

## SB-1070 CLEAN ENERGY JOBS

### REGULATED ENTITIES WORKING GROUP – COMMENTS REGARDING LEAKAGE

After listening to the working group meeting #2 on October 17th and the discussion concerning leakage and EITE's, I have a few comments. I think providing some additional guidance in the bill on leakage will help it achieve its primary goals of reducing GHG emissions and growing the Oregon economy. I think the legislation could be improved putting some guiding principles on how to best allocate free allowances among EITE's that threaten to move out of state. However, I think one needs to be careful with the language and make sure it is not too formulaic or rigid.

Here are a few observations that could be incorporated into some guiding principles:

1. An EITE with a large workforce and a solid business plan to ramp down emissions might be a good candidate for free allowances if such allowances were needed to maintain the company's economic viability in Oregon.
2. A poor candidate for free allowances might be an EITE that has not been able to develop a clear plan to reduce the emissions intensity of their business. In a world that needs to rapidly de-carbonize, such an enterprise probably has a limited future and therefore will not contribute much to Oregon's economy over the long term. Rather than investing free allowances and/or financial assistance, it might be in Oregon's best interest to let this entity leak to another state. In the short run, that state may welcome those jobs. But, in the longer run, the whole country will have emission caps and that state will then have the burden of the unemployment when the company shuts down.
3. In a sense, free allowances come at the expense of those other regulated entities that do not receive them. Well-informed managers have known for years that the time would come that GHG emissions would need to be reduced and therefore the good ones would have planned accordingly. Now that day is here and GHG emissions are capped, they can operate in compliance because of the investments they made in new technology and the other costs they incurred reducing emissions. When looked at from this perspective, free allowances are not "leveling the playing field" but, in some cases, they can be construed as a giveaway to poor management.
4. Although free allocations are best limited to those EITE's likely to make the biggest contribution to our economy, de-carbonizing Oregon's industries may result in some leakage and temporary employment disruptions. Consideration should be given to using some of the funds generated by the legislation to re-train workers for clean energy and related jobs. These jobs pay well and can help attract companies to Oregon that want to develop our abundant wind and other clean energy resources. As just one example, the DOE has estimated that the US Pacific coast has the offshore wind potential of an astronomical 245 gigawatts, enough to power 55 million to 73 million homes.

A more innovative use of the funds would be to establish a financing model like Connecticut's Green Bank that just won Harvard's Innovation in Government award. It is a key part of the state's strategy for achieving its energy and climate goals. Since its inception, the Connecticut Green Bank has attracted over \$6 of private capital for every \$1 of public funds committed. Overall, the Connecticut Green Bank has achieved nearly \$1.1 billion in clean energy investment across the state. This investment has supported almost 25,000 projects and more than 230 megawatts of clean energy, resulting in greenhouse gas emissions reduction of 3.7 million tons. Over 13,000 jobs have been created, translating

to an estimated 7.5 to 20 percent of total job creation in Connecticut, and clean energy prices have declined by about 20 to 30 percent.