

**Senate Bill 1070
Policy Questions**

At the upcoming work group meetings, each work group will discuss the policy questions below. Each section has been assigned to a work group, however some questions are likely to be discussed in multiple work groups. Thank you for reviewing the document and coming prepared with your feedback.

OFFSETS – AGRICULTURE, FORESTS, FISHERIES, RURAL COMMUNITIES, AND TRIBES

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| Percentage of compliance obligation that can be met with offsets? | SB 1070: 8% cap, allows lower percentage in certain areas. Proposal: |
| Restrictions on offset project location? | SB 1070: Be located in the United States or a country with which EQC has entered an agreement for administering a carbon pollution market Proposal: |
| Should aggregation be allowed? | SB 1070: Not addressed Proposal: |
| Principles that govern protocol development? | SB 1070: Not addressed Proposal: |
| Role of ODA and ODF in protocol development? | SB 1070: Not addressed Proposal: |

POINT OF REGULATION – UTILITIES AND TRANSPORTATION

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| Utilities POR? | SB 1070: Not specified Proposal: first jurisdictional deliverer (FJD) |
| Natural Gas POR? | SB 1070: Not specified Proposal: Load serving entity (LSE) |
| Industrial Sources POR? | SB 1070: Not specified Proposal: |

ALLOWANCE DISTRIBUTION AND CONSIGNMENT – UTILITIES AND TRANSPORTATION

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| <p>Are allowances distributed to utilities free of charge for consignment?</p> | <p>SB 1070: Yes</p> <p>Proposal: Establish set of principles in legislation to guide distribution</p> |
| <p>Should allowances distributed free of charge to utilities be consigned to auction?</p> | <p>SB 1070: Yes</p> <p>Proposal:</p> |
| <p>Should allowances be distributed free of charge to covered COUs? If so, how should revenue investments be overseen?</p> | <p>SB 1070: Allowed but not required.</p> <p>Proposal:</p> |

EMISSIONS-INTENSIVE, TRADE-EXPOSED INDUSTRIES (EITEs) – REGULATED ENTITIES

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| <p>Criteria to identify EITE's?</p> | <p>SB 1070: No criteria. Directs EQC to hire or contract with 3rd party to provide data and analysis to identify leakage risk</p> <p>Proposal:</p> |
| <p>How are allowances allocated to EITEs?</p> | <p>SB 1070: Requires free distribution to address leakage and as determined necessary by EQC.</p> <p>Proposal: Establish principles governing distribution formula?</p> |
| <p>Should there be principles/ criteria for whether allowances are full or partial; on a declining schedule over time; and subject to review?</p> | <p>SB 1070: No criteria</p> <p>Proposal:</p> |

COST CONTAINMENT MEASURES – REGLATED ENTITIES AND UTILITIES AND TRANSPORTATION

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| Linkage | <p>SB 1070: Directs program to be developed in a manner necessary to pursue linkage.</p> <p>Proposal:</p> |
| Price containment reserve | <p>SB 1070: Requires DEQ to place a percentage of allowances in reserve as directed by EQC to assist covered entities in event of unanticipated high costs of compliance instruments.</p> <p>Proposal:</p> |
| Banking | <p>SB 1070: Requires EQC to adopt rules to specify allowance holding limits</p> <p>Proposal:</p> |
| Price floor | <p>SB 1070: Requires EQC to adopt rules to set an auction price floor and schedule for floor price to increase</p> <p>Proposal:</p> |

REVENUE INVESTMENTS – ENVIRONMENTAL JUSTICE/JUST TRANSITION

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| Definition of “impacted communities” and “economically distressed areas” | <p>SB 1070: SB 1070 language</p> <p>Proposal: (12) Communities experiencing disparate impacts of climate change or “Most Impacted communities” is defined by an analysis of racial and socioeconomic demographics, overlaid with environmental and public health data by census tract. In identifying ‘Most Impacted Communities” the methodology must consider indicators including, but not limited to, the following:</p> <ul style="list-style-type: none"> (a) Above the state average percentage nonwhite population; (b) Above the state average percentage of the population has an income below 200% of the federal poverty limit; (c) Above the state average percentage of the population over 25 years of age without a high school degree/diploma; (d) Above the state average percentage of the labor force over 16 years of age are not employed; |
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| | <p>(e) Above the state average percentage of the population are over 65 years of age or under 10 years of age</p> <p>(g) Above the state average cancer risk, with cancer risk being defined as an estimate of an individual's cancer risk as the result of a lifetime of exposure to a range of point and mobile source air toxins within a geographic entity</p> <p>(h) Above the state average respiratory hazard risk, with respiratory health risk being defined as an estimate of adverse health effects identified by length of time and concentration of exposure to a range of point and mobile source air toxins within a geographic entity</p> <p>(i) A Native American population on a reservation or tribal trust lands of a federally recognized tribe in Oregon, particularly those reliant on subsistence lifestyles.</p> |
| Criteria for revenue investments? Including use of consigned allowance revenue? | <p>SB 1070: Umbrella requirement: reduce greenhouse gas emissions consistent with statewide greenhouse gas emissions levels and to promote adaptation and resilience in the face of climate change. See attached diagram for additional criteria.</p> <p>Proposal:</p> |
| Method of revenue distribution? | <p>SB 1070: Grants. See attached diagram.</p> <p>Proposal: Proceeds can be distributed through both grant based programs and automatic allocation.</p> |
| Investment governance and oversight roles and responsibilities | <p>SB 1070: See attached diagram.</p> <p>Proposal:</p> |
| Should revenues be utilized in part to incentivize sequestration and adaptation? | <p>SB 1070: Revenues can be used for purposes of the Act, which is to reduce greenhouse gas emissions and to promote adaptation and resilience by the state's communities and economy in the face of climate change.</p> <p>Proposal:</p> |
| Should regulated entities be allowed to be the recipients of program grants or other funding to help them comply? | <p>SB 1070: Not addressed</p> <p>Proposal:</p> |

CAP-AND-INVEST PROGRAM GOVERNANCE – ALL

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| <p>Which agency administers this program?</p> | <p>SB 1070: Primarily DEQ, with role for ODOT and Business OR in grant distribution</p> <p>Proposal:</p> |
| <p>Are there appropriate accountability measures?</p> | <p>SB 1070: The Greenhouse Gas Cap and Investment Program Oversight Committee is required to study the implementation of the program, make recommendations and conduct other necessary studies to provide implementation oversight.</p> <p>Proposal:</p> |

STATE TREASURY

All SB 1070 funds must be used to reduce greenhouse gas emissions and to promote climate change adaptation and resilience by Oregon's communities and economy.

State Highway Fund §14, §11
Climate Investments Account



ODOT

Distribution Requirements

- At least 20% to projects geographically located in impacted communities
- At least 20% to projects that otherwise benefit impacted communities
- Meaningful share to projects that involve businesses owned by women and minorities
- Funding preference to projects that result in greatest GHG reductions

Rulemaking: ODOT (§38)

Oregon Climate Investments Fund §15, §11
(85% of general auction proceeds)



DEQ

CLIMATE INVESTMENTS GRANT PROGRAM §16

Distribution Requirements

- At least 50% to projects geographically located in impacted communities
- At least 40% to projects geographically located in economically distressed areas; emphasis placed on job creation, job education, and training opportunities
- Funding preferences specified (§16(5)(a-g))

Rulemaking: EQC in consultation with EJ Task Force, Indian tribes, PUC, ODOE, ODOT, OHA, other interested agencies, and Advisory Committee

Climate Investments Grant Committee

Reviews grant applications and makes funding determinations; governor-appointed, subject to senate confirmation

Just Transition Fund §19, §11
(15% of general auction proceeds)



Business Oregon

JUST TRANSITION GRANT PROGRAM §20

Distribution Requirements

- Support economic diversification, job creation, job training, and other employment and mental health services for Oregon workers and communities that are adversely affected by climate change or climate change policies

Rulemaking: Business Oregon in consultation with Advisory Committee

Just Transition Grant Committee

Reviews grant applications and makes funding determinations; governor-appointed, subject to senate confirmation

Advisory Committee

Provide advice from diversity of interests

§7

Senate Bill 1070 (2017)

Governance of Auction Revenues

Consignment Proceeds §11, §13

Allowances distributed free-of-charge must be consigned to the state for auction



Electric Companies & Natural Gas Utilities

Distribution Requirements

- Must serve to stabilize and reduce energy bills
- Prioritize low-income residential customers

Rulemaking: PUC in consultation with Advisory Committee

Consumer-Owned Utilities

Distribution Requirements

- None specified

Rulemaking: DEQ

Types of Auction Revenues

- State Highway Fund Revenue (Or. Const. Article IX, § 3a)
- Other Funds Revenue
- Consignment Revenue