Clean Energy Jobs / Regulated Entities Work Group
Meeting Discussion Guide

Work Group Charge: Discuss compliance with cap-and-invest, flexibility, and cost containment with regard to regulated entities.

Scope of Covered Emissions

Work Group Question 1: How would a cap-and-invest program interact with regulated industries?

Current Bill:
SB 1070 authorizes EQC to identify a source as a subject to the carbon market only if entity has annual verified greenhouse gas emissions of 25,000 metric tons of carbon dioxide or carbon dioxide equivalent.

Discussion Points:

1. Is this the right scope of covered sources to effectively reduce emissions and allow linkage with the Western Climate Initiative?

Emissions-Intensive, Trade-Exposed Industries (EITEs) and Leakage Prevention

Work Group Question 2: How would energy-intensive and trade-exposed (EITE) entities likely be determined, and how would EITE determinations likely play out for key Oregon industries?

Current Bill:
SB 1070 directs the Environmental Quality Commission (EQC) to distribute allowances directly and free of charge to EITEs. The measure requires EQC to hire/contract with a 3rd party to provide data/analysis regarding leakage risk and to use this analysis to determine number of allowances to be distributed directly and free of charge.

Discussion Points:
1. How are EITEs identified in California and Ontario? What criteria should be applied in the methodology used to identify EITEs in Oregon?
2. How should EITE allowances be distributed? Free or at a reduced rate? Should these allowances cover all emissions from a source or provide partial coverage? Should allowance be provided indefinitely or ramped down over time?
3. Should Oregon first study if leakage is likely to be a problem before deciding how to distribute EITE allowances?

Cost Containment

Work Group Question 3: How could cost containment mechanisms be designed fairly? For example, if we decide to offer free allowances to some industries in order to control leakage, what are the implications for auction revenue generation and for reducing emissions? Should free allowances be time-limited? How will we be assured that EITEs will in fact produce fewer emissions over time?

Current Bill:

SB 1070 includes the following cost-containment mechanisms: banking, cost-containment reserve and auction of reserve allowances, a price floor, linkage, and offsets.

- Banking: EQC rules must specify holding limits – the maximum number of allowances that may be held for use or trade by a registered entity at any one time.
- Cost-containment reserve: DEQ is required to place a percentage of allowances (as determined by EQC by rule) into a cost-containment reserve and conduct an auction of these reserve allowances at least once each quarter, separate from the auction of other allowances.
- Auction floor price: DEQ is required to set an auction floor price and a schedule for the floor price to increase by a pre-determined amount each calendar year.
- Linkage: EQC and DEQ are directed to develop the carbon market in a manner necessary to enable Oregon to pursue linkage agreements with market-based programs in other states or countries.
- Offset credits: Offset credits may not constitute a quantity of more than 8 percent of the total quantity of compliance instruments submitted by a covered entity to meet the entity's compliance obligation for a compliance period.

Discussion Points:

1. Will the SB 1070 cost containment mechanisms work effectively for regulated entities? Are there other mechanisms that should be included in the legislation?
2. Can Oregon legally accept the price ceiling established in other linked jurisdictions?
3. Is an 8 percent offset limit appropriate for Oregon? Can stringency requirements for linkage be met in alternative ways other than jurisdictions setting similar offset limits?