Comments by 350 Salem OR

Nov. 14, 2017

Jointly to the Senate Committee on Environment and Natural Resources and
the House Committee on Energy and Environment

Lead author: Dr. Philip Carver, retired Sr. Policy Analyst, Oregon Department of Energy

Introduction

350 Salem appreciates the opportunity to comment on SB 1070. It appreciates the open and transparent process of all four SB 1070 workgroups. It also appreciates the hard work of legislators and staff.

350 Salem is the local affiliate of 350.org, an international climate action organization. We work on issues from the local to international scale to protect a stable, healthy climate. We are in regular email contact with over 400 people in the Salem area.

Structural Clarifications and Changes

Section 11 (1) (a) of SB 1070 states: "The department may auction allowances from future annual allowance budgets separately from allowances from current and previous annual allowance budgets."

This language should be clarified to prohibit covered entities from using these allowances before the year for which they are budgeted. Otherwise these entities could, in effect, borrow allowances from future periods, busting the emission cap for the current year.

350 Salem is concerned that petroleum and natural gas marketers and electricity service suppliers to the retail customers of electric companies might subdivide into smaller entities to fall under the 25,000 MT jurisdictional threshold. To protect against this possibility the Environmental Quality Commission should have authority to regulate these types of entities regardless of the level of emissions associated with their sales.

In addition the EQC should be empowered to address this issue by regulating deliveries upstream. 350 Salem recommends adding "transport" to “import, sells or distributes" in the definition of "source" in Section 9 (21). Depending on circumstances, upstream regulation might work better than regulating small distributors.

Section 8 (4) states: "Notwithstanding ORS 171.072, members of the committee who are members of the Legislative Assembly are *not entitled to mileage or a per diem* and serve as volunteers on the committee. Other members of the committee *are not entitled to* compensation or *reimbursement for expenses* and serve as volunteers on the committee." (emphasis added). Not allowing mileage or per diem for legislators or reimbursement of expenses for volunteers is likely to limit participation to wealthy individuals or persons supported by companies or other organizations. 350 Salem recommends allowing for these payments. In addition 350 Salem recommends amending the bill to explicitly allow for reimbursement of child care expenses for legislators and volunteers to attend meetings. These changes would enable broader participation in advisory committees at very modest cost.

Distribution of Free Allowances

350 Salem recommends the bill be amended to clarify several elements of distributing free allowance. The bill should state that not all industrial firms are necessarily emission-intensive trade-exposed (EITE). The bill should direct the EQC to use production, value added or some metric other than historic emissions to distribute free allowances wherever possible. Otherwise, the EQC would not have a fair method to distribute free allowance to new covered entities. The EQC should use assessments of economic emission reductions at projected allowance prices to guide free allowance distribution. While all these elements are allowed or implicit in the current bill, it would be safer for the bill to state them explicitly.

Linkage to the WCI

350 Salem strongly supports linking to the Western Climate Initiative (WCI). If the ability to link is not clear in the current bill, clarifying language should be added. Linkage will provide major cost control and stability for allowance prices. It will likely eliminate monopsony power,

as noted by Jamie Woods, since monopsony occurs when there are so few buyers they can depress the auction price.

Transportation Investments

The bill should be amended to dedicate a fixed portion of State Highway Fund from auction revenues to seismic upgrades to Oregon highways and bridges. A Cascadia Subduction Earthquake is virtually guaranteed in the next 150 years. While these investments are unlikely to reduce or sequester emissions, they are, unlike roadway expansions, unlikely to increase long-run emissions by encouraging longer commutes within and between cities. For example, Interstate 205 was designed to be a quick bypass route around Portland for I-5 traffic. Commuting patterns have shifted over the years so that I-205 is generally as congested as I-5. Rather than reducing carbon dioxide emission by reducing congestion, I-205 has increased commute distances, increasing emissions.

Similarly, the bill should direct the Oregon Department of Transportation (ODOT) to use this Fund to create a plan for relocating US 101 and other coastal highways after the Cascadia Subduction Earthquake. The new routes should be constructed well above projected levels of ocean storm surges from sea level rise and increased storm intensity later this century and the next due to climate change. ODOT should accumulate funds to pay for these moves at a rate to largely pay for relocations by 2100.

The bill should also instruct ODOT to size any new culverts to handle long-term projected flooding and begin a program to upgrade existing culverts. Unlike the other investment funds and programs, there will be adequate funds for ODOT to fund adaptation measures. Even after funding substantial roadway adaption measures, there will be sufficient funds available to fund any reasonable roadway measures that would reduce emissions.

350 Salem supports the 1000 Friends comment in October:

> *Similarly, investment in transit, walkable neighborhoods, safe bicycle infrastructure, and affordable and diverse housing in places served by these reduces greenhouse*

> *gas emissions while providing housing and transportation opportunities to vulnerable communities.*

While investments in bike paths in roadways can be paid from auction revenues from roadway fuels, the other investments listed above cannot. The bill should be amended to fund these other investments from the DEQ Climate Investment Grants Program. Displacing automobile travel with bicycle use can substantially reduce carbon dioxide emissions. Off-street bicycle paths should be specifically targeted. Off-road paths are much safer than on-road paths. Studies indicate safety considerations strongly affect the level of bike riding.

Rural Oregon

350 Salem supports the recommendation by Megan Kemple of 350 Eugene:

> *The bill could be enhanced by allowing incentives for the adoption of practices that mitigate climate change by the agricultural community, especially those that sequester carbon in the soil and conserve energy. These incentives may be particularly important for smaller farm operations.*

These funds should come from the Climate Investment Grant Program.

350 Salem also supports the current limit for use of offsets by covered entities of eight percent. Biological sequestration can never have the permanency of leaving fossil carbon in geological formations. Also, it is almost impossible to fully assure that any offset is additional. Still, reducing the current dangerous level of carbon dioxide in the air requires increased biological sequestration in addition to reduced emissions. The eight percent offsets limit allows Oregon to demonstrate effective use of biological sequestration while maintaining the integrity of the cap on net greenhouse emissions. If Oregon participates in the WCI allowance market, the amount of offsets allowed in the bill will have almost no effect on the WCI allowance price.

The bill should be amended to restrict offsets to North and Central America where Oregon journalists and non-profit groups can afford to visit actual operations. This huge region has a full range of vegetative and climatic conditions.

Only four percent should be allowed outside of Oregon. The remaining four percent should be restricted to Oregon. This limitation would not significantly reduce experience in a wide range of offset projects but would focus a substantial part of that experience in Oregon. Oregon projects are inherently easier to monitor and assess.

350 Salem supports the current bill provisions that allow the EQC to reduce the eight percent limit in areas with poor air quality. It does not support allowing covered entities to sell the unused portion of their eight percent limit to other entities. An eight percent limit on each entity still allows adequate experience with offsets.

350 Salem does not support the use of non-roadway auction funds for adaptation to likely climate changes. The needs for these funds to ameliorate cost impacts to fuel and electricity users, for displaced workers and for low cost emission reductions and sequestration are much greater than projected revenues.

Electric Utility Auction Revenues

350 Salem recommends amending the bill to dedicate a fixed portion of electric company auction revenues to co-funding smart electric vehicle charging stations, especially at workplaces. This portion should be in the range of five to 10 percent of electricity auction revenues. EVs are a critical measure for large reductions in transportation emissions. Also, smart EV chargers can ultimately provide capacity benefits to the electric grid.

In particular, workplace charging can provide a new market for low-cost peak solar generation from 10 am to 2 pm. The large volume of solar photovoltaic (PV) generation in California has already depressed mid-day wholesale power prices in spring and summer. Stabilizing mid-day prices will help the economics of PV projects. Current technology can provide smart workplace charging stations. Building and maintaining these stations should be co-funded by electric companies from anticipated net revenues from electricity sales to EVs. EV users are willing to pay a fair rate to charge their vehicles. Co-funding would leave non-participating electric retail customers whole.

These funds should also be used to co-fund charging stations at apartments. Use of these funds for EV charging should be added to the list of uses of these funds recommended by the Climate

Investments Sub-workgroup of the Environmental Justice Workgroup for Section 13 on November 1.

350 Salem recommends two other changes to this list. Subsection (a)(2) should be clarified so that the 50 employee limit applies only to business customers and not to schools, public entities and non-profit entities. The current language does not make this clear.

Finally, (a)(3) should be amended to allow electricity intensive customers who are trade exposed and who are covered entities to be eligible for these funds. Covered entities are required to retire allowances to cover their gas use. The bill allows the EQC to allocate free gas allowances to these entities. But under the basic structure of the bill, the EQC cannot allocate free electricity allowances to them. All retail customers have their electricity emissions regulated upstream. Without some electric auction revenues going to trade-exposed/electric-intensive firms, industrial production could move out of Oregon. If so, Oregon would see job losses but worldwide emissions would not be reduced (i.e. leakage would occur).

Otherwise 350 Salem OR supports the list of uses for electric auction funds recommended by Climate Investments Sub-workgroup of the Environmental Justice Workgroup for Section 13.