

Clean Energy Jobs / Agriculture, Forests, Fisheries, Rural Communities, and Tribes Work Group

Homework Responses Bullet Points

Question 1: What aspects of a cap-and-invest policy as it is being discussed in Oregon are you most concerned about for your organization/industry/constituents/customers?

GENERAL COMMENTS

- Existing policies and programs within the state's Natural Resource budget can be considered as avenues for directing resources. Existing state level structures, such as the Forest Resource Trust, may be able to be used without a need to create new institutions.
- S.B. 1070 should where possible avoid creating conditions where accessing carbon payments/offsets and incentive programs is overly cumbersome for smaller forests and agricultural options.
- We are concerned that SB 1070 as it is currently drafted misses the opportunity to meaningfully engage rural communities by overlooking forests and other workings lands.
- A well designed Oregon 'cap and invest' program should create significant new resources for small and mid---sized farms and ranches to adopt practices that promote soil health and soil carbon sequestration.
- The largest individual agricultural sources of greenhouse gas emissions in Oregon, like the very largest concentrated animal feeding operations (CAFOs) in the state, should not be exempt from the greenhouse gas emissions cap or reporting requirements.
- Oregon Association of Nurseries is profoundly concerned that yet another significant cost increase will make it very difficult for Oregon nurseries to compete in the national market.
- Concerned that a cap-and-invest policy will not account for the voluntary measures that nurseries have already taken to conserve resources.
- A forest carbon research facility based in the Elliott Forest will push the scientific boundaries of knowledge about the forest carbon cycle and establish new levels of certainty about carbon storage which will translate directly into higher value of forest carbon credits registered with higher stringency.

OFFSETS

- In theory, offset investment credits are a good concept; they must be closely monitored so as not to be abused. The credits should be progressive in nature to promote the move towards renewable energy and not as a crutch to keep doing "business as usual".
- Regulatory agency to provide a clear, transparent process for organizations with an interest in developing projects – either offset projects or projects that will increase the amount of renewable energy we generate here in Oregon.
- SB 1070 proposes several compliance pathways for manufacturers from purchasing allowances to obtaining offset credits. Depending on the number and access to offset credits, the costs to regulated entities differs. How many offset credits will be available under this program –meaning, will there be enough offsets for all regulated entities to cover up to 8% of their compliance obligation? Will regulated entities have the ability to generate offset credits?
- The existing market for "compliance offsets" is largely inaccessible for most family forest owners, municipal watersheds, and other non-industrial forest owners, as well as for small scale farm operations. An Oregon offset market should be designed to: (1) ensure that emission reductions are real, additional, and as permanent as possible, and (2) accessible for smaller scale non-industrial forest and farm properties.
- Ensures rigorous standards and limits for offsets (Sec 10(3))—The bill includes strong standards for offsets, including that offset projects must be "real, permanent, quantifiable, verifiable, and

enforceable” and that emissions reductions credited to the offset project “would not otherwise have occurred” if not for the project. The bill also places limits on the use of offsets, which is important to ensuring that significant reductions come from covered sources in the program. (We make recommendations on changes to the offset limit below.) We support the bill’s proposal to allow for tighter offset limits for entities located in impacted communities.

- One mechanism is the offset framework, which can provide incentives for landowners to adopt practices to store carbon and conserve habitat. We support efforts to ensure both offset goals and resilience/adaptation goals are advanced by the offset program.
- Because modern wood energy systems can provide a wide range of benefits to communities and businesses, including carbon benefits, we would like to see these systems be eligible as offset projects. New funding sources to design and install these systems will help in technology deployment, particularly in rural communities that can benefit most from these systems but tend to have the fewest resources. Our concern is that instead, modern wood energy systems will be excluded from eligibility due to misinformation and a lack of education about these systems, which will have a chilling effect on the industry and impede technically viable, environmentally responsible, and socially acceptable projects from being implemented.
- The present ceiling on offsets in SB 1070 is set at 8%. Under the California system, the percentage of compliance allowed to be met through offsets can be raised according to the stringency of those offsets. Higher stringency indicates an offset with a higher level of scientific verifiability and durability. By producing forest carbon credits of the highest stringency, Oregon can design a system in which forest carbon offsets can make up 30% or even more of compliance instruments.
- What types of projects can be used for offsets and how will this be determined? How many offset credits will be available and will offsets be restricted? How will the linked market dictate Oregon offset provisions? Can covered entities generate offsets?
- Most significant for our industry is the potential for small and mid-scale and organic farmers to be disadvantaged if incentives for cap-and-invest are designed to benefit large scale primarily conventional farms. A common concern among the agricultural community is that early adopters, already implementing one or more beneficial practices, such as organic farmers, are not rewarded while laggards who have resisted implementing progressive farming practices receive financial rewards and technical assistance. Indirect costs may come if other sectors pass through their increased costs for goods and services that are carbon intensive.
- Oregon should analyze and consider further limiting the use of offsets as well. We believe this will maintain opportunities for offset projects from – for example – the forestry sector to benefit rural economic development, while protecting the integrity of Oregon’s program.
- We also support the current limit of offset use in areas with pollution hotspots.
- We want to ensure the opportunity for organic practices to be part of a toolkit of solutions is both recognized and encouraged as a cap-and-invest policy is further discussed and developed.
- Maintaining a robust and certain role for offsets and development of Oregon specific protocols.
- Oregon’s offset program be fully compatible with the California market, especially with regard to the forest protocols, where the most utilized protocol is that for Improved Forest Management.

INVESTMENTS

- Oregon should adopt similar investment strategies in affordable and middle income housing, transit, and walking and bicycling facilities that meet several bottom lines: cleaning the air of unhealthy pollutants and helping communities of color and low-income neighborhoods hit hardest by climate change.

- Specifically, the Clean Energy Jobs bill can investment in aggregating existing biological information, soils type information, and power grid interconnect information so Oregon can comprehensively and sensibly plan out industrial solar siting by design, to be “shovel ready,” which can benefit in particular rural communities in eastern and central Oregon that have faced challenges from changing economies.
- 25% of the Oregon Climate Investment Fund goes toward the restoration and conservation of forests and watersheds.

Question 2: What changes would you suggest be made to cap-and-invest as it is currently being discussed to address the concerns you have?

GENERAL COMMENTS

- The food industry must be exempt or receive free allowances and these allowances or exemptions must be permanent and not expire or be reduced over time.
- Should be limited to energy combustion emissions and process emissions that are reasonably able to be reduced. Food company biogenic emissions should be excluded from coverage.
- Must account for the impact of higher fuel and utility prices on the agricultural sector and take steps to insulate agricultural businesses from this increasing cost.
- Section 14(4)(c) add a requirement for consideration of projects with multiple environmental and health co-benefits. This appears in Section 16 but probably belongs in both places. Co-benefits can include resistance to both drought and flooding and increased productivity.
- In Section 16(3)(d) it would be ideal to have representation of someone with experience in natural and working lands. If positions are established there must be representation of farms at all scales.
- Emissions (Energy) Intensive Trade Exposed Industries. The food industry must be exempt or receive free allowances and these allowances or exemptions must be permanent and not expire or be reduced over time. Oregon food companies face significant competition from imported food products as well as domestic food products from areas of the U.S. that lack strict environmental regulations like those in Oregon.
- If EITE standards are set, they should not be “one-size-fits-all” as there are significant differences among industry sectors and within industry sectors and subsectors. Sectors are not homogeneous. Standards should be guidelines and determinations should be facility specific.
- Transportation fuels that Oregon’s agricultural industries depend on to move products to market will not be exempted. Rising fuel prices will also increase the cost of fertilizer, and higher utility rates will raise the cost of energy used for irrigation. In order to avoid a significant cost burden that could jeopardize the competitiveness of Oregon’s nursery industry, any cap-and-invest policy must account for the impact of higher fuel and utility prices on the agricultural sector and take steps to insulate agricultural businesses from this increasing cost.
- In Section 16(3)(d) it would be ideal to have representation of someone with experience in natural and working lands. If positions are established there must be representation of farms at all scales.
- We also support additional review of the current regulatory framework for utility-scale renewable energy development so development is directed away from Oregon’s most productive farmland and onto less productive land, where it is the highest and best use of the land.
- In Section 16(3)(d): it would be ideal to have representation of someone with experience in natural and working lands. If positions are established there must be representation of both large and small farms.

- Oregon needs to ensure that early adopters are treated fairly. For instance, a grower who has already adopted no-till practices should be entitled to the same carbon credits as a grower who agrees to adopt the practice in the future. Early adopters and innovators also dominate leadership in many agricultural groups, so fair treatment for them in any program is critical to gaining our support.
- Representation from natural resource science and management should be required for both The Climate Investments Fund Grant Committee Section 16(3)(d)(I)(J) and Just Transition Fund Grant Committee. Section 20(2)(g)(h).
- Require members or expertise in both natural resources and economic development on The Climate Investments Fund Grant Committee Section 16(3)(d)(I)(J) and Just Transition Fund Grant Committee. Section 20(2)(g)(h).
- In order to preserve the surplus nature of voluntary renewable programs, Renewable Northwest strongly supports the additional of an allowance set-aside.
- Recognize an explicit role for working lands and natural infrastructure in greenhouse gas reduction, adaptation, and resilience as part of authorizing legislation.

OFFSETS

- Point for clarification: How do restrictions on offset credits in Section 10(3)(c) pertain to covered entities in the transportation sector?
- We advocate that the offset limit be maintained at 8%, as it currently stands in 1070. Certainty in significant, long-term demand for offsets will mobilize private capital in land-based GHG reduction projects. A reduced offset limit sends a signal of uncertainty to private investors, limiting interest in financing agricultural and forestry GHG reduction. The offset market can motivate agricultural and forestry GHG reductions at a faster pace and at greater scale than auction fund reinvestment because it sends a long-term price signal that can be depended upon, makes payments for verified reductions (outcomes) rather than anticipated reductions, and focuses on the most cost-effective reduction opportunities.
- Tighter offset limit in early years of the program (Sec 10(3)(c))—SB 1070 wisely limits the use offsets. In general, we believe that the proposal to limit offsets to 8% of an entity’s compliance obligation for a compliance period is a reasonable restriction. However, in the early years of the program, the 8% limit will represent the majority, if not all, of the required emissions reductions compared to baseline emissions. California had an 8% limit at the introduction of its program, and many stakeholders have been disappointed that emissions from large sources have not declined in the program’s early years. Oregon would be wise to improve on the experience in California by further reducing the use of offsets in the early years of the program.
- We recommend that biomass energy systems be included in the cap-and-invest discussion, in particular as potential offset projects, and that this discussion be grounded in a realistic, scientific, and nuanced approach towards different types of biomass systems.
- Offsets negate the urgency of acting on climate change and critically reduces the reinvestments our most impacted communities so urgently need to transition towards a clean energy job market. Other options are more viable, exist, and should be explored.
- Carbon sequestration (forest, agricultural, and others) must be recognized as activities that are eligible for offsets. Covered entities should be able to generate offsets.
- Create a process for drafting new offset protocols, like an Oregon forest protocol. In California, AB398 has created an Offsets Protocol Taskforce to this end.
- One potential way to compensate Oregon nurseries for higher fuels costs would be to reward the

nursery industry for the carbon offsets that its products provide.

- Providing free allowances or offsets to Oregon’s nursery industry as compensation for the emissions reductions its products achieve would go a long way towards negating the impact of the higher fuel prices and utility costs that a cap-and-invest program will produce.
- Prohibit use of offsets. Invest revenues directly into forest/agriculture projects in Oregon.
- Prohibit offsets
- Oregon offsets program should be designed to provide:
 - Designated economic credit for organic farming;
 - Credit for specific farm management practices proven to mitigate climate change and enhance carbon sequestration;
 - Expansion of funding for programs to support organic research and education, considering the proven carbon benefits of organic farming.
- The bill language should also ensure that funding is available and accessible to farms of all sizes
- The Port would like policy makers and stakeholders to have a deeper discussion about how offsets will be structured in an Oregon cap and invest program and how linkage with California will affect the use of offsets under Oregon’s program.
- Offsets. Covered entities should be able to generate offsets.
- Furthermore, the legislation is much too restrictive on the use of offsets for compliance.
- In addition the use of offsets as an identified cost containment mechanism of 8 % is an important component of the Cap and Invest program and offers alternative revenue sources and co-benefits to Oregon industries outside of the cap including the Timber and AG sectors.
- Prioritize small landowners that would otherwise be unable to participate in a formal offset program due to acreage limitations or excessive transaction costs.
- Designating offset project funds to support increased research on and adoption of organic practices. It would be great to see a program recognize the value of maintaining and enhancing soil health, while reducing use of high-emission agricultural inputs—like synthetic fertilizers and pesticides—and reward farmers who do so.
- Limiting any offsets to Oregon
- Instead of relying on offsets, we believe using allowance funds will better reduce the barriers for small businesses, family farms, or foresters to access valuable resources to capture or store carbon in soils and forests.
- Prohibit use of offset projects
- While, in principle, we support the notion of allowing polluters to meet their goals in part by investment carbon offsets, so long as these offset investments are certified to be activities that (a) reduce emissions or promote GHG sequestration, (b) would not have happened absent the offset investment, and (c) are preferentially (though not exclusively) distributed within Oregon to stimulate valuable projects in our state, we also urge that such an option be limited, as is currently the case, to a small proportion of the total emissions of any entity. We also appreciate the provision that such offsets may not be used in such a way as to maintain current behaviors (e.g. pollution emissions) that compromise specific communities.
- Examples of additional Oregon-specific offsets, or new offsets for agriculture, could include:
 - Certified organic farming operations
 - Cover crops and crop rotations
 - Conservation tillage
 - Rotational grazing

INVESTMENTS

- Identify a suite of eligible program investments in working lands for greenhouse gas reduction and sequestration benefits.
- Direct practice or performance payments to landowners for implementing actions that reduce and sequester greenhouse gases and achieve climate smart conservation. These could be termed lease agreements or practice specific actions similar to the California Healthy Soils Initiative or NRCS programs.
- Fund conservation easements to maintain working forests, farms, ranches, and the diverse conservation and habitat benefits they provide.
- For acres that are exiting federal NRCS conservation programs, enroll those existing acres into a new Oregon direct payment program to maintain sequestered carbon and climate benefits.
- Preference should be given to projects that can be aggregated and enrolled into long-term offset markets to ensure permanence of GHG reductions and leverage environmental credit markets.
- Identify a suite of eligible program investments in working lands for climate adaptation, resilience, and transition benefits. These investments may provide both direct carbon benefits, as well as mitigate the effects of climate change on the state's working lands, communities, and businesses. Sample investments could include:
 - Ecologically based forest restoration (thinning, prescribed fire, watershed improvements) to reduce wildfire risk to communities and carbon emissions.
 - Natural and mechanical water storage and delivery mechanisms (beaver dam analogs, transition from open canals to piping, wetlands) to respond to shifting precipitation patterns and impacts to ecosystems and agriculture.
 - We suggest that the bill specifically call out agricultural GHG mitigation as an item to be funded with targeted reinvestment revenue.
 - We would like to see greater clarity on the degree to which the policy will support investment in natural resources to assist with resilience to climate change. There is more work to do on specific changes to bill language
 - Provide funding from reinvestment revenue for GHG mitigation by the agriculture sector. Consider establishing an additional Fund, similar to California's Healthy Soils Program, which would provide grant or other funding to the agriculture sector for projects which mitigate greenhouse gas emissions. Ensure that this funding is available and accessible to farms of all sizes.
 - Provide funding from reinvestment revenue for GHG mitigation by the agriculture sector. Consider establishing an additional Fund, similar to California's Healthy Soils Program, which would provide grant or other funding to the agriculture sector for projects which mitigate greenhouse gas emissions. Ensure that this funding is available and accessible to farms of all sizes.
 - Section 16(6)(c) allows for provision of technical assistance for women and minority businesses, which we fully support. It is important that small and mid-scale independently owned farms are able to access these investment dollars. We request that terminology related to scale and independently owned businesses be added and defined in regards to technical assistance as well, so that farms of all sizes can benefit. Without these explicit statements we are concerned that this funding will go mainly to large industrial-scale agricultural operations with the resources to write the grants and do the reporting.
 - Allocate resources to a strong working lands incentive program to reward agricultural and forest landowners for engaging in practices that improve adaptive capacity, ecological health, and carbon sequestration levels on their land. Incentives should be included under the Climate Investments Fund Section 16(5)(h). Weave into implementation of an incentive program, science-based tools for

measuring the carbon/climate benefits of improved land management tactics.

- Agriculture and forestry incentives can be targeted to operations with: (1) greatest potential for net emission reductions, (e.g. via positive carbon sequestration and storage based over the long-term, or other methods) (2) additional criteria including--income, commitment to project term lengths (permanent vs. shorter-terms), ancillary benefits--e. g. Increasing adaptive capacity of the property and surrounding lands etc. Term lengths could include options of permanent easements or term easements akin to the Federal Healthy Forest Reserve program authorized in the Farm Bill.
- Include forest and agricultural projects that limit or sequester greenhouse gases as eligible projects to receive preference under the Climate Investments Fund Section 16(5)(h).
- Guiding considerations for investment of revenues in working lands projects should include: preferably, a determined percentage of program revenues would be set aside on an annual basis for these purposes, which would allow for greater certainty and the ability to enter into termed agreements with landowners. At a minimum, use of funds for working lands projects should be stated as an eligible purpose in the legislation.

Question 3: What opportunities do you believe exist for your organization/industry/constituents/customers from implementation of a cap-and-invest policy as it is currently being discussed in Oregon?

GENERAL COMMENTS

- A common concern among the agricultural community is that early adopters already implementing one or more of these good practices are not rewarded while laggards who have resisted implementing progressive practices receive financial rewards and technical assistance.
- More Oregon-specific research is needed on agriculture and climate change issues, specifically focused on the relationship of organic and biologically integrated agricultural practices to carbon sequestration, GHG emissions reductions, and risk reduction.
- Farmers need adequate outreach and technical expertise to translate the research findings into practice and to actualize real opportunities for GHG emission reductions on Oregon's farms and ranches.
- When there are costs or perceived risks of making the transition to climate-friendly practices, financial incentives for farmers and ranchers are essential. It requires time, skill building and money to transition to new production practices, and financial assistance must be available to growers who implement specific climate-friendly practices. Incentive programs must be accessible and user-friendly by minimizing complexity in the process and avoiding unnecessarily burdensome paperwork.
- The Pinchot Institute is also interested in supporting development of the incentive mechanisms discussed earlier in this document. We believe that the tools available (e.g. USDA National Resource Conservation Service methodology for "Quantifying Greenhouse Gas Fluxes in Agriculture and Forestry" via USDA's COMET-Planner tool) for quantifying the emission reductions of agricultural and forestry practices should be evaluated to inform the design of incentive programs. We believe that the ranking procedures now in use in California's Healthy Soils Initiative might be useful for informing the application here in Oregon.
- A cap-and-invest program would create challenges for the nursery industry, but it also creates potential opportunities to upgrade our state's transportation infrastructure in innovative ways.
- It is important that any cap-and-invest policy is designed in a way that recognizes the conservation measures that agricultural businesses have already undertaken, and that the policy encourages further innovation without being overly punitive.

OFFSETS

- Keeping the offset limit at 8% is important
- At the appropriate time Oregon will need to create a process for drafting new offset protocols for agriculture that are specific to Oregon.
- Incentives for practices that are known to sequester carbon in the soil, through farms already implementing best practices and those who are new to the methodologies.
- Ensure that Oregon-specific offsets can be established, we request that language be incorporated at this time. The bill language should also ensure that this opportunity is available and accessible to farms of all sizes.
- The Pinchot Institute is interested in convening a process for development of a framework for supporting the engagement of family forest and farm owner in the market for carbon offsets that would result from passage of S.B. 1070. This may entail development of aggregation methodologies or other mechanisms.
- Carbon offsets have created incentives for forest stewardship and conservation under the proven California model. The current language of SB 1070 allows for carbon offset projects, and we suggest that Oregon's program incorporates the successful Forest Protocols used in the California system.
- If modern wood energy systems are included as eligible offset projects, we believe this can create opportunities for our clients to access additional implementation funds. These systems have high capital costs relative to conventional energy systems, and despite feasible payback periods (and particularly with cheap fossil fuels), they can be difficult to capitalize in resource-strapped communities.
- The availability of funding from offsets is a great opportunity for Oregon's organic and sustainable agriculture communities. An offset program would allow "uncapped" sectors-like agriculture and forestry-to generate additional emissions reductions, or offsets, that can be sold to regulated parties.
- Oregon should allow offsets to be used to a much greater extent than California does.