PROGRAM OVERVIEW

PROGRAM PURPOSES

- Reduce greenhouse gas (GHG) emissions:
    - By 2025 to levels that are at least 20 percent below 1990 levels;
    - By 2035 to levels that are at least 45 percent lower than 1990 levels; and
    - By 2050 to levels that are at least 80 percent lower than 1990 levels.
- Promote adaptation and resilience by Oregon's communities and economy in the face of climate change.

PROGRAM GOVERNANCE

A 21-member **Program Advisory Committee** appointed by the Governor will oversee program establishment, management, evaluation, and agency rulemaking. The committee will make biennial recommendations, including funding recommendations, to the Governor and the Joint Legislative Committee on Climate.

The **Joint Legislative Committee on Climate** (JLCC) will receive recommendations from the program advisory committee and is responsible for program oversight, including program expenditures. The JLCC will submit funding recommendations to the Joint Legislative Committee on Ways and Means, and consider related climate legislation.

MARKET-BASED COMPLIANCE MECHANISM

The Environmental Quality Commission (EQC) will establish a market-based compliance program to reduce GHG emissions beginning in 2021. Emissions sources required to participate in this program are generally those with GHG emissions greater than 25,000 metric tons per year. In 2021, EQC will set a **cap** on total emissions statewide – not individual caps for each source of emissions – and publish a schedule for the cap to decrease by a predetermined amount each year until 2050 to meet the statewide GHG emissions targets.

Covered emission sources may comply with the program by either surrendering allowances or offset credits equal to their emissions each year:

- An "**allowance**" authorizes the emission of up to one metric ton of carbon dioxide (CO2) or CO2 equivalent. Allowances can be bought and sold at auction. The EQC will set an annual allowance budget for 2021 and decrease the budget on a schedule each year until 2050 in accordance with the declining emissions cap.
- An "**offset project**" is an activity that is not subject to the cap that reduces or eliminates GHG emissions, such as a forest project to sequester carbon. These projects generate offset credits that can used by emissions sources with some limitations to meet their compliance obligations.

Utilities and emissions-intensive industrial sources that are trade-exposed will be given some allowances at no cost.

PROGRAM OVERVIEW

CLIMATE INVESTMENTS

Auction revenue proceeds will be invested to reduce GHG emissions and promote climate adaptation and resiliency as follows:

Electric and gas utilities may only use auction revenues from the sale of free allowances within their service territory to reduce GHG emissions or to stabilize and reduce energy bills with the first priority being assistance to low income residential customers, including renters. After low income residential customers, a 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 emissions sources receiving allowances; and
- All other utility customers.

All auction revenues that are constitutionally-dedicated for highway purposes are deposited in the **Transportation Decarbonization Investment Fund**, to be used for programs, projects and activities that meet the Highway Fund constitutional restrictions and are consistent with purposes of the GHG emissions reduction program.

Of the remaining auction revenue, 15% goes to the **Just Transition Fund**:

- 50% to fund programs providing financial support to dislocated workers, up to $2.5 million.
- Remainder to fund programs that support economic diversification and financial support, mental health services, or other related workforce support for workers adversely affected by climate change or climate change policies.

85% is deposited in the **Climate Investments Fund.** The Climate Investments Fund must be spent on 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).

Investments from the **Climate Investments Fund will be distributed as follows:** 60% to impacted communities, at least a third of which must be used in rural areas; 20% to working lands; and the remaining 20% can be used throughout Oregon.

Allocation of revenue investments will be handled through the legislative budget process.