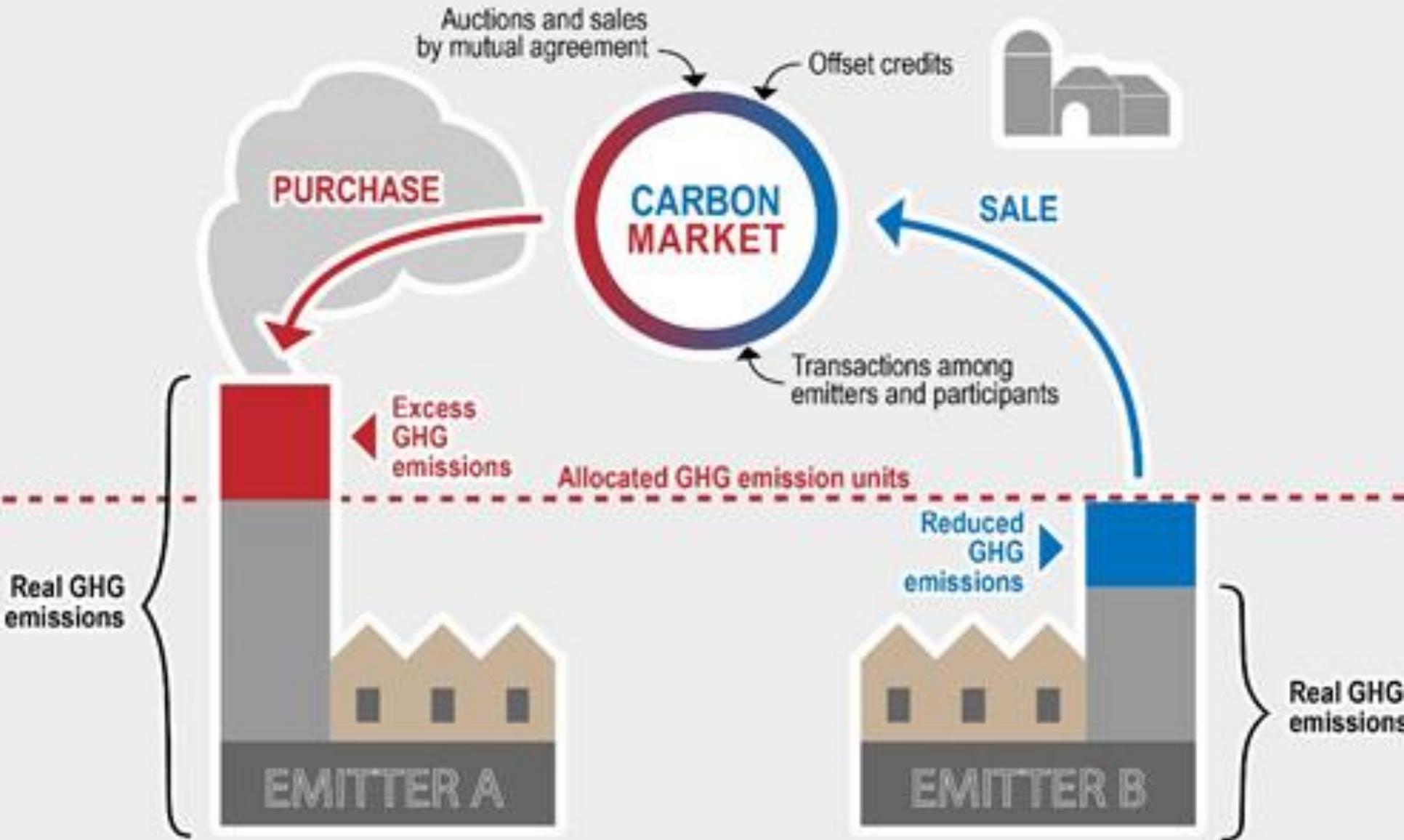


# Greenhouse Gas Cap & Trade Program

Colin McConnaha, DEQ Senior Climate Policy Advisor

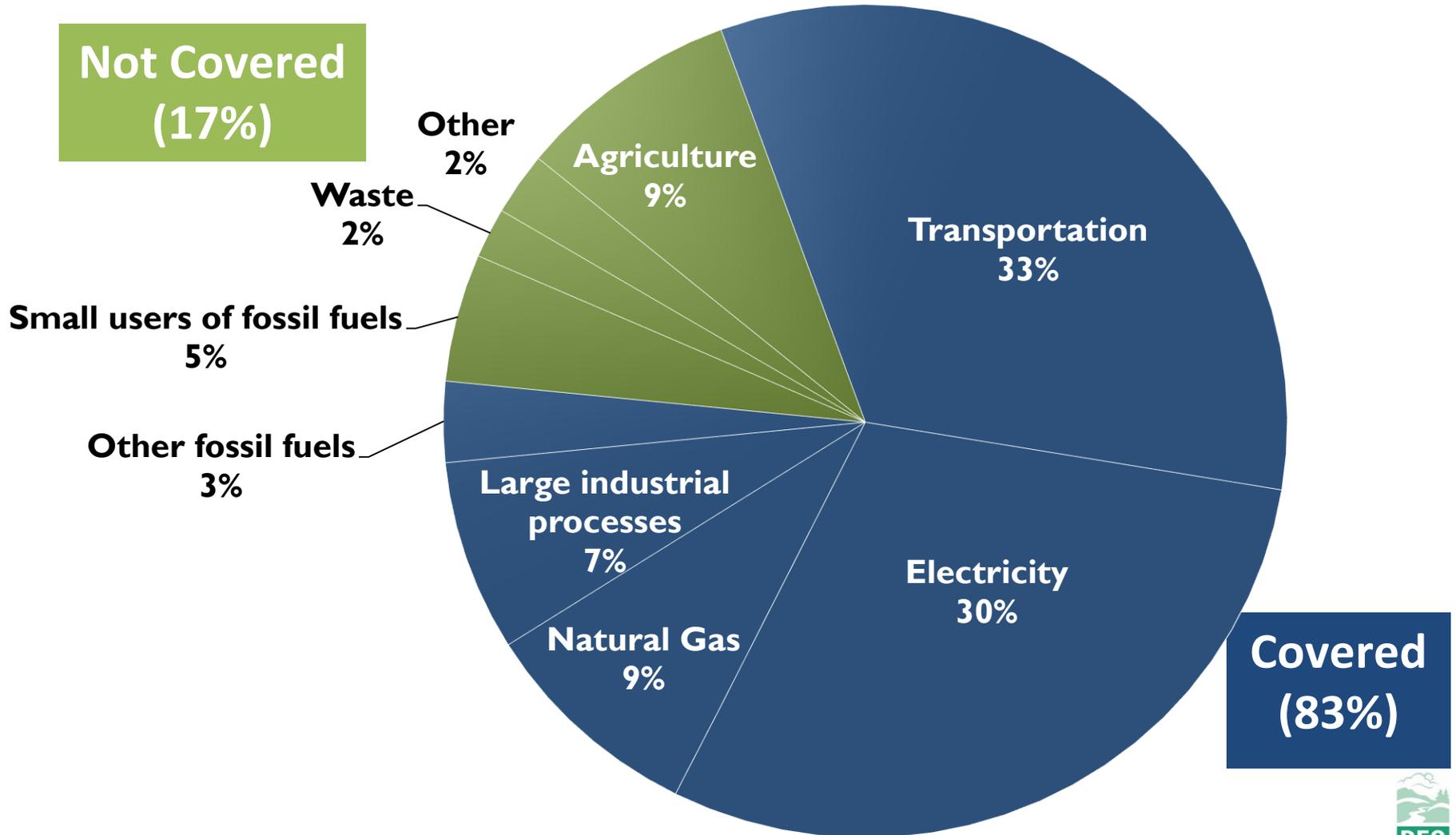
# What is cap & trade?



# Elements of a cap & trade program

- Scope
  - Point of regulation
- Emissions cap
- Allowance distribution
  - Minimize “leakage”
  - Revenue
- Cost containment
  - Offsets

# Emissions covered by cap



# Points of regulation

## Transportation fuels

- Terminal racks
- Importers

## Natural gas

- Utilities
- Pipelines
- Large industrial users

## Electricity

- In-state generators
- Importers

## High emitting facilities

- Industrial process
- Large natural gas users

# Emissions cap

- Align with Oregon's GHG targets
- Cap declines over time
- Key consideration for linkage with other jurisdictions

# Allowance distribution methods

- Auction
- Free
  - See next slide on minimizing leakage
- Consignment (hybrid)

# “Leakage”

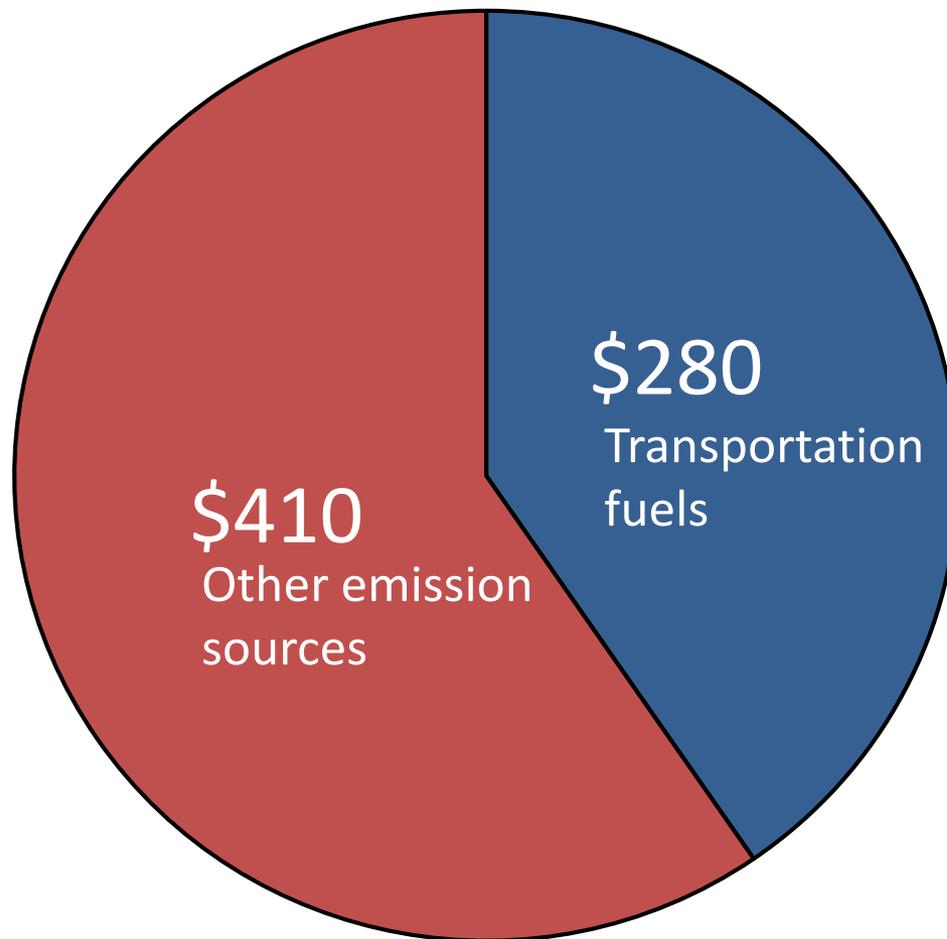
- **Issue:** Oregon industries may be at a disadvantage with firms in areas without a carbon price
  - Reduces jobs & economic output in Oregon
  - Does not reduce emissions
- **Response:**
  - Free allocation to firms competing with businesses in areas without a carbon price
  - Invest auction proceeds in these businesses

# Revenue

- Revenue from transportation may be restricted
- Remaining auction revenue could:
  - Benefit disadvantaged & rural communities
  - Minimize impacts to utility rates
  - Further reduce emissions
  - Other state priorities

# Approx. revenue in 2021 (\$millions)

VERY rough  
estimate of  
potential revenue  
generated by  
auction of  
allowances



# Cost containment

- Banking
- Linkage
- Price floor
- Price ceiling
- Offsets

# Questions?

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