

D R A F T

SUMMARY

Repeals greenhouse gas emissions goals and requires Environmental Quality Commission to adopt by rule statewide greenhouse gas emissions goal for 2025, and limits for years 2035 and 2050.

Requires Environmental Quality Commission to adopt carbon pollution market by rule. Requires commission to consult with certain interested persons and be advised by advisory committee in adopting rules. Provides for minimum requirements of carbon pollution market. Declares legislative purposes of carbon pollution market.

Requires Department of Environmental Quality to administer auctions of carbon allowances under carbon pollution market. Provides for distribution of auction proceeds.

Requires entities covered by carbon pollution market to surrender compliance instruments to meet compliance obligations. Imposes penalties for failure to timely submit compliance instruments.

Requires electric utilities and natural gas utilities to use proceeds from sale of allowances consigned to auction only for certain activities consistent with legislative purposes of carbon pollution market. Requires Public Utility Commission to adopt rules necessary to prescribe such uses.

Establishes Climate Investments Account within State Highway Fund. Requires that certain auction proceeds be deposited in fund for purpose of funding programs consistent with legislative purposes of carbon pollution market.

Establishes Oregon Climate Investments Fund. Requires that certain auction proceeds be deposited in fund, to be distributed through Climate Investments Grant Program adopted by Environmental Quality Commission by rule.

Establishes Just Transition Fund. Requires that certain auction proceeds be deposited in fund, to be distributed through Just Transition Grant Program adopted by Oregon Business Development Department by rule.

Makes all provisions related to carbon pollution market and distribution of auction proceeds operative January 1, 2020. Authorizes Environmental Quality Commission, Public Utility Commission and Oregon Business Development Department to adopt rules prior to operative date.

Requires registration and reporting by certain sources of greenhouse gas emissions. Becomes operative January 1, 2017.

Changes name of Oregon Global Warming Commission to Oregon Commission on Climate Change. Becomes operative January 1, 2017.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1 Relating to entities that contribute to greenhouse gas emissions; creating
2 new provisions; amending ORS 184.889, 352.823, 468A.050, 468A.200,
3 468A.210, 468A.215, 468A.220, 468A.225, 468A.230, 468A.235, 468A.240,
4 468A.245, 468A.250, 468A.255, 468A.260, 468A.270, 468A.280 and 757.528 and
5 section 9, chapter 751, Oregon Laws 2009; repealing ORS 468A.205 and
6 468A.210; and declaring an emergency.

7 Whereas climate change and ocean acidification caused by greenhouse gas
8 emissions threaten to have significant detrimental effects on public health
9 and the economic vitality, natural resources and environment of this state;
10 and

11 Whereas the diverse impacts of climate change and ocean acidification
12 include the exacerbation of air quality problems, a reduction in the quantity
13 and quality of water available to this state from mountain snowpack, a rise
14 in sea levels resulting in the displacement of thousands of coastal businesses
15 and residences, damage to marine ecosystems and food sources, the degrada-
16 tion of the natural environment from increased severity of forest fires and
17 pest infestations of stressed land-based ecosystems, extreme weather events
18 and an increase in the incidences of infectious diseases, asthma and other
19 human health-related problems; and

20 Whereas climate change and ocean acidification will have detrimental
21 effects on some of this state’s most important industries, including agricul-
22 ture, forestry, commercial fishing, recreation and tourism; and

23 Whereas climate change will strain the electricity and domestic water
24 supplies that are necessary for economic stability and the most basic levels
25 of human well-being and survival in this state; and

26 Whereas national and international actions are necessary to fully address

1 climate change and ocean acidification; and

2 Whereas national actions in the United States are emerging too slowly
3 to address the scope, magnitude and urgency of climate change and ocean
4 acidification; and

5 Whereas many greenhouse gases persist in the atmosphere for millennia,
6 meaning that the costs of early policy inaction will be severe; and

7 Whereas in the absence of effective national engagement, it is the re-
8 sponsibility of the individual states, deemed to be the laboratories of process,
9 to take immediate leadership actions to address climate change and ocean
10 acidification; and

11 Whereas by exercising a leadership role in addressing climate change and
12 ocean acidification, the State of Oregon will position its economy, technol-
13 ogy centers, financial institutions and businesses to benefit from the national
14 and international efforts that must occur to reduce greenhouse gas emis-
15 sions; and

16 Whereas by joining together with other leadership jurisdictions similarly
17 resolved to address climate change and ocean acidification, Oregon will help
18 encourage more states, the federal government and the international com-
19 munity to act; and

20 Whereas global climate change has a disproportionate effect on disad-
21 vantaged communities, which typically have fewer resources to adapt to cli-
22 mate change and are therefore the most vulnerable to displacement, adverse
23 health effects, job loss, property damage and other effects of climate change;
24 and

25 Whereas climate change policies can be designed to protect disadvantaged
26 communities, rural communities and workers from economic costs and can
27 provide co-benefits to and within these communities that include, but are not
28 limited to, opportunities for job creation and training, investments in
29 infrastructure, affordable housing investment, economic development, air
30 quality improvements, energy savings and conservation and increased utili-
31 zation of clean energy technologies; and

1 Whereas any climate policy should address leakage to ensure a level
2 playing field between in-state and out-of-state companies to prevent jobs from
3 leaving this state; and

4 Whereas the climate crisis is pressing; and

5 Whereas it is the intent of the Legislative Assembly to obtain reductions
6 in greenhouse gas emissions through legally binding market-based mech-
7 anisms; now, therefore,

8 **Be It Enacted by the People of the State of Oregon:**

9 **SECTION 1. Sections 4 and 6 to 17 of this 2016 Act shall be known**
10 **and may be cited as the Healthy Climate Act of 2016.**

11

12 **STATEWIDE GREENHOUSE GAS EMISSIONS LIMITS**

13

14 **SECTION 2. ORS 468A.205 is repealed.**

15 **SECTION 3. Section 4 of this 2016 Act is added to and made a part**
16 **of ORS chapter 468A.**

17 **SECTION 4. (1) As used in this section, “statewide greenhouse gas**
18 **emissions” means the total annual emissions of greenhouse gases in**
19 **this state and all emissions of greenhouse gases from the generation**
20 **of electricity generated outside this state that is delivered to and**
21 **consumed in this state, accounting for transmission and distribution**
22 **line losses.**

23 **(2) The Environmental Quality Commission shall adopt by rule:**

24 **(a) A statewide greenhouse gas emissions goal for the year 2025 to**
25 **limit greenhouse gas emissions to levels that are at least 20 percent**
26 **below 1990 levels;**

27 **(b) A statewide greenhouse gas emissions limit for the year 2035**
28 **that limits greenhouse gas emissions to levels that are at least 45**
29 **percent below 1990 levels; and**

30 **(c) A statewide greenhouse gas emissions limit for the year 2050**
31 **that limits greenhouse gas emissions to levels that are at least 75**

1 percent below 1990 levels.

2

3 **GREENHOUSE GAS CAP AND INVESTMENT PROGRAM**

4 **(Statement of Purposes)**

5

6 **SECTION 5. Sections 6 to 11, 14 and 15 of this 2016 Act and ORS**
7 **468A.200 to 468A.260 are added to and made a part of ORS chapter 468A.**

8 **SECTION 6. (1) The Legislative Assembly finds and declares that**
9 **the purposes of sections 6 to 17 of this 2016 Act are to reduce**
10 **greenhouse gas emissions consistent with the statewide greenhouse**
11 **gas emission limits established under section 4 of this 2016 Act and to**
12 **promote adaptation and resilience by this state's communities and**
13 **economy in the face of climate change.**

14 **(2) Sections 6 to 17 of this 2016 Act and the rules adopted pursuant**
15 **to sections 6 to 17 of this 2016 Act:**

16 **(a) Shall not be interpreted to limit the authority of any state**
17 **agency to adopt and implement measures to reduce greenhouse gas**
18 **emissions; and**

19 **(b) Shall be interpreted in a manner consistent with federal law.**

20

21 **(Rules Advisory Committee)**

22

23 **SECTION 7. In adopting rules as required by sections 9, 10 and 11**
24 **of this 2016 Act, the Environmental Quality Commission shall consult**
25 **with the Environmental Justice Task Force, Indian tribes, the Public**
26 **Utility Commission, the State Department of Energy, the Department**
27 **of Transportation and other interested state and federal agencies, and**
28 **shall be advised by an advisory committee appointed by the Governor.**
29 **The advisory committee may be composed of any number of individ-**
30 **uals with qualifications that the Governor determines necessary.**
31 **However, the Governor shall include members on the advisory com-**

1 mittee who reflect the geographic and demographic diversity of this
2 state, as well as the diversity of interests relating to efforts by the
3 state to limit greenhouse gas emissions consistent with section 4 of
4 this 2016 Act. In appointing members to the advisory committee, the
5 Governor shall give preference to individuals who can represent the
6 interests of multiple constituencies.

7
8 (Definitions)

9
10 **SECTION 8.** As used in ORS 468A.200 to 468A.260 and sections 6 to
11 17 of this 2016 Act:

12 (1) "Allowance" means a tradable authorization to emit up to:

13 (a) One metric ton of carbon dioxide; or

14 (b) One unit of carbon dioxide equivalent.

15 (2) "Annual allowance budget" means the total number of allow-
16 ances allocated by the Environmental Quality Commission for auction
17 or distribution in one calendar year.

18 (3) "Carbon dioxide equivalent" means the potential contribution
19 of a greenhouse gas to anthropogenic climate change expressed such
20 that the potential contribution of one unit of carbon dioxide equivalent
21 is equal to the potential contribution of one metric ton of carbon
22 dioxide.

23 (4) "Carbon pollution market" means the system for regulating
24 greenhouse gas emissions from sources established by the Environ-
25 mental Quality Commission by rule under section 9 of this 2016 Act.

26 (5) "Compliance instrument" means an allowance or an offset credit
27 that may be used to fulfill a compliance obligation.

28 (6) "Compliance obligation" means the quantity of compliance in-
29 struments that an entity is required to surrender to the Department
30 of Environmental Quality during a compliance period under the car-
31 bon pollution market.

1 (7) “Covered entity” means a source that is required by the Envi-
2 ronmental Quality Commission to participate in the carbon pollution
3 market.

4 (8) “Disadvantaged communities” includes, but is not limited to:

5 (a) Communities with a high percentage of people of color, low-
6 income households, immigrants or refugees relative to other commu-
7 nities;

8 (b) Linguistically isolated communities; and

9 (c) Communities with high exposures to pollution or toxics relative
10 to other communities.

11 (9) “Economically distressed area” means an area designated as
12 distressed by the Oregon Business Development Department under
13 ORS 285A.020 and 285A.075.

14 (10) “Electric utility” has the meaning given that term in ORS
15 757.600.

16 (11) “General market participant” means a person that:

17 (a) Is a registered entity;

18 (b) Is not a covered entity or an opt-in entity; and

19 (c) Intends to purchase, hold, sell or voluntarily retire compliance
20 instruments in the carbon pollution market.

21 (12) “Greenhouse gas” means any gas that has contributed to
22 anthropogenic climate change, including but not limited to carbon
23 dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons
24 and sulfur hexafluoride.

25 (13) “High road agreement” means an agreement among multiple
26 stakeholders that specifies goals for a project or program that are re-
27 lated to the quality and accessibility of economic opportunities pro-
28 vided by that project or program, and that includes:

29 (a) Strategies for advancing the specified goals based on metrics
30 that may include but are not limited to:

31 (A) Requirements for wages and benefits;

1 (B) Workforce and business diversity;

2 (C) Training and career development; and

3 (D) Environmental benefits;

4 (b) A mechanism for implementing the agreement; and

5 (c) A process for evaluating a program or project's progress toward
6 achieving the goals specified in the agreement.

7 (14) "Leakage" means a reduction in greenhouse gas emissions
8 within this state that is offset by an increase in greenhouse gas
9 emissions outside this state.

10 (15) "Natural gas utility" means a natural gas utility regulated by
11 the Public Utility Commission under ORS chapter 757.

12 (16) "Offset credit" means a tradable compliance instrument that
13 is generated by an offset project and that represents a reduction or
14 removal of greenhouse gas emissions equal to one metric ton of carbon
15 dioxide or one unit of carbon dioxide equivalent.

16 (17) "Offset project" means a project that reduces or removes
17 greenhouse gas emissions that derive from sources that are not cov-
18 ered entities.

19 (18) "Opt-in entity" means a source that is not required to partic-
20 ipate in the carbon pollution market and that voluntarily chooses to
21 participate in the carbon pollution market as if it were a covered en-
22 tity.

23 (19) "Registered entity" means a covered entity, opt-in entity, or
24 general market participant that has successfully registered to partic-
25 ipate in the carbon pollution market.

26 (20) "Retire" means to permanently remove an allowance or offset
27 credit from the carbon pollution market such that the allowance or
28 offset credit may not be sold, traded or otherwise used again.

29 (21) "Source" means:

30 (a) An air contamination source as defined in ORS 468A.005;

31 (b) Any person that imports, sells, allocates or distributes for use

1 in this state electricity, the generation of which emits greenhouse
2 gases; and

3 (c) Any person that imports, sells or distributes for use in this state
4 fossil fuel that generates greenhouse gases when combusted.

5 (22) "Surrender" means to transfer an allowance or offset credit to
6 the Department of Environmental Quality, either to meet a compli-
7 ance obligation or on a voluntary basis.

8

9 (Carbon Pollution Market)

10

11 **SECTION 9. (1) The Environmental Quality Commission shall adopt**
12 **a carbon pollution market by rule. Rules adopted under this section**
13 **must, at a minimum:**

14 (a) Identify sources subject to the carbon pollution market. In
15 adopting rules under this subsection, the commission:

16 (A) May not require sources that are subject to the provisions of
17 the low carbon fuel standards adopted under ORS 468A.275 to be sub-
18 ject to the carbon pollution market until the reductions in greenhouse
19 gas emissions per unit of fuel energy pursuant to the schedule de-
20 scribed in ORS 468A.275 (2)(b)(A) have been accomplished through the
21 low carbon fuel standards.

22 (B) May not require a source to be subject to the carbon pollution
23 market unless or until the annual verified greenhouse gas emissions
24 reported under ORS 468A.050 or 468A.280 attributable to that source
25 meet or exceed 25,000 metric tons of carbon dioxide.

26 (b) Set an annual allowance budget that will serve to cap the total
27 combined greenhouse gas emissions allowed from covered entities
28 during the calendar year 2020, and a schedule for annual allowance
29 budgets to decrease by a predetermined amount each calendar year,
30 consistent with the greenhouse gas emission reductions necessary to
31 prevent exceedance of the greenhouse gas emissions levels established

1 by section 4 of this 2016 Act.

2 (c) Establish a market for allowances and criteria for the distrib-
3 ution of allowances either directly at no cost or through an auction
4 administered by the Department of Environmental Quality pursuant
5 to section 10 of this 2016 Act. In distributing allowances, the depart-
6 ment:

7 (A) Shall place a certain percentage of allowances, as determined
8 necessary by the commission by rule, directly in an allowance price
9 containment reserve designed to assist in containing compliance costs
10 for covered entities in the event of unanticipated high costs for com-
11 pliance instruments;

12 (B) Shall distribute to electric utilities and natural gas utilities,
13 directly and free of charge, allowances to be used by the utilities sub-
14 ject to section 12 of this 2016 Act;

15 (C) Shall distribute a limited quantity of allowances directly and
16 free of charge, as determined necessary by the commission, to covered
17 entities other than electric utilities and natural gas utilities in order
18 to address leakage; and

19 (D) Shall allocate all remaining allowances to an auction holding
20 account to be auctioned pursuant to section 10 of this 2016 Act and
21 associated rules.

22 (d) Establish standards for offset projects that may generate offset
23 credits for covered entities to use in meeting their compliance obli-
24 gations under the carbon pollution market. Offset projects must be
25 projects not otherwise required by law that result in quantifiable,
26 permanent and verifiable greenhouse gas emissions reductions that
27 would not have occurred if the emission reduction activity had not
28 been implemented as part of the offset project. In adopting standards
29 under this section, the commission shall take into consideration any
30 standards for offsets established by other states and countries with
31 comparable carbon pollution markets.

1 (e) Allow for the trading of compliance instruments.

2 (f) Establish three-year compliance periods, standards for calculat-
3 ing covered entities' compliance obligations relative to the annual al-
4 lowance budgets applicable during each compliance period and, subject
5 to section 11 of this 2016 Act, procedures by which covered entities
6 shall meet their compliance obligations.

7 (g) Allow opt-in entities and general market participants to partic-
8 ipate in the carbon pollution market.

9 (2) All covered entities, opt-in entities and general market partic-
10 ipants must register as registered entities to participate in the carbon
11 pollution market. The commission shall adopt by rule registration re-
12 quirements and any additional requirements necessary for registered
13 entities to participate in auctions administered by the department
14 under section 10 of this 2016 Act. The commission may adopt a
15 schedule of fees for registration under this subsection. Fees shall be
16 reasonably calculated not to exceed the costs to the department in
17 administering the carbon pollution market.

18 (3) Greenhouse gas emissions reductions achieved pursuant to the
19 carbon pollution market developed under this section must be real,
20 permanent, quantifiable, verifiable and enforceable.

21 (4) In developing and administering the carbon pollution market
22 under this section, the commission may pursue linkage agreements
23 with market-based programs in other states or countries.

24 SECTION 10. (1) Except as provided in subsection (2) of this section,
25 auctions of allowances under the carbon pollution market shall be
26 open to registered entities. The Environmental Quality Commission
27 shall adopt rules necessary for the Department of Environmental
28 Quality to administer the auctions. Rules adopted under this sub-
29 section must, at a minimum:

30 (a) Require the department to hold a maximum of four auctions
31 annually. An auction may include allowances from the annual allow-

1 **ance budget of the current year and allowances from the annual al-**
2 **lowance budgets from prior years that remained unsold at previous**
3 **auctions. The department may auction allowances from future annual**
4 **allowance budgets separately from allowances from current and pre-**
5 **vious annual allowance budgets.**

6 **(b) Require the department to engage:**

7 **(A) A qualified, independent contractor to run the auctions; and**

8 **(B) A qualified financial services administrator to hold bid guaran-**
9 **tees, evaluate bid guarantees and inform the department of the value**
10 **of bid guarantees once the bids are accepted.**

11 **(c) Require the department to issue notice for an upcoming auction**
12 **at least 90 days prior to the auction. The auction must consist of a**
13 **single round of sealed bids submitted during a three-hour open window**
14 **and must be conducted through a secure online system.**

15 **(d) Set an auction floor price and a schedule for the floor price to**
16 **increase by a predetermined amount each calendar year as necessary**
17 **for proper functioning of the carbon pollution market. The depart-**
18 **ment may not sell allowances at bids lower than the auction floor**
19 **price.**

20 **(e) Specify, as holding limits, the maximum number of allowances**
21 **that may be held for use or trade by a registered entity at any one**
22 **time.**

23 **(f) Require allowances distributed free of charge to electric utilities**
24 **and natural gas utilities to be consigned to the state for auction.**
25 **Proceeds from the sale of allowances consigned to the state under this**
26 **subsection may be used only as provided in section 12 of this 2016 Act.**

27 **(g) Require a registered entity intending to participate in an auction**
28 **to submit an application to participate at least 30 days prior to the**
29 **auction.**

30 **(h) Include provisions to guard against bidder collusion and mini-**
31 **mize the potential for market manipulation.**

1 **(2)(a) The department shall conduct reserve auctions of allowances**
2 **from the allowance price containment reserve once each calendar**
3 **quarter, separate from the auction of other allowances. Allowances**
4 **unsold at a reserve auction must be made available again at future**
5 **reserve auctions.**

6 **(b) Only covered entities may participate in reserve auctions.**

7 **(c) The department shall follow the procedures for auctions adopted**
8 **by rule under subsection (1) of this section for reserve auctions, except**
9 **that the department may choose to establish multiple price tiers for**
10 **the allowances from the allowance price containment reserve.**

11 **(3) Upon completion and verification of the results of an auction**
12 **conducted under this section, the financial services administrator**
13 **shall notify winning bidders and transfer the proceeds of the auction**
14 **as follows:**

15 **(a) For auction proceeds from allowances consigned to auction un-**
16 **der subsection (1)(f) of this section, to the electric utilities and natural**
17 **gas utilities that consigned the allowances, to be used only as specified**
18 **in section 12 of this 2016 Act;**

19 **(b) For auction proceeds that constitute revenues described in Ar-**
20 **ticle IX, section 3a, of the Oregon Constitution, to the State Treasurer**
21 **to be deposited in the Climate Investments Account in the State**
22 **Highway Fund; and**

23 **(c) For auction proceeds remaining after distribution under para-**
24 **graphs (a) and (b) of this subsection, to the State Treasurer to be de-**
25 **posited as follows:**

26 **(A) Eighty-five percent in the Oregon Climate Investments Fund;**
27 **and**

28 **(B) Fifteen percent in the Just Transition Fund.**

29 **SECTION 11. (1) A covered entity subject to the carbon pollution**
30 **market developed under section 9 of this 2016 Act must surrender to**
31 **the Department of Environmental Quality the quantity of compliance**

1 instruments equal to the entity's compliance obligation no later than
2 the surrender date for a compliance period specified by the Environ-
3 mental Quality Commission by rule or order.

4 (2) The commission may require that offset credits constitute no
5 more than eight percent of the total quantity of compliance instru-
6 ments submitted by a covered entity to meet the entity's compliance
7 obligation for a compliance period.

8 (3) In addition to any other penalty provided by law, a covered en-
9 tity that fails to timely surrender to the department a sufficient
10 quantity of allowances to meet the entity's compliance obligation
11 must, no later than six months after the specified surrender date for
12 the compliance period, surrender to the department a penalty of four
13 allowances for every one allowance that the entity failed to timely
14 surrender.

15 (4) If a covered entity reasonably believes that it will be unable to
16 meet a compliance obligation, the entity shall immediately notify the
17 Department of Environmental Quality. Upon receiving notification,
18 the department shall issue an order requiring the entity to surrender
19 penalty allowances as provided for under subsection (3) of this section.

20 (5) Three out of every four penalty allowances surrendered by a
21 covered entity to the department pursuant to this section must be of-
22 fered by the department for purchase in future auctions conducted
23 under section 10 of this 2016 Act. The remaining penalty allowances
24 surrendered must be retired by the department and counted toward
25 fulfilling the compliance obligation of the covered entity in the com-
26 pliance period for which the penalty allowances were surrendered.

27

28

(Climate Investments)

29

30 **SECTION 12.** (1) An electric utility or natural gas utility that re-
31 ceives the proceeds from the sale of allowances at auction under sec-

1 tion 10 of this 2016 Act may use the auction proceeds only for the
2 following activities, consistent with the purposes of sections 6 to 17
3 of this 2016 Act as stated in section 6 of this 2016 Act:

- 4 (a) Bill assistance for low-income residential customers;
- 5 (b) Bill assistance for energy intensive industrial customers; or
- 6 (c) Residential or small business climate credits.

7 (2) The Public Utility Commission shall adopt rules necessary to
8 implement this section. In adopting rules under this section, the
9 commission shall consult with the advisory committee established
10 under section 7 of this 2016 Act.

11 **SECTION 13.** (1) The Climate Investments Account is established
12 within the State Highway Fund. Interest earned by the Climate In-
13 vestments Account shall be credited to the account. Moneys in the
14 account are continuously appropriated to the Department of Trans-
15 portation to be used only for actions that further the purposes of
16 sections 6 to 17 of this 2016 Act as stated in section 6 of this 2016 Act.

17 (2) The Climate Investments Account shall consist of moneys de-
18 posited in the fund under section 10 of this 2016 Act.

19 (3)(a) Of the moneys deposited in the account each biennium:

20 (A) At least 20 percent must be used to support projects that are
21 geographically located in disadvantaged communities; and

22 (B) At least 20 percent must be used to support projects that oth-
23 erwise benefit disadvantaged communities.

24 (b) For purposes of this section, the Department of Transportation
25 shall designate disadvantaged communities using the methodology
26 adopted by the Environmental Quality Commission by rule under sec-
27 tion 15 of this 2016 Act.

28 (4) In distributing moneys in the account, the Department of
29 Transportation shall:

- 30 (a) Be advised by an advisory committee; and
- 31 (b) To the maximum extent feasible and practicable, give funding

1 preference to projects and programs that will result in the highest
2 levels of greenhouse gas emission reductions.

3 (5) The advisory committee required under subsection (4) of this
4 section shall consist of 11 members appointed by the Governor, with
5 at least one from each congressional district in this state. The Gover-
6 nor shall appoint members to the committee as follows:

7 (a) At least six members must be recommended by the Environ-
8 mental Justice Task Force and have experience in working to support
9 environmental justice in disadvantaged communities;

10 (b) Three members must represent labor interests; and

11 (c) Two members must have expertise in energy and climate policy.

12 **SECTION 14.** (1) The Oregon Climate Investments Fund is estab-
13 lished in the State Treasury, separate and distinct from the General
14 Fund. Interest earned by the Oregon Climate Investments Fund shall
15 be credited to the fund. Moneys in the fund are continuously appro-
16 priated to the Department of Environmental Quality to be distributed
17 pursuant to the Climate Investments Grant Program adopted under
18 section 15 of this 2016 Act.

19 (2) The Oregon Climate Investments Fund shall consist of moneys
20 deposited in the fund under section 10 of this 2016 Act.

21 (3) Moneys in the fund may be used only for activities that further
22 the purposes of sections 6 to 17 of this 2016 Act as stated in section 6
23 of this 2016 Act.

24 **SECTION 15.** (1) The Environmental Quality Commission shall de-
25 velop by rule a Climate Investments Grant Program for distributing
26 moneys in the Oregon Climate Investments Fund. In developing the
27 grant program, the commission shall consult with the advisory com-
28 mittee created under section 7 of this 2016 Act. The grant program
29 must carry out the purposes of sections 6 to 17 of this 2016 Act as
30 stated in section 6 of this 2016 Act.

31 (2)(a) Moneys must be distributed through the grant program de-

1 veloped under this section such that, of the moneys deposited in the
2 Oregon Climate Investments Fund each biennium:

3 (A) At least 40 percent are distributed to projects that are ge-
4 ographically located in disadvantaged communities; and

5 (B) At least 40 percent are distributed to projects that are ge-
6 ographically located in economically distressed areas, with an empha-
7 sis placed on projects or programs funded under this paragraph that
8 support job creation and job education and training opportunities.

9 (b) The commission shall consult with other state agencies, local
10 agencies and officials to develop by rule a methodology for designating
11 disadvantaged communities for purposes of paragraph (a) of this sub-
12 section.

13 (3) The grant program shall include the appointment of a grant
14 committee. Members of the grant committee shall be appointed by the
15 Governor. The grant committee may be composed of any number of
16 individuals with qualifications that the Governor determines neces-
17 sary. However, the Governor shall include individuals with experience
18 in administering state grant programs.

19 (4) The commission shall determine the form and method of apply-
20 ing for grants from the grant program, the eligibility requirements for
21 grant applicants and general terms and conditions of the grants.

22 (5) The commission shall provide that the grant committee review
23 grant applications and make a determination of funding based on a
24 scoring system developed by the commission. The scoring system
25 shall, to the maximum extent feasible and practicable, give funding
26 preference to projects and programs that utilize high road agreements
27 in the completion of the projects or programs. The scoring system
28 shall also give funding preference to projects and programs that:

29 (a) Maximize multiple benefits in this state, including but not lim-
30 ited to environmental, social and economic benefits;

31 (b) Result in greenhouse gas emissions reductions that are cost ef-

1 **fective or that are the product of business and research development**
2 **interests in this state;**

3 **(c) Constitute investments in and the development of clean energy**
4 **infrastructure and technologies in this state;**

5 **(d) Complement efforts to achieve and maintain federal and state**
6 **air quality standards;**

7 **(e) Protect disadvantaged communities and economically distressed**
8 **areas from economic uncertainties associated with climate change or**
9 **climate change policies; or**

10 **(f) Make use of domestically produced products to the maximum**
11 **extent feasible.**

12 **(6) The grant process developed under this section may:**

13 **(a) Require that a grant applicant provide matching funds for**
14 **completion of the program or project.**

15 **(b) Allow an applicant to appeal any determination of grant funding**
16 **to the commission for reevaluation.**

17 **(7) Subject to the grant rules established by the commission and**
18 **subject to reevaluation by the commission, the grant committee has**
19 **the responsibility to review and make determinations on grant appli-**
20 **cations under the grant program adopted pursuant to this section.**

21 **SECTION 16. The Just Transition Fund is established in the State**
22 **Treasury, separate and distinct from the General Fund. Interest**
23 **earned by the Just Transition Fund shall be credited to the fund. The**
24 **Just Transition Fund shall consist of moneys deposited in the fund**
25 **under section 10 of this 2016 Act. Moneys in the fund are continuously**
26 **appropriated to the Oregon Business Development Department to be**
27 **distributed pursuant to the Just Transition Grant Program developed**
28 **under section 17 of this 2016 Act. Moneys in the fund may be used only**
29 **for activities that further the purposes of sections 6 to 17 of this 2016**
30 **Act as stated in section 6 of this 2016 Act.**

31 **SECTION 17. (1) The Oregon Business Development Department**

1 shall develop by rule a Just Transition Grant Program for the dis-
2 bursement of moneys in the Just Transition Fund. In developing the
3 grant program, the department shall consult with the advisory com-
4 mittee created under section 7 of this 2016 Act. The purpose of the
5 grant program shall be to support economic diversification, job cre-
6 ation, job training and other employment and mental health services
7 for workers and communities in this state that are adversely affected
8 by climate change or climate change policies.

9 (2) The grant program shall include the appointment of a grant
10 committee. Members of the grant committee shall be appointed by the
11 Governor. The grant committee may be composed of any number of
12 individuals with qualifications that the Governor determines neces-
13 sary. However, the Governor shall include on the committee:

14 (a) Individuals who have experience in administering state grant
15 programs;

16 (b) Individuals recommended by the Environmental Justice Task
17 Force who have experience in working to support environmental jus-
18 tice in disadvantaged communities;

19 (c) Representatives of labor organizations; and

20 (d) Individuals with energy and climate policy expertise.

21 (3) Subject to the grant rules established by the commission and
22 subject to reevaluation by the commission, the grant committee has
23 the responsibility to review and make determinations on grant appli-
24 cations under the grant program established pursuant to this section.

25 (4) The department shall determine the form and method of apply-
26 ing for grants from the grant program, the eligibility requirements for
27 grant applicants and general terms and conditions of the grants.

28 (5) The grant process developed under this section may:

29 (a) Require that a grant applicant provide matching funds for
30 completion of the program or project.

31 (b) Allow an applicant to appeal any determination of grant funding

1 **to the department for reevaluation.**

2

3 **GREENHOUSE GAS EMISSIONS REGISTRATION AND REPORTING**

4

5 **SECTION 18.** ORS 468A.280 is amended to read:

6 468A.280. (1) In addition to any registration and reporting that may be
7 required under ORS 468A.050, the Environmental Quality Commission by
8 rule may require registration and reporting by:

9 (a) Any person who imports, sells, allocates or distributes for use in this
10 state electricity, the generation of which emits greenhouse gases.

11 (b) Any person who imports, sells or distributes for use in this state fossil
12 fuel that generates greenhouse gases when combusted.

13 (2) Rules adopted by the commission under this section for electricity that
14 is imported, sold, allocated or distributed for use in this state may require
15 reporting of information necessary to determine greenhouse gas emissions
16 from generating facilities used to produce the electricity and related elec-
17 tricity transmission line losses.

18 (3)(a) The commission shall allow consumer-owned utilities, as defined in
19 ORS 757.270, to comply with reporting requirements imposed under this sec-
20 tion by the submission of a report prepared by a third party. A report sub-
21 mitted under this paragraph may include information for more than one
22 consumer-owned utility, but must include all information required by the
23 commission for each individual utility.

24 (b) For the purpose of determining greenhouse gas emissions related to
25 electricity purchased from the Bonneville Power Administration by a
26 consumer-owned utility, as defined in ORS 757.270, the commission may re-
27 quire only that the utility report:

28 (A) The number of megawatt-hours of electricity purchased by the utility
29 from the Bonneville Power Administration, segregated by the types of con-
30 tracts entered into by the utility with the Bonneville Power Administration;
31 and

1 (B) The percentage of each fuel or energy type used to produce electricity
2 purchased under each type of contract.

3 (4)(a) Rules adopted by the commission pursuant to this section for elec-
4 tricity that is purchased, imported, sold, allocated or distributed for use in
5 this state by an electric company, as defined in ORS 757.600, must be limited
6 to the reporting of:

7 (A) Greenhouse gas emissions emitted from generating facilities owned
8 or operated by the electric company;

9 (B) Greenhouse gas emissions emitted from transmission equipment owned
10 or operated by the electric company;

11 (C) The number of megawatt-hours of electricity purchased by the electric
12 company for use in this state, including information, if known, on:

13 (i) The seller of the electricity to the electric company; and

14 (ii) The original generating facility fuel type or types; and

15 (D) An estimate of the amount of greenhouse gas emissions, using default
16 greenhouse gas emissions factors established by the commission by rule, at-
17 tributable to:

18 (i) Electricity purchases made by a particular seller to the electric com-
19 pany;

20 (ii) Electricity purchases from an unknown origin or from a seller who
21 is unable to identify the original generating facility fuel type or types;

22 (iii) Electricity purchases for which a renewable energy certificate under
23 ORS 469A.130 has been issued but subsequently transferred or sold to a per-
24 son other than the electric company;

25 (iv) Electricity transmitted for others by the electric company; and

26 (v) Total energy losses from electricity transmission and distribution
27 equipment owned or operated by the electric company.

28 (b) Pursuant to paragraph (a) of this subsection, a multijurisdictional
29 electric company may rely upon a cost allocation methodology approved by
30 the Public Utility Commission for reporting emissions allocated in this state.

31 (5) Rules adopted by the commission under this section for fossil fuel that

1 is imported, sold or distributed for use in this state may require reporting
2 of the type and quantity of the fuel and any additional information necessary
3 to determine the carbon content of the fuel. For the purpose of determining
4 greenhouse gas emissions related to liquefied petroleum gas, the commission
5 shall allow reporting using publications or submission of data by the Amer-
6 ican Petroleum Institute but may require reporting of such other information
7 necessary to achieve the purposes of the rules adopted by the commission
8 under this section.

9 (6) To an extent that is consistent with the purposes of the rules adopted
10 by the commission under this section, the commission shall minimize the
11 burden of the reporting required under this section by:

12 (a) Allowing concurrent reporting of information that is also reported to
13 another state agency;

14 (b) Allowing electronic reporting;

15 (c) Allowing use of good engineering practice calculations in reports, or
16 of emission factors published by the United States Environmental Protection
17 Agency;

18 (d) Establishing thresholds for the amount of specific greenhouse gases
19 that may be emitted or generated without reporting;

20 (e) Requiring reporting by the fewest number of persons in a fuel dis-
21 tribution system that will allow the commission to acquire the information
22 needed by the commission; or

23 (f) Other appropriate means and procedures determined by the commis-
24 sion.

25 **(7)(a) Rules adopted under this section must support implementa-**
26 **tion of the carbon pollution market developed under section 9 of this**
27 **2016 Act.**

28 **(b) If a person that has a compliance obligation under the carbon**
29 **pollution market developed under section 9 of this 2016 Act fails to**
30 **submit a report under this section, the department shall develop an**
31 **assigned emissions level for that person for purposes of participation**

1 **in the carbon pollution market.**

2 [(7)] **(8)** As used in this section, “greenhouse gas” [*has the meaning given*
3 *that term in ORS 468A.210*] **means any gas that has contributed to**
4 **anthropogenic climate change, including but not limited to carbon**
5 **dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons**
6 **and sulfur hexafluoride.**

7 **SECTION 19.** ORS 468A.050 is amended to read:

8 468A.050. (1) By rule the Environmental Quality Commission may classify
9 air contamination sources according to levels and types of emissions and
10 other characteristics [*which*] **that** cause or tend to cause or contribute to
11 air pollution and may require registration or reporting or both for any such
12 class or classes.

13 (2) Any person in control of an air contamination source of any class for
14 which registration and reporting is required under subsection (1) of this
15 section shall register with the Department of Environmental Quality and
16 make reports containing such information as the commission by rule may
17 require concerning location, size and height of air contaminant outlets, pro-
18 cesses employed, fuels used and the amounts, nature and duration of air
19 contaminant emissions and such other information as is relevant to air pol-
20 lution.

21 **(3)(a) In addition to any other registration or reporting required**
22 **under subsection (1) of this section, the commission shall by rule re-**
23 **quire registration and reporting of greenhouse gas emissions by air**
24 **contamination sources classified pursuant to subsection (1) of this**
25 **section. Rules adopted under this subsection must support implemen-**
26 **tation of the carbon pollution market developed under section 9 of this**
27 **2016 Act.**

28 **(b) If an air contamination source that has a compliance obligation**
29 **under the carbon pollution market developed under section 9 of this**
30 **2016 Act fails to submit a report under this section, the department**
31 **shall develop an assigned emissions level for that air contamination**

1 **source for purposes of participation in the carbon pollution market.**

2 [(3)] (4) By rule the commission may establish a schedule of fees for the
3 registration of any class of air contamination sources classified pursuant to
4 subsection (1) of this section for which a person is required to obtain a per-
5 mit under ORS 468A.040 or 468A.155 but chooses instead to register if al-
6 lowed by the commission by rule. The commission shall base the fees on the
7 anticipated cost of developing and implementing programs related to the
8 different classes, including but not limited to the cost of processing regis-
9 trations, compliance inspections and enforcement. A registration must be
10 accompanied by any fee specified by the commission by rule, and a subse-
11 quent annual registration fee is payable as prescribed by rule of the com-
12 mission.

13 [(4)(a)] (5)(a) By rule the commission may establish a schedule of fees for
14 reporting of any class of air contamination sources classified pursuant to
15 subsection (1) of this section for which a person is required to obtain permits
16 under ORS 468A.040 or 468A.155 or is subject to the federal operating permit
17 program pursuant to ORS 468A.310.

18 (b) Before establishing fees pursuant to this subsection, the commission
19 shall consider the total fees for each class of sources subject to reporting
20 under this subsection and for which permits are required under ORS 468A.040
21 or 468A.155 or the federal operating permit program under ORS 468A.315.

22 (c) The commission shall limit the fees established under this subsection
23 to the anticipated cost of developing and implementing reporting programs.
24 Any fees collected under this subsection for any air contamination source
25 issued a permit under ORS 468A.040 or 468A.155 or sources subject to the
26 federal operating permit program under ORS 468A.310 must be collected as
27 part of the fee for that specific permit.

28 **SECTION 20. (1) The Department of Environmental Quality shall**
29 **study the feasibility of requiring greenhouse gas emissions reported**
30 **under ORS 468A.050 and 468A.280 to be quantified and reported in a**
31 **manner that meets:**

1 (a) The standards established by the International Organization for
2 Standardization under ISO 14064; or

3 (b) Other standards that meet criteria identified by the department
4 for calculating emissions on a complete life cycle basis, including the
5 emissions attributable to the extraction, production, storage, trans-
6 portation, delivery and final use combustion of a greenhouse gas and
7 fugitive losses, expressed in carbon dioxide equivalents.

8 (2) If the department determines that it is feasible, pursuant to the
9 study required by subsection (1) of this section, the Environmental
10 Quality Commission may require greenhouse gas emissions to be
11 quantified and reported under ORS 468A.050 and 468A.280 in a manner
12 that meets the standards specified in subsection (1)(a) or (b) of this
13 section.

14
15 **OREGON GLOBAL WARMING COMMISSION NAME CHANGE**

16
17 **SECTION 21.** ORS 468A.200 is amended to read:

18 468A.200. The Legislative Assembly finds that:

19 (1) In December 2004 the Governor’s Advisory Group on Global Warming
20 issued its report calling for immediate and significant action to address
21 [*global warming*] **climate change**, to reduce Oregon’s exposure to the risks
22 of [*global warming*] **climate change** and to begin to prepare for the effects
23 of [*global warming*] **climate change**. The advisory group also identified 46
24 specific recommendations for measurable reductions in the state’s greenhouse
25 gas emissions.

26 (2) In partnership with the Governor’s advisory group, 50 scientists signed
27 the “Scientific Consensus Statement on the Likely Impacts of Climate
28 Change on the Pacific Northwest,” which examined the potential effects of
29 climate change on temperature, precipitation, sea level, marine ecosystems
30 and terrestrial ecosystems. The scientists recommended additional, improved
31 scientific studies and modeling of the effects of climate change on the at-

1 mosphere, oceans and land, as well as modeling of the effects of economic
 2 and management policies.

3 (3) [*Global warming*] **Climate change** poses a serious threat to the eco-
 4 nomic well-being, public health, natural resources and environment of
 5 Oregon.

6 (4) Oregon relies on snowpack for summer stream flows to provide energy,
 7 municipal water, watershed health and irrigation. Also, a potential rise in
 8 sea levels threatens Oregon's coastal communities. Reduced snowpack,
 9 changes in the timing of stream flows, extreme or unusual weather events,
 10 rising sea levels, increased occurrences of vector-borne diseases and impacts
 11 on forest health could significantly impact the economy, environment and
 12 quality of life in Oregon.

13 (5) Oregon forests play a significant role in sequestering atmospheric
 14 carbon, and losing this potential to sequester carbon will have a significant
 15 negative effect on the reduction of carbon levels in the atmosphere.

16 (6) [*Global warming*] **Climate change** will have detrimental effects on
 17 many of Oregon's largest industries, including agriculture, wine making,
 18 tourism, skiing, recreational and commercial fishing, forestry and
 19 hydropower generation, and will therefore negatively impact the state's
 20 workers, consumers and residents.

21 (7) There is a need to assess the current level of greenhouse gas emissions
 22 in Oregon, to monitor the trend of greenhouse gas emissions in Oregon over
 23 the next several decades and to take necessary action to begin reducing
 24 greenhouse gas emissions in order to prevent disruption of Oregon's economy
 25 and quality of life and to meet Oregon's responsibility to reduce the impacts
 26 and the pace of [*global warming*] **climate change**.

27 (8) Oregon has been a national leader in energy conservation and envi-
 28 ronmental stewardship, including the areas of energy efficiency requirements
 29 and investments, renewable energy investments, natural resource conserva-
 30 tion, greenhouse gas offset requirements and investments, and global warm-
 31 ing pollution standards for passenger vehicles. Significant opportunities

1 remain to reduce greenhouse gas emissions statewide, especially from major
2 contributors of greenhouse gas emissions, including electricity production,
3 transportation, building construction and operation, and the residential and
4 consumer sectors.

5 (9) Actions to reduce greenhouse gas emissions will reduce Oregon’s reli-
6 ance on foreign sources of energy, lead to the development of technology,
7 attract new businesses to Oregon and increase energy efficiency throughout
8 the state, resulting in benefits to the economy and to individual businesses
9 and residents.

10 (10) In devising measures to achieve reduction of greenhouse gas emis-
11 sions, Oregon must strive to not disadvantage Oregon businesses as com-
12 pared to businesses in other states with which Oregon cooperates on regional
13 greenhouse gas emissions reduction strategies.

14 (11) Policies pursued, and actions taken, by Oregon will:

15 (a) In concert with complementary policies and actions by other states
16 and the federal government, substantially reduce the global levels of
17 greenhouse gas emissions and the impacts of those emissions;

18 (b) Encourage similar policies and actions by various stakeholders;

19 (c) Inform and shape national policies and actions in ways that are ad-
20 vantageous to Oregon residents and businesses; and

21 (d) Directly benefit the state and local governments, businesses and resi-
22 dents.

23 **SECTION 22.** ORS 468A.210 is amended to read:

24 468A.210. As used in ORS 352.823 and 468A.200 to 468A.260:

25 (1) [*“Global warming”*] **“Climate change”** means an increase in the av-
26 erage temperature of the earth’s atmosphere that is associated with the re-
27 lease of greenhouse gases.

28 (2) “Greenhouse gas” means any gas that contributes to anthropogenic
29 global warming including, but not limited to, carbon dioxide, methane,
30 nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

31 [(3) *“Greenhouse gas cap-and-trade system” means a system that:*]

1 [(a) Establishes a total cap on greenhouse gas emissions from an identified
2 group of emitters;]

3 [(b) Establishes a market for allowances that represent emissions; and]

4 [(c) Allows trading of allowances among greenhouse gas emitters.]

5 **SECTION 23.** ORS 468A.215 is amended to read:

6 468A.215. (1) There is created the [*Oregon Global Warming Commission*]
7 **Oregon Commission on Climate Change.** The commission shall consist of
8 25 members, including 11 voting members appointed by the Governor under
9 this section and 14 ex officio nonvoting members specified in ORS 468A.220.

10 (2) Members of the commission appointed under this section shall be ap-
11 pointed so as to be representative of the social, environmental, cultural and
12 economic diversity of the state and to be representative of the policy, sci-
13 ence, education and implementation elements of the efforts to reduce
14 greenhouse gas emissions and to prepare Oregon for the effects of [*global*
15 *warming*] **climate change.** Of the members appointed by the Governor under
16 this section:

17 (a) One member shall have significant experience in manufacturing;

18 (b) One member shall have significant experience in energy;

19 (c) One member shall have significant experience in transportation;

20 (d) One member shall have significant experience in forestry;

21 (e) One member shall have significant experience in agriculture; and

22 (f) One member shall have significant experience in environmental policy.

23 (3) The Governor shall select a chairperson and a vice chairperson from
24 among the members appointed under this section.

25 (4) The term of office of a member appointed under this section is four
26 years. Before the expiration of the term of a member, the Governor shall
27 appoint a successor whose term begins on January 31 next following. A
28 member appointed under this section is eligible for reappointment. In case
29 of vacancy for any cause, the Governor shall make an appointment to become
30 immediately effective for the unexpired term.

31 (5) The members of the commission appointed under this section must be

1 residents of this state. Failure of a member to maintain compliance with the
2 eligibility requirements related to the member's appointment shall result in
3 disqualification from serving on the commission.

4 (6) Voting members of the commission appointed under this section are
5 entitled to expenses as provided in ORS 292.495 (2).

6 **SECTION 24.** ORS 468A.220 is amended to read:

7 468A.220. (1) In addition to the members appointed under ORS 468A.215,
8 the [*Oregon Global Warming Commission*] **Oregon Commission on Climate**
9 **Change** includes the following ex officio nonvoting members:

- 10 (a) The Director of the State Department of Energy;
- 11 (b) The Director of Transportation;
- 12 (c) The chairperson of the Public Utility Commission of Oregon;
- 13 (d) The Director of the Department of Environmental Quality;
- 14 (e) The Director of Agriculture;
- 15 (f) The State Forester;
- 16 (g) The Water Resources Director; and
- 17 (h) Three additional [*ex officio*] **advisory** nonvoting members, each from
18 a state agency or an academic institution.

19 (2) The following representatives of the Legislative Assembly also shall
20 serve as ex officio nonvoting members:

21 (a) Two members of the Senate, not from the same political party, ap-
22 pointed by the President of the Senate; and

23 (b) Two members of the House of Representatives, not from the same
24 political party, appointed by the Speaker of the House of Representatives.

25 [(3) *Each legislative member serves at the pleasure of the appointing au-*
26 *thority and may serve so long as the member remains in the chamber of the*
27 *Legislative Assembly from which the member was appointed.*]

28 [(4)] (3) Notwithstanding ORS 171.072, members of the commission who
29 are members of the Legislative Assembly are not entitled to mileage expenses
30 or a per diem and serve as volunteers on the commission.

31 **SECTION 25.** ORS 468A.225 is amended to read:

1 468A.225. (1) A majority of the members of the [*Oregon Global Warming*
2 *Commission*] **Oregon Commission on Climate Change** constitutes a quo-
3 rum for the transaction of business.

4 (2) The commission shall meet at times and places specified by a majority
5 of the members of the commission.

6 **(3) Official action by the commission requires the approval of a**
7 **majority of the voting members of the commission.**

8 [(3)] (4) The State Department of Energy shall provide clerical, technical
9 and management personnel to serve the commission. Other agencies shall
10 provide support as requested by the department or the commission.

11 **SECTION 26.** ORS 468A.230 is amended to read:

12 468A.230. The [*Oregon Global Warming Commission*] **Oregon Commis-**
13 **sion on Climate Change** may adopt by rule such standards and procedures
14 as it considers necessary for the operation of the commission.

15 **SECTION 27.** ORS 468A.235 is amended to read:

16 468A.235. The [*Oregon Global Warming Commission*] **Oregon Commis-**
17 **sion on Climate Change** shall recommend ways to coordinate state and lo-
18 cal efforts to reduce greenhouse gas emissions in Oregon consistent with the
19 **limits on** greenhouse gas emissions [*reduction goals*] established by [*ORS*
20 *468A.205*] **section 4 of this 2016 Act** and shall recommend efforts to help
21 Oregon prepare for the effects of [*global warming*] **climate change**. The
22 Office of the Governor and state agencies working on multistate and regional
23 efforts to reduce greenhouse gas emissions shall inform the commission about
24 these efforts and shall consider input from the commission for such efforts.

25 **SECTION 28.** ORS 468A.240 is amended to read:

26 468A.240. (1) In furtherance of the **limits on** greenhouse gas emissions
27 [*reduction goals*] established by [*ORS 468A.205*] **section 4 of this 2016 Act**,
28 the [*Oregon Global Warming Commission*] **Oregon Commission on Climate**
29 **Change** may recommend statutory and administrative changes, policy meas-
30 ures and other recommendations to be carried out by state and local gov-
31 ernments, businesses, nonprofit organizations or residents. In developing its

1 recommendations, the commission shall consider economic, environmental,
2 health and social costs, and the risks and benefits of alternative strategies,
3 including least-cost options. The commission shall solicit and consider public
4 comment relating to statutory, administrative or policy recommendations.

5 *[(2) The commission shall examine greenhouse gas cap-and-trade systems,*
6 *including a statewide and multistate carbon cap-and-trade system and*
7 *market-based mechanisms, as a means of achieving the greenhouse gas emis-*
8 *sions reduction goals established by ORS 468A.205.]*

9 [(3)] (2) The commission shall examine possible funding mechanisms to
10 obtain low-cost greenhouse gas emissions reductions and energy efficiency
11 enhancements, including but not limited to those in the natural gas industry.

12 **SECTION 29.** ORS 468A.245 is amended to read:

13 468A.245. The [*Oregon Global Warming Commission*] **Oregon Commis-**
14 **sion on Climate Change** shall develop an outreach strategy to educate
15 Oregonians about the scientific aspects and economic impacts of [*global*
16 *warming*] **climate change** and to inform Oregonians of ways to reduce
17 greenhouse gas emissions and ways to prepare for the effects of [*global*
18 *warming*] **climate change**. The commission, at a minimum, shall work with
19 state and local governments, the State Department of Energy, the Depart-
20 ment of Education, the Higher Education Coordinating Commission and
21 businesses to implement the outreach strategy.

22 **SECTION 30.** ORS 468A.250 is amended to read:

23 468A.250. (1) The [*Oregon Global Warming Commission*] **Oregon Com-**
24 **mission on Climate Change** shall track and evaluate:

25 (a) Economic, environmental, health and social assessments of [*global*
26 *warming*] **climate change** impacts on Oregon and the Pacific Northwest;

27 (b) Existing greenhouse gas emissions reduction policies and measures;

28 (c) Economic, environmental, health and social costs, and the risks and
29 benefits of alternative strategies, including least-cost options;

30 (d) The physical science of [*global warming*] **climate change**;

31 (e) Progress toward **preventing exceedance of** the greenhouse gas emis-

1 sions [*reduction goals*] **limits** established by [ORS 468A.205] **section 4 of**
2 **this 2016 Act;**

3 (f) Greenhouse gases emitted by various sectors of the state economy, in-
4 cluding but not limited to industrial, transportation and utility sectors;

5 (g) Technological progress on sources of energy the use of which gener-
6 ates no or low greenhouse gas emissions and methods for carbon
7 sequestration;

8 (h) Efforts to identify the greenhouse gas emissions attributable to the
9 residential and commercial building sectors;

10 (i) The carbon sequestration potential of Oregon's forests, alternative
11 methods of forest management that can increase carbon sequestration and
12 reduce the loss of carbon sequestration to wildfire, changes in the mortality
13 and distribution of tree and other plant species and the extent to which
14 carbon is stored in tree-based building materials;

15 (j) The advancement of regional, national and international policies to
16 reduce greenhouse gas emissions;

17 (k) Local and regional efforts to prepare for the effects of [*global*
18 *warming*] **climate change**; and

19 (L) Any other information, policies or analyses that the commission de-
20 termines will aid in [*the achievement of the greenhouse gas emissions re-*
21 *duction goals established by ORS 468A.205*] **preventing exceedance of the**
22 **greenhouse gas emissions limits established by section 4 of this 2016**
23 **Act.**

24 (2) The commission shall:

25 (a) Work with the State Department of Energy and the Department of
26 Environmental Quality to evaluate all gases with the potential to be
27 greenhouse gases and to determine a carbon dioxide equivalency for those
28 gases; and

29 (b) Use regional and national baseline studies of building performance to
30 identify incremental targets for the reduction of greenhouse gas emissions
31 attributable to residential and commercial building construction and oper-

1 ations.

2 **SECTION 31.** ORS 468A.255 is amended to read:

3 468A.255. The [*Oregon Global Warming Commission*] **Oregon Commis-**
4 **sion on Climate Change** may recommend to the Governor the formation of
5 citizen advisory groups to explore particular areas of concern with regard
6 to the reduction of greenhouse gas emissions and the effects of [*global*
7 *warming*] **climate change**.

8 **SECTION 32.** ORS 468A.260 is amended to read:

9 468A.260. The [*Oregon Global Warming Commission*] **Oregon Commis-**
10 **sion on Climate Change** shall submit a report to the Legislative Assembly,
11 in the manner provided by ORS 192.245, by [*March 31 of each odd-numbered*
12 *year*] **September 15 of each even-numbered year** that describes Oregon's
13 progress toward [*achievement of the greenhouse gas emissions reduction goals*
14 *established by ORS 468A.205*] **preventing exceedance of the greenhouse**
15 **gas emissions limits established by section 4 of this 2016 Act.** The report
16 may include relevant issues and trends of significance, including trends of
17 greenhouse gas emissions, emerging public policy and technological ad-
18 vances. The report also may discuss measures the state may adopt to mitigate
19 the impacts of [*global warming*] **climate change** on the environment, the
20 economy and the residents of Oregon and to prepare for those impacts.

21

22

2017 CONFORMING AMENDMENTS

23

24 **SECTION 33.** ORS 184.889 is amended to read:

25 184.889. (1) The Oregon Transportation Commission, after consultation
26 with and in cooperation with metropolitan planning organizations, other
27 state agencies, local governments and stakeholders, as a part of the state
28 transportation policy developed and maintained under ORS 184.618, shall
29 adopt a statewide transportation strategy on greenhouse gas emissions to aid
30 in [*achieving the greenhouse gas emissions reduction goals set forth in ORS*
31 *468A.205*] **preventing exceedance of the greenhouse gas emissions limits**

1 **established by section 4 of this 2016 Act.** The commission shall focus on
2 reducing greenhouse gas emissions resulting from transportation. In devel-
3 oping the strategy, the commission shall take into account state and federal
4 programs, policies and incentives related to reducing greenhouse gas emis-
5 sions.

6 (2) The commission shall actively solicit public review and comment in
7 the development of the strategy.

8 **SECTION 34.** ORS 352.823 is amended to read:

9 352.823. (1) The Oregon Climate Change Research Institute is established
10 at Oregon State University. In administering the institute, Oregon State
11 University may seek the cooperation of other public universities listed in
12 ORS 352.002.

13 (2) The purpose of the Oregon Climate Change Research Institute is to:

14 (a) Facilitate research by faculty at public universities listed in ORS
15 352.002 on climate change and its effects on natural and human systems in
16 Oregon;

17 (b) Serve as a clearinghouse for climate change information;

18 (c) Provide climate change information to the public in integrated and
19 accessible formats;

20 (d) Support the [*Oregon Global Warming Commission*] **Oregon Commis-**
21 **sion on Climate Change** in developing strategies to prepare for and to
22 mitigate the effects of climate change on natural and human systems; and

23 (e) Provide technical assistance to local governments to assist them in
24 developing climate change policies, practices and programs.

25 (3) The Oregon Climate Change Research Institute shall assess, at least
26 once each biennium, the state of climate change science, including biological,
27 physical and social science, as it relates to Oregon and the likely effects of
28 climate change on the state. The institute shall submit the assessment to the
29 Legislative Assembly in the manner provided in ORS 192.245 and to the
30 Governor.

31 (4) State agencies may contract with the Oregon Climate Change Re-

1 search Institute to fulfill agency needs regarding the collection, storage, in-
2 tegration, analysis, dissemination and monitoring of climate change
3 information, research and training.

4 **SECTION 35.** Section 9, chapter 751, Oregon Laws 2009, is amended to
5 read:

6 **Sec. 9.** (1) The Public Utility Commission shall develop estimates of the
7 rate impacts for electric companies and natural gas companies to meet the
8 following alternative greenhouse gas emission reduction goals for 2020:

- 9 (a) Ten percent below 1990 levels[, *as specified in ORS 468A.205*]; and
10 (b) Fifteen percent below 2005 levels.

11 (2) The commission shall submit a report presenting the estimates and
12 explaining the analysis used to develop the estimates to the appropriate in-
13 terim committee of the Legislative Assembly prior to November 1 of each
14 even-numbered year.

15

16 **2020 CONFORMING AMENDMENTS**

17

18 **SECTION 36.** **ORS 468A.210 is repealed.**

19 **SECTION 37.** ORS 468A.270 is amended to read:

20 468A.270. (1) As used in this section:

21 (a) “Greenhouse gas” has the meaning given that term in [*ORS*
22 *468A.210*] **section 8 of this 2016 Act.**

23 (b) “Motor vehicle” has the meaning given that term in ORS 801.360.

24 (2) The Environmental Quality Commission may adopt by rule standards
25 and requirements described in this section to reduce greenhouse gas emis-
26 sions.

27 (3)(a) The commission may adopt requirements to prevent the tampering,
28 alteration and modification of the original design or performance of motor
29 vehicle pollution control systems.

30 (b) Before adopting requirements under this section, the commission shall
31 consider the antitampering requirements and exemptions of the State of

1 California.

2 (4) The commission may adopt requirements for motor vehicle service
3 providers to check and inflate tire pressure according to the tire
4 manufacturer's or motor vehicle manufacturer's recommended specifications,
5 provided that the requirements:

6 (a) Do not apply when the primary purpose of the motor vehicle service
7 is fueling vehicles; and

8 (b) Do not require motor vehicle service providers to purchase equipment
9 to check and inflate tire pressure.

10 (5) The commission may adopt restrictions on engine use by commercial
11 ships while at port, and requirements that ports provide alternatives to en-
12 gine use such as electric power, provided that:

13 (a) Engine use shall be allowed when necessary to power mechanical or
14 electrical operations if alternatives are not reasonably available;

15 (b) Engine use shall be allowed when necessary for reasonable periods due
16 to emergencies and other considerations as determined by the commission;
17 and

18 (c) The requirements must be developed in consultation with represen-
19 tatives of Oregon ports and take into account operational considerations,
20 operational agreements, international protocols and limitations, the ability
21 to fund the purchase and use of electric power equipment and the potential
22 effect of the requirements on competition with other ports.

23 (6) In adopting rules under this section, the commission shall evaluate:

24 (a) Safety, feasibility, net reduction of greenhouse gas emissions and
25 cost-effectiveness;

26 (b) Potential adverse impacts to public health and the environment, in-
27 cluding but not limited to air quality, water quality and the generation and
28 disposal of waste in this state;

29 (c) Flexible implementation approaches to minimize compliance costs; and

30 (d) Technical and economic studies of comparable greenhouse gas emis-
31 sions reduction measures implemented in other states and any other studies

1 as determined by the commission.

2 (7) The provisions of this section do not apply to:

3 (a) Motor vehicles registered as farm vehicles under the provisions of
4 ORS 805.300.

5 (b) Farm tractors, as defined in ORS 801.265.

6 (c) Implements of husbandry, as defined in ORS 801.310.

7 (d) Motor trucks, as defined in ORS 801.355, used primarily to transport
8 logs.

9 **SECTION 38.** ORS 757.528 is amended to read:

10 757.528. (1) Unless modified by rule by the State Department of Energy
11 as provided in this section, the greenhouse gas emissions standard that ap-
12 plies to consumer-owned utilities is 1,100 pounds of greenhouse gases per
13 megawatt-hour for a generating facility.

14 (2) Unless modified pursuant to subsection (4) of this section, the
15 greenhouse gas emissions standard includes only carbon dioxide emissions.

16 (3) For purposes of applying the emissions standard to cogeneration fa-
17 cilities, the department shall establish an output-based methodology to en-
18 sure that the calculation of emissions of greenhouse gases for cogeneration
19 facilities recognizes the total usable energy output of the process and in-
20 cludes all greenhouse gases emitted by the facility in the production of both
21 electrical and thermal energy.

22 (4) The department shall review the greenhouse gas emissions standard
23 established under this section no more than once every three years. After
24 public notice and hearing, and consultation with the Public Utility Com-
25 mission, the department may:

26 (a) Modify the emissions standard to include other greenhouse gases as
27 defined in [ORS 468A.210] **section 8 of this 2016 Act**, with the other
28 greenhouse gases expressed as their carbon dioxide equivalent; and

29 (b) Modify the emissions standard based upon current information on the
30 rate of greenhouse gas emissions from a commercially available combined-
31 cycle natural gas generating facility that:

1 (A) Employs a combination of one or more gas turbines and one or more
2 steam turbines and produces electricity in the steam turbines from waste
3 heat produced by the gas turbines;

4 (B) Has a heat rate at high elevation within the boundaries of the West-
5 ern Electricity Coordinating Council; and

6 (C) Has a heat rate at ambient temperatures when operating during the
7 hottest day of the year.

8 (5) In modifying the greenhouse gas emissions standard, the department
9 shall:

10 (a) Use an output-based methodology to ensure that the calculation of
11 greenhouse gas emissions through cogeneration recognizes the total usable
12 energy output of the process and includes all greenhouse gases emitted by
13 the generating facility in the production of both electrical and thermal en-
14 ergy; and

15 (b) Consider the effects of the emissions standard on system reliability
16 and overall costs to electricity consumers.

17 (6) If upon a review conducted pursuant to subsection (4) of this section,
18 the department determines that a mandatory greenhouse gas emissions limit
19 has been established pursuant to state or federal law, the department shall
20 issue a report to the appropriate legislative committees of the Legislative
21 Assembly stating which portions, if any, of the greenhouse gas emissions
22 standard are no longer necessary as a matter of state law.

23

24

OPERATIVE DATES

25

26 **SECTION 39. (1)(a) Sections 3 and 4 of this 2016 Act, the amend-**
27 **ments to ORS 184.889, 352.823, 468A.050, 468A.200, 468A.210, 468A.215,**
28 **468A.220, 468A.225, 468A.230, 468A.235, 468A.240, 468A.245, 468A.250,**
29 **468A.255, 468A.260 and 468A.280 and section 9, chapter 751, Oregon Laws**
30 **2009, by sections 18, 19 and 21 to 35 of this 2016 Act, and the repeal of**
31 **ORS 468A.205 by section 2 of this 2016 Act become operative on January**

1 1, 2017.

2 (b) The Environmental Quality Commission may adopt rules before
3 the operative date specified in paragraph (a) of this subsection or take
4 any actions before the operative date specified in paragraph (a) of this
5 subsection that are necessary to carry out the provisions of section 4
6 of this 2016 Act. Any rules adopted by the commission under this
7 subsection do not become operative until January 1, 2017.

8 (2)(a) Sections 5, 6 to 17 and 20 of this 2016 Act, the amendments
9 to ORS 468A.270 and 757.528 by sections 37 and 38 of this 2016 Act, and
10 the repeal of ORS 468A.210 by section 36 of this 2016 Act become oper-
11 ative on January 1, 2020.

12 (b) The Environmental Quality Commission, the Public Utility
13 Commission, the Department of Transportation and the Oregon Busi-
14 ness Development Department may adopt rules before the operative
15 date specified in paragraph (a) of this subsection or take any actions
16 before the operative date specified in paragraph (a) of this subsection
17 that are necessary to carry out the provisions of sections 6 to 17 and
18 20 of this 2016 Act. Any rules adopted by the Environmental Quality
19 Commission, the Public Utility Commission, the Department of
20 Transportation or the Oregon Business Development Department un-
21 der this subsection do not become operative until January 1, 2020.

22

23

REPORT

24

25 SECTION 40. The Department of Environmental Quality shall re-
26 port on the implementation of sections 6 to 17 and 20 of this 2016 Act
27 to the interim legislative committees on environment and natural re-
28 sources on or before September 15, 2018.

29

30

CAPTIONS

31

1 **SECTION 41.** The unit captions used in this 2016 Act are provided
2 only for the convenience of the reader and do not become part of the
3 statutory law of this state or express any legislative intent in the
4 enactment of this 2016 Act.

5

6

EMERGENCY CLAUSE

7

8 **SECTION 42.** This 2016 Act being necessary for the immediate
9 preservation of the public peace, health and safety, an emergency is
10 declared to exist, and this 2016 Act takes effect on its passage.

11
