 ered entities.

19 (18) "Opt-in entity" means a source that is not required to partic-  
20 ipate in the carbon pollution market and that voluntarily chooses to  
21 participate in the carbon pollution market as if it were a covered en-  
22 tity.

23 (19) "Registered entity" means a covered entity, opt-in entity, or  
24 general market participant that has successfully registered to partic-  
25 ipate in the carbon pollution market.

26 (20) "Retire" means to permanently remove an allowance or offset  
27 credit from the carbon pollution market such that the allowance or  
28 offset credit may not be sold, traded or otherwise used again.

29 (21) "Source" means:

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

31 (b) Any person that imports, sells, allocates or distributes for use



1 in this state electricity, the generation of which emits greenhouse  
2 gases; and

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

5 (22) "Surrender" means to transfer an allowance or offset credit to  
6 the Department of Environmental Quality, either to meet a compli-  
7 ance obligation or on a voluntary basis.

8  
9 (Carbon Pollution Market)

10  
11 **SECTION 9. (1) The Environmental Quality Commission shall adopt**  
12 **a carbon pollution market by rule. Rules adopted under this section**  
13 **must, at a minimum:**

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

16 (A) May not require sources that are subject to the provisions of  
17 the low carbon fuel standards adopted under ORS 468A.275 to be sub-  
18 ject to the carbon pollution market until the reductions in greenhouse  
19 gas emissions per unit of fuel energy pursuant to the schedule de-  
20 scribed in ORS 468A.275 (2)(b)(A) have been accomplished through the  
21 low carbon fuel standards.

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

26 (b) Set an annual allowance budget that will serve to cap the total  
27 combined greenhouse gas emissions allowed from covered entities  
28 during the calendar year 2020, and a schedule for annual allowance  
29 budgets to decrease by a predetermined amount each calendar year,  
30 consistent with the greenhouse gas emission reductions necessary to  
31 prevent exceedance of the greenhouse gas emissions levels established

by section 4 of this 2016 Act.

(c) Establish a market for allowances and criteria for the distribution of allowances either directly at no cost or through an auction administered by the Department of Environmental Quality pursuant to section 10 of this 2016 Act. In distributing allowances, the department:

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

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

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

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

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

(e) Allow for the trading of compliance instruments.

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

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

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

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

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

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

(a) Require the department to hold a maximum of four auctions annually. An auction may include allowances from the annual allow-

ance budget of the current year and allowances from the annual allowance budgets from prior years that remained unsold at previous auctions. The department may auction allowances from future annual allowance budgets separately from allowances from current and previous annual allowance budgets.

(b) Require the department to engage:

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

(B) A qualified financial services administrator to hold bid guarantees, evaluate bid guarantees and inform the department of the value of bid guarantees once the bids are accepted.

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

(d) Set an auction floor price and a schedule for the floor price to increase by a predetermined amount each calendar year as necessary for proper functioning of the carbon pollution market. The department may not sell allowances at bids lower than the auction floor price.

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

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

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

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

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

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

**(c) The department shall follow the procedures for auctions adopted by rule under subsection (1) of this section for reserve auctions, except that the department may choose to establish multiple price tiers for the allowances from the allowance price containment reserve.**

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

**(a) For auction proceeds from allowances consigned to auction under subsection (1)(f) of this section, to the electric utilities and natural gas utilities that consigned the allowances, to be used only as specified in section 12 of this 2016 Act;**

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

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

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

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

**SECTION 11. (1) A covered entity subject to the carbon pollution market developed under section 9 of this 2016 Act must surrender to the Department of Environmental Quality the quantity of compliance**

1 instruments equal to the entity's compliance obligation no later than  
2 the surrender date for a compliance period specified by the Environ-  
3 mental Quality Commission by rule or order.

4 (2) The commission may require that offset credits constitute no  
5 more than eight percent of the total quantity of compliance instru-  
6 ments submitted by a covered entity to meet the entity's compliance  
7 obligation for a compliance period.

8 (3) In addition to any other penalty provided by law, a covered en-  
9 tity that fails to timely surrender to the department a sufficient  
10 quantity of allowances to meet the entity's compliance obligation  
11 must, no later than six months after the specified surrender date for  
12 the compliance period, surrender to the department a penalty of four  
13 allowances for every one allowance that the entity failed to timely  
14 surrender.

15 (4) If a covered entity reasonably believes that it will be unable to  
16 meet a compliance obligation, the entity shall immediately notify the  
17 Department of Environmental Quality. Upon receiving notification,  
18 the department shall issue an order requiring the entity to surrender  
19 penalty allowances as provided for under subsection (3) of this section.

20 (5) Three out of every four penalty allowances surrendered by a  
21 covered entity to the department pursuant to this section must be of-  
22 fered by the department for purchase in future auctions conducted  
23 under section 10 of this 2016 Act. The remaining penalty allowances  
24 surrendered must be retired by the department and counted toward  
25 fulfilling the compliance obligation of the covered entity in the com-  
26 pliance period for which the penalty allowances were surrendered.

27  
28 (Climate Investments)  
29

30 **SECTION 12.** (1) An electric utility or natural gas utility that re-  
31 ceives the proceeds from the sale of allowances at auction under sec-

tion 10 of this 2016 Act may use the auction proceeds only for the following activities, consistent with the purposes of sections 6 to 17 of this 2016 Act as stated in section 6 of this 2016 Act:

- (a) Bill assistance for low-income residential customers;
- (b) Bill assistance for energy intensive industrial customers; or
- (c) Residential or small business climate credits.

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

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

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

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

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

(B) At least 20 percent must be used to support projects that otherwise benefit disadvantaged communities.

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

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

- (a) Be advised by an advisory committee; and
- (b) To the maximum extent feasible and practicable, give funding

1 preference to projects and programs that will result in the highest  
2 levels of greenhouse gas emission reductions.

3 (5) The advisory committee required under subsection (4) of this  
4 section shall consist of 11 members appointed by the Governor, with  
5 at least one from each congressional district in this state. The Gover-  
6 nor shall appoint members to the committee as follows:

7 (a) At least six members must be recommended by the Environ-  
8 mental Justice Task Force and have experience in working to support  
9 environmental justice in disadvantaged communities;

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

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

12 SECTION 14. (1) The Oregon Climate Investments Fund is estab-  
13 lished in the State Treasury, separate and distinct from the General  
14 Fund. Interest earned by the Oregon Climate Investments Fund shall  
15 be credited to the fund. Moneys in the fund are continuously appro-  
16 priated to the Department of Environmental Quality to be distributed  
17 pursuant to the Climate Investments Grant Program adopted under  
18 section 15 of this 2016 Act.

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

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

24 SECTION 15. (1) The Environmental Quality Commission shall de-  
25 velop by rule a Climate Investments Grant Program for distributing  
26 moneys in the Oregon Climate Investments Fund. In developing the  
27 grant program, the commission shall consult with the advisory com-  
28 mittee created under section 7 of this 2016 Act. The grant program  
29 must carry out the purposes of sections 6 to 17 of this 2016 Act as  
30 stated in section 6 of this 2016 Act.

31 (2)(a) Moneys must be distributed through the grant program de-



veloped under this section such that, of the moneys deposited in the Oregon Climate Investments Fund each biennium:

(A) At least 40 percent are distributed to projects that are geographically located in disadvantaged communities; and

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

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

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

(4) The commission shall determine the form and method of applying for grants from the grant program, the eligibility requirements for grant applicants and general terms and conditions of the grants.

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

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

(b) Result in greenhouse gas emissions reductions that are cost ef-

fective or that are the product of business and research development interests in this state;

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

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

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

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

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

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

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

(7) Subject to the grant rules established by the commission and subject to reevaluation by the commission, the grant committee has the responsibility to review and make determinations on grant applications under the grant program adopted pursuant to this section.

**SECTION 16.** The Just Transition Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Just Transition Fund shall be credited to the fund. The Just Transition Fund shall consist of moneys deposited in the fund under section 10 of this 2016 Act. Moneys in the fund are continuously appropriated to the Oregon Business Development Department to be distributed pursuant to the Just Transition Grant Program developed under section 17 of this 2016 Act. Moneys in the fund may be used only for activities that further the purposes of sections 6 to 17 of this 2016 Act as stated in section 6 of this 2016 Act.

**SECTION 17.** (1) The Oregon Business Development Department

shall develop by rule a Just Transition Grant Program for the disbursement of moneys in the Just Transition Fund. In developing the grant program, the department shall consult with the advisory committee created under section 7 of this 2016 Act. The purpose of the grant program shall be to support economic diversification, job creation, job training and other employment and mental health services for workers and communities in this state that are adversely affected by climate change or climate change policies.

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

(a) Individuals who have experience in administering state grant programs;

(b) Individuals recommended by the Environmental Justice Task Force who have experience in working to support environmental justice in disadvantaged communities;

(c) Representatives of labor organizations; and

(d) Individuals with energy and climate policy expertise.

(3) Subject to the grant rules established by the commission and subject to reevaluation by the commission, the grant committee has the responsibility to review and make determinations on grant applications under the grant program established pursuant to this section.

(4) The department shall determine the form and method of applying for grants from the grant program, the eligibility requirements for grant applicants and general terms and conditions of the grants.

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

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

(b) Allow an applicant to appeal any determination of grant funding

1 **to the department for reevaluation.**

2  
3 **GREENHOUSE GAS EMISSIONS REGISTRATION AND REPORTING**

4  
5 **SECTION 18.** ORS 468A.280 is amended to read:

6 468A.280. (1) In addition to any registration and reporting that may be  
7 required under ORS 468A.050, the Environmental Quality Commission by  
8 rule may require registration and reporting by:

9 (a) Any person who imports, sells, allocates or distributes for use in this  
10 state electricity, the generation of which emits greenhouse gases.

11 (b) Any person who imports, sells or distributes for use in this state fossil  
12 fuel that generates greenhouse gases when combusted.

13 (2) Rules adopted by the commission under this section for electricity that  
14 is imported, sold, allocated or distributed for use in this state may require  
15 reporting of information necessary to determine greenhouse gas emissions  
16 from generating facilities used to produce the electricity and related elec-  
17 tricity transmission line losses.

18 (3)(a) The commission shall allow consumer-owned utilities, as defined in  
19 ORS 757.270, to comply with reporting requirements imposed under this sec-  
20 tion by the submission of a report prepared by a third party. A report sub-  
21 mitted under this paragraph may include information for more than one  
22 consumer-owned utility, but must include all information required by the  
23 commission for each individual utility.

24 (b) For the purpose of determining greenhouse gas emissions related to  
25 electricity purchased from the Bonneville Power Administration by a  
26 consumer-owned utility, as defined in ORS 757.270, the commission may re-  
27 quire only that the utility report:

28 (A) The number of megawatt-hours of electricity purchased by the utility  
29 from the Bonneville Power Administration, segregated by the types of con-  
30 tracts entered into by the utility with the Bonneville Power Administration;  
31 and

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

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

(A) Greenhouse gas emissions emitted from generating facilities owned or operated by the electric company;

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

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

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

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

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

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

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

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

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

(v) Total energy losses from electricity transmission and distribution equipment owned or operated by the electric company.

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

(5) Rules adopted by the commission under this section for fossil fuel that

1 is imported, sold or distributed for use in this state may require reporting  
2 of the type and quantity of the fuel and any additional information necessary  
3 to determine the carbon content of the fuel. For the purpose of determining  
4 greenhouse gas emissions related to liquefied petroleum gas, the commission  
5 shall allow reporting using publications or submission of data by the Amer-  
6 ican Petroleum Institute but may require reporting of such other information  
7 necessary to achieve the purposes of the rules adopted by the commission  
8 under this section.

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

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

14 (b) Allowing electronic reporting;

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

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

20 (e) Requiring reporting by the fewest number of persons in a fuel dis-  
21 tribution system that will allow the commission to acquire the information  
22 needed by the commission; or

23 (f) Other appropriate means and procedures determined by the commis-  
24 sion.

25 **(7)(a) Rules adopted under this section must support implementa-**  
26 **tion of the carbon pollution market developed under section 9 of this**  
27 **2016 Act.**

28 **(b) If a person that has a compliance obligation under the carbon**  
29 **pollution market developed under section 9 of this 2016 Act fails to**  
30 **submit a report under this section, the department shall develop an**  
31 **assigned emissions level for that person for purposes of participation**

1 **in the carbon pollution market.**

2 [(7)] (8) As used in this section, “greenhouse gas” *[has the meaning given*  
3 *that term in ORS 468A.210]* **means any gas that has contributed to**  
4 **anthropogenic climate change, including but not limited to carbon**  
5 **dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons**  
6 **and sulfur hexafluoride.**

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

8 468A.050. (1) By rule the Environmental Quality Commission may classify  
9 air contamination sources according to levels and types of emissions and  
10 other characteristics *[which]* **that** cause or tend to cause or contribute to  
11 air pollution and may require registration or reporting or both for any such  
12 class or classes.

13 (2) Any person in control of an air contamination source of any class for  
14 which registration and reporting is required under subsection (1) of this  
15 section shall register with the Department of Environmental Quality and  
16 make reports containing such information as the commission by rule may  
17 require concerning location, size and height of air contaminant outlets, pro-  
18 cesses employed, fuels used and the amounts, nature and duration of air  
19 contaminant emissions and such other information as is relevant to air pol-  
20 lution.

21 (3)(a) **In addition to any other registration or reporting required**  
22 **under subsection (1) of this section, the commission shall by rule re-**  
23 **quire registration and reporting of greenhouse gas emissions by air**  
24 **contamination sources classified pursuant to subsection (1) of this**  
25 **section. Rules adopted under this subsection must support implemen-**  
26 **tation of the carbon pollution market developed under section 9 of this**  
27 **2016 Act.**

28 (b) **If an air contamination source that has a compliance obligation**  
29 **under the carbon pollution market developed under section 9 of this**  
30 **2016 Act fails to submit a report under this section, the department**  
31 **shall develop an assigned emissions level for that air contamination**

1 **source for purposes of participation in the carbon pollution market.**

2 [(3)] (4) By rule the commission may establish a schedule of fees for the  
3 registration of any class of air contamination sources classified pursuant to  
4 subsection (1) of this section for which a person is required to obtain a per-  
5 mit under ORS 468A.040 or 468A.155 but chooses instead to register if al-  
6 lowed by the commission by rule. The commission shall base the fees on the  
7 anticipated cost of developing and implementing programs related to the  
8 different classes, including but not limited to the cost of processing regis-  
9 trations, compliance inspections and enforcement. A registration must be  
10 accompanied by any fee specified by the commission by rule, and a subse-  
11 quent annual registration fee is payable as prescribed by rule of the com-  
12 mission.

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

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

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

28 **SECTION 20. (1) The Department of Environmental Quality shall**  
29 **study the feasibility of requiring greenhouse gas emissions reported**  
30 **under ORS 468A.050 and 468A.280 to be quantified and reported in a**  
31 **manner that meets:**



(a) The standards established by the International Organization for Standardization under ISO 14064; or

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

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

## OREGON GLOBAL WARMING COMMISSION NAME CHANGE

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

468A.200. The Legislative Assembly finds that:

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

(2) In partnership with the Governor's advisory group, 50 scientists signed the "Scientific Consensus Statement on the Likely Impacts of Climate Change on the Pacific Northwest," which examined the potential effects of climate change on temperature, precipitation, sea level, marine ecosystems and terrestrial ecosystems. The scientists recommended additional, improved scientific studies and modeling of the effects of climate change on the at-

1 mosphere, oceans and land, as well as modeling of the effects of economic  
2 and management policies.

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

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

13 (5) Oregon forests play a significant role in sequestering atmospheric  
14 carbon, and losing this potential to sequester carbon will have a significant  
15 negative effect on the reduction of carbon levels in the atmosphere.

16 (6) [*Global warming*] **Climate change** will have detrimental effects on  
17 many of Oregon's largest industries, including agriculture, wine making,  
18 tourism, skiing, recreational and commercial fishing, forestry and  
19 hydropower generation, and will therefore negatively impact the state's  
20 workers, consumers and residents.

21 (7) There is a need to assess the current level of greenhouse gas emissions  
22 in Oregon, to monitor the trend of greenhouse gas emissions in Oregon over  
23 the next several decades and to take necessary action to begin reducing  
24 greenhouse gas emissions in order to prevent disruption of Oregon's economy  
25 and quality of life and to meet Oregon's responsibility to reduce the impacts  
26 and the pace of [*global warming*] **climate change**.

27 (8) Oregon has been a national leader in energy conservation and envi-  
28 ronmental stewardship, including the areas of energy efficiency requirements  
29 and investments, renewable energy investments, natural resource conserva-  
30 tion, greenhouse gas offset requirements and investments, and global warm-  
31 ing pollution standards for passenger vehicles. Significant opportunities

remain to reduce greenhouse gas emissions statewide, especially from major contributors of greenhouse gas emissions, including electricity production, transportation, building construction and operation, and the residential and consumer sectors.

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

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

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

(a) In concert with complementary policies and actions by other states and the federal government, substantially reduce the global levels of greenhouse gas emissions and the impacts of those emissions;

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

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

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

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

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

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

(2) “Greenhouse gas” means any gas that contributes to anthropogenic global warming including, but not limited to, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

[(3) *“Greenhouse gas cap-and-trade system” means a system that:*]

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

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

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

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

6 468A.215. (1) There is created the [*Oregon Global Warming Commission*]  
7 **Oregon Commission on Climate Change**. The commission shall consist of  
8 25 members, including 11 voting members appointed by the Governor under  
9 this section and 14 ex officio nonvoting members specified in ORS 468A.220.

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

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

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

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

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

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

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

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

25 (4) The term of office of a member appointed under this section is four  
26 years. Before the expiration of the term of a member, the Governor shall  
27 appoint a successor whose term begins on January 31 next following. A  
28 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  
30 immediately effective for the unexpired term.

31 (5) The members of the commission appointed under this section must be

residents of this state. Failure of a member to maintain compliance with the eligibility requirements related to the member's appointment shall result in disqualification from serving on the commission.

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

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

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

- (a) The Director of the State Department of Energy;
- (b) The Director of Transportation;
- (c) The chairperson of the Public Utility Commission of Oregon;
- (d) The Director of the Department of Environmental Quality;
- (e) The Director of Agriculture;
- (f) The State Forester;
- (g) The Water Resources Director; and
- (h) Three additional [*ex officio*] **advisory** nonvoting members, each from a state agency or an academic institution.

(2) The following representatives of the Legislative Assembly also shall serve as ex officio nonvoting members:

- (a) Two members of the Senate, not from the same political party, appointed by the President of the Senate; and
- (b) Two members of the House of Representatives, not from the same political party, appointed by the Speaker of the House of Representatives.

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

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

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

1 468A.225. (1) A majority of the members of the [*Oregon Global Warming*  
 2 *Commission*] **Oregon Commission on Climate Change** constitutes a quo-  
 3 rum for the transaction of business.

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

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

8 [(3)] (4) The State Department of Energy shall provide clerical, technical  
 9 and management personnel to serve the commission. Other agencies shall  
 10 provide support as requested by the department or the commission.

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

12 468A.230. The [*Oregon Global Warming Commission*] **Oregon Commis-**  
 13 **sion on Climate Change** may adopt by rule such standards and procedures  
 14 as it considers necessary for the operation of the commission.

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

16 468A.235. The [*Oregon Global Warming Commission*] **Oregon Commis-**  
 17 **sion on Climate Change** shall recommend ways to coordinate state and lo-  
 18 cal efforts to reduce greenhouse gas emissions in Oregon consistent with the  
 19 **limits on** greenhouse gas emissions [*reduction goals*] established by [*ORS*  
 20 *468A.205*] **section 4 of this 2016 Act** and shall recommend efforts to help  
 21 Oregon prepare for the effects of [*global warming*] **climate change**. The  
 22 Office of the Governor and state agencies working on multistate and regional  
 23 efforts to reduce greenhouse gas emissions shall inform the commission about  
 24 these efforts and shall consider input from the commission for such efforts.

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

26 468A.240. (1) In furtherance of the **limits on** greenhouse gas emissions  
 27 [*reduction goals*] established by [*ORS 468A.205*] **section 4 of this 2016 Act**,  
 28 the [*Oregon Global Warming Commission*] **Oregon Commission on Climate**  
 29 **Change** may recommend statutory and administrative changes, policy meas-  
 30 ures and other recommendations to be carried out by state and local gov-  
 31 ernments, businesses, nonprofit organizations or residents. In developing its

recommendations, the commission shall consider economic, environmental, health and social costs, and the risks and benefits of alternative strategies, including least-cost options. The commission shall solicit and consider public comment relating to statutory, administrative or policy recommendations.

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

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

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

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

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

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

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

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

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

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

(e) Progress toward **preventing exceedance of** the greenhouse gas emis-

sions [*reduction goals*] **limits** established by [ORS 468A.205] **section 4 of this 2016 Act;**

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

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

(h) Efforts to identify the greenhouse gas emissions attributable to the residential and commercial building sectors;

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

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

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

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

(2) The commission shall:

(a) Work with the State Department of Energy and the Department of Environmental Quality to evaluate all gases with the potential to be greenhouse gases and to determine a carbon dioxide equivalency for those gases; and

(b) Use regional and national baseline studies of building performance to identify incremental targets for the reduction of greenhouse gas emissions attributable to residential and commercial building construction and oper-



ations.

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

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

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

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

## 2017 CONFORMING AMENDMENTS

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

184.889. (1) The Oregon Transportation Commission, after consultation with and in cooperation with metropolitan planning organizations, other state agencies, local governments and stakeholders, as a part of the state transportation policy developed and maintained under ORS 184.618, shall adopt a statewide transportation strategy on greenhouse gas emissions to aid in [*achieving the greenhouse gas emissions reduction goals set forth in ORS 468A.205*] **preventing exceedance of the greenhouse gas emissions limits**

1 **established by section 4 of this 2016 Act.** The commission shall focus on  
2 reducing greenhouse gas emissions resulting from transportation. In devel-  
3 oping the strategy, the commission shall take into account state and federal  
4 programs, policies and incentives related to reducing greenhouse gas emis-  
5 sions.

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

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

9 352.823. (1) The Oregon Climate Change Research Institute is established  
10 at Oregon State University. In administering the institute, Oregon State  
11 University may seek the cooperation of other public universities listed in  
12 ORS 352.002.

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

14 (a) Facilitate research by faculty at public universities listed in ORS  
15 352.002 on climate change and its effects on natural and human systems in  
16 Oregon;

17 (b) Serve as a clearinghouse for climate change information;

18 (c) Provide climate change information to the public in integrated and  
19 accessible formats;

20 (d) Support the [*Oregon Global Warming Commission*] **Oregon Commis-**  
21 **sion on Climate Change** in developing strategies to prepare for and to  
22 mitigate the effects of climate change on natural and human systems; and

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

25 (3) The Oregon Climate Change Research Institute shall assess, at least  
26 once each biennium, the state of climate change science, including biological,  
27 physical and social science, as it relates to Oregon and the likely effects of  
28 climate change on the state. The institute shall submit the assessment to the  
29 Legislative Assembly in the manner provided in ORS 192.245 and to the  
30 Governor.

31 (4) State agencies may contract with the Oregon Climate Change Re-

search Institute to fulfill agency needs regarding the collection, storage, integration, analysis, dissemination and monitoring of climate change information, research and training.

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

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

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

(b) Fifteen percent below 2005 levels.

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

## 2020 CONFORMING AMENDMENTS

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

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

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

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

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

(2) The Environmental Quality Commission may adopt by rule standards and requirements described in this section to reduce greenhouse gas emissions.

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

(b) Before adopting requirements under this section, the commission shall consider the antitampering requirements and exemptions of the State of

California.

(4) The commission may adopt requirements for motor vehicle service providers to check and inflate tire pressure according to the tire manufacturer's or motor vehicle manufacturer's recommended specifications, provided that the requirements:

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

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

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

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

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

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

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

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

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

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

(d) Technical and economic studies of comparable greenhouse gas emissions reduction measures implemented in other states and any other studies

as determined by the commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) Has a heat rate at high elevation within the boundaries of the Western Electricity Coordinating Council; and

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

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

(a) Use an output-based methodology to ensure that the calculation of greenhouse gas emissions through cogeneration recognizes the total usable energy output of the process and includes all greenhouse gases emitted by the generating facility in the production of both electrical and thermal energy; and

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

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

## OPERATIVE DATES

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

1 1, 2017.

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

8 (2)(a) Sections 5, 6 to 17 and 20 of this 2016 Act, the amendments  
9 to ORS 468A.270 and 757.528 by sections 37 and 38 of this 2016 Act, and  
10 the repeal of ORS 468A.210 by section 36 of this 2016 Act become oper-  
11 ative on January 1, 2020.

12 (b) The Environmental Quality Commission, the Public Utility  
13 Commission, the Department of Transportation and the Oregon Busi-  
14 ness Development Department may adopt rules before the operative  
15 date specified in paragraph (a) of this subsection or take any actions  
16 before the operative date specified in paragraph (a) of this subsection  
17 that are necessary to carry out the provisions of sections 6 to 17 and  
18 20 of this 2016 Act. Any rules adopted by the Environmental Quality  
19 Commission, the Public Utility Commission, the Department of  
20 Transportation or the Oregon Business Development Department un-  
21 der this subsection do not become operative until January 1, 2020.

22  
23 **REPORT**  
24

25 **SECTION 40.** The Department of Environmental Quality shall re-  
26 port on the implementation of sections 6 to 17 and 20 of this 2016 Act  
27 to the interim legislative committees on environment and natural re-  
28 sources on or before September 15, 2018.

29  
30 **CAPTIONS**  
31

1     **SECTION 41.** The unit captions used in this 2016 Act are provided  
2 only for the convenience of the reader and do not become part of the  
3 statutory law of this state or express any legislative intent in the  
4 enactment of this 2016 Act.

5  
6                   **EMERGENCY CLAUSE**

7  
8     **SECTION 42.** This 2016 Act being necessary for the immediate  
9 preservation of the public peace, health and safety, an emergency is  
10 declared to exist, and this 2016 Act takes effect on its passage.  
11 \_\_\_\_\_