HB 3242: protecting state interest in ocean powered energy

The state has been an active participant in discussions about what happens in the waters off the Oregon coast: we've watched the thousands of hours put in on research, community meetings, and public hearings about appropriately managing different interests, from the fishing industry, to preserving marine environment for long-term health of ocean resources, and ocean powered energy. Marine Reserves and Territorial Sea Plan are two of the most recent multi-year efforts.

Research and development in ocean powered energy is underway. The state has supported efforts to develop this renewable energy resource. Our past actions demonstrate a desire to encourage R&D.

Wave energy research is ***well*** underway. The Reedsport wave park project was the first in the U.S. to receive a federal license for a wave power station. Besides federal licensing, state permitting is also required.

In the past year I've had a number of conversations with colleagues, staff at Dept of State Lands, Dept of Energy, the Public Utility Commission and the State Treasurer's office, and people involved in the Oregon Wave Energy Trust and the wave energy industry.

I worked on municipal telecommunications policy in the 90's at the city and national level, on the heels of federal de-regulation, and argued that telecommunications should be treated more like an essential utility and not just a cool new way to get phone service or movies; and see some parallel interests with this new potential industry.

So what is the role of the state? It's regulatory, and it's financial. Regulatory: We allow the activity through legislation and rule-making – not unlike cities and counties regulate land use and zoning. Through leasing, we may impose additional requirements, and set fees. By allowing this activity, we create new value, and enable the development, which may not be completely without risk. We must remember that we are stewards of the public's resources. We should be appropriately minimizing the risk, and planning for mitigation of adverse consequences. On the financial side: when we invest through business and economic development funds, how can we capitalize on our early actions that enabled the activity, and may have invested to help move it along? What's the economic return for Oregonians for their investment? We shouldn't set up regulatory and licensing and leasing structures that discourage investment and trial projects. But neither should we give away the farm by failing to

anticipate benefits from our early investment, and early work authorizing this economic activity.

And getting a little more detailed: Do our actions – or lack of foresight – inadvertently lead to winners and losers, windfall gain or monopoly position? Is our statutory framework and rule-making authority set up to ensure adequate reserve funds to mitigate problems, to guard against speculative leasing and site-banking, and to achieve fair revenue? Or do we set up a fee structure that limits us to simply funding the cost of oversight? How do our contracts define financial compensation, as our early investment starts to yield profits for multiple parties – from producers to brokers to distributors?

I've raised issues as ***questions*** for your consideration. I hope that we will take a serious look at how we manage our regulations and leasing for this new energy resource before we've set precedents that will not be easily adjusted to address the potential consequences -- and benefits -- as the industry develops and grows.

This is more than just the Dept of Energy, or or Dept of State Lands. Regulating, permitting, oversight, and leasing in the ocean isn't exactly like leasing on land; it's not exactly like anything we've done before, and I think we should think hard and cast a wide net to be sure we're getting it right.