Offset Credits

Percentage of compliance obligation that can be met with offsets	*House*: Up to 4 percent of compliance obligation may be met with offsets; at least one-half of offsets used must provide direct environmental benefits in the state. *Senate*: Up to 8 percent of compliance obligation may be met with offsets; at least one-half of offsets used must provide direct environmental benefits in the state. *Both*: Authorize the Environmental Quality Commission (EQC) to limit or prohibit the use of offsets in impacted communities and either located in nonattainment area or attainment area projected to exceed standards within five years; or the source is individually causing an exceedance of air quality standards.
Offset project location restrictions	Be located in the United States or a province or country with which Oregon has entered into a linkage agreement.
Offset project aggregation	Direct EQC to adopt offset project standards that make use of aggregation or other mechanisms to reduce transaction costs.
Principles governing offset projects	Must result in greenhouse gas emissions reductions or removals that: (A) Are real, permanent, quantifiable, verifiable and enforceable; and (B) Are in addition to greenhouse gas emissions reductions or removals otherwise required by law and any other greenhouse gas emission reductions that would otherwise occur.
Role of Oregon Department of Agriculture and Oregon Department of Forestry in protocol development	In adopting rules governing offset projects and covered entities' use of offset credits, EQC shall consult with and consider recommendations of Oregon Department of Agriculture, Oregon Department of Forestry, Environmental Justice Task Force and offsets protocol advisory committee.
Miscellaneous	Direct EQC to adopt process for the Department of Environmental Quality (DEQ) to investigate and invalidate issued offset credits as necessary to uphold the environmental integrity of the program.

Covered Sources and Point of Regulation (POR)

Covered sources	Air contamination source for which a permit is required under ORS 468.065, 468A.040 or 468A.155 if annual regulated emissions attributable to source meet or exceed 25,000 metric tons of carbon dioxide equivalent. EQC is directed to exempt methane emissions from landfill demonstrated to have been recaptured and used for generation of electricity. Investor-owned utilities (IOUs) for emissions; Consumer-owned utilities (COUs) for emissions;

	All electricity service suppliers notwithstanding emissions threshold; Natural gas marketers for emissions from sales to air contamination sources not otherwise covered notwithstanding emissions threshold; Natural gas utilities for emissions from natural gas combustion not otherwise covered by regulation of air contamination sources or natural gas marketers; and Fuel importers notwithstanding emissions threshold, except aviation and marine fuels and EQC may exclude those importers with de minimus emissions. *Senate*: Fluorinated gases emitted during semiconductor and related device manufacturing are exempt from program for 5-year period from January 1, 2021 to January 2, 2026.
Utilities – point of regulation	Unless EQC determines that a more accurate and efficient method exists for regulating covered entities: Investor-owned utilities: load-serving entity (LSE) Consumer-owned utility: first jurisdictional deliverer (FJD)
Natural gas – point of regulation	Individual industrial sources emitting above 25K tons through combustion of natural gas. Natural gas marketer for entities not covered as industrial source. Natural gas utility for entities not covered as industrial source or by natural gas marketer.

Utilities – Allowance Distribution and Consignment

Allowance distribution to electricity and gas investor-owned utilities (IOUs)	*House:* Full consignment of allowances. *Senate:* Full consignment of allowances, except electric utilities allowed to use a portion of allowances for compliance obligation for electricity generated from coal. Direct EQC to consult with the Public Utility Commission (PUC) in adopting rules to carry out provisions for IOU allowance distributions.
Investment of IOU-consigned allowances revenue	Require consignment revenue to be used within service territory to reduce greenhouse gas emissions or to stabilize and reduce energy bills with first priority assistance to low income residential customers, including renters. After making expenditures to benefit low income residential customers, utility may expend auction revenues to benefit other customers in the following order: Public entities, non-profits, or small business; Energy intensive industrial customers who are not covered entities receiving allowance; and All other utility customers. Direct PUC to consult with Housing and Community Services Department and program advisory committee in developing rules governing investments of consignment revenue.

Allowance distribution to consumer-owned utilities (COUs)	100 percent direct allocation at no cost.
Investment of COU-consigned allowances revenue	Authorize COU boards option to consign directly allocated allowances and, if consigned to auction, to spend auction proceeds to benefit ratepayers in their service territory and in accordance with program purposes. Require boards to report to Legislature on uses of consignment revenues by September 15 of each even-numbered year.

Emission-Intensive, Trade-Exposed industries (EITEs)

Emissions-intensive, trade-exposed (EITE) industries identification criteria	*House:* Environmental Quality Commission is directed to contract with 3rd party entity to identify EITEs. *Senate:* EITEs are specified in legislation using North American Industry Classification System (NAICS codes) *Both:* Direct Environmental Quality Commission to hire or contract with 3rd party to assist in gathering data and conducting analysis. Commission to review rules every 3 years and add or remove new industries as appropriate.
Allocation of allowances to EITEs	Direct Environmental Quality Commission to directly allocate without cost up to 90 percent of allowances to EITEs requiring that percentages are output-based and benchmarked against best available regional emissions data for representative years prior to 2018. Require direct allocation without cost to decline annually at rate equal to predetermined rate of decline for annual allowance budget adopted by Environmental Quality Commission.

Cost Containment Measures

Linkage	Requires Environmental Quality Commission to notify the Governor that it intends to link to another jurisdiction and requires Governor to make certain findings within 45 days and provide findings to the Legislature.
Price containment reserve	Maintain policy in SB 1070.
Banking	Maintain policy in SB 1070.
Price floor	Maintain policy in SB 1070.

Revenue Investments

Definition of "impacted communities" and "economically distressed areas"	Direct EQC to adopt methodology, in consultation with Portland State University Population Research Center, the Oregon Health Authority and the Program Advisory Committee, to designate impacted communities using certain criteria that include, but are not limited to: (a) Areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations or low levels of educational attainment. (b) Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure or environmental degradation. Requires methodology to give greater weight to those criteria that the EQC determines are the most accurate predictors of vulnerability to the impacts of climate change and ocean acidification. Requires the EQC to review and update the methodology and the designation a minimum of once every five years.
Criteria for revenue investments (for consigned allowance revenues see *Utility – Allowance Distribution and Consignment* above)	Of all the moneys received by the state through auctions and deposited in the Treasury: All moneys that are revenues constitutionally dedicated for highway purposes go to the **Transportation Decarbonization Investment Fund**, to be used for programs, projects and activities that both 1) meet constitutional restrictions and 2) are consistent with purposes of cap and investment program. Of the remainder, 15% goes to the **Just Transition Fund** to be dedicated to HECC for Just Transition Program. The remaining 85% is deposited in the **Climate Investments Fund**, 60% goes to impacted communities, at least a third of which must be used in rural areas; 20% goes to working lands; and the remaining 20 percent can be used throughout Oregon. The legislative direction for the *types* of programs, projects or activities for which moneys is envisioned to be used, as distinguished from *where* the money can be used, apply across all moneys *except* the Just Transition Fund, and include the following purposes: building efficiency and affordability; grid de-carbonization; low-carbon transportation; climate action planning by local governments; and programs, projects or activities that benefit working lands (i.e., sequestration/resiliency in natural resources, forestry, agriculture, and coastal areas).
Method of revenue distribution	Projects, program and activities receiving funding to be identified through process that involves: development of investment plan with Program Advisory Committee to be included in Governor's Budget; consideration by Joint Committee on Climate; and approval by legislative assembly.

Investment governance and oversight roles and responsibilities	See Cap-and-Invest Program Governance below.
Should revenues be used in part to incentivize sequestration and adaptation	Yes. See Criteria for Revenue Investments above.
Should regulated entities be allowed to be recipients of funding to help them comply	Silent but does not prohibit.

Program Administration and Governance

Program governance	**Program Advisory Committee** 21 members appointed by Governor and staffed by DEQ: 5 members who are recommended by Environmental Justice Task Force (EJTF); 2 members who represent Tribes; 3 members who represent rural Oregon, including 1 member who represents forestry, 1 member who represents agriculture, and 1 member who represents fisheries; 3 members who represent business, including 1 member who represents covered entities, 1 member who represents small business, and 1 member who represents business sectors impacted by climate change; 2 members who represent local government, including one member who represents cities and one member who represents counties; 2 members who represent labor unions; 2 members who represent environmental organizations, including one member with expertise in climate mitigation; 1 member with expertise in climate science; and 1 member who represents public health equity. Program advisory committee role: Oversight of agency rulemaking. Submit funding recommendations to Governor and Legislature. **Joint Legislative Committee on Climate** Receive reports from PAC, including funding recommendations. Submit funding recommendations to Joint Legislative Committee on Ways and Means.
Program administration	Just Transition Funds are administered by the Higher Education Coordinating Committee, not Business Oregon.

Other Key Policy Decisions

Environmental Justice Task Force (EJTF) funding	Appropriate funds for staff support for EJTF and for compensation and expense reimbursement for EJTF members.