

PRELIMINARY STAFF MEASURE SUMMARY**CARRIER:**

Senate Committee on Environment and Natural Resources

REVENUE: May have revenue impact, statement not yet issued**FISCAL: May have fiscal impact, statement not yet issued****SUBSEQUENT REFERRAL TO:****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Beth Reiley, Administrator**Meeting Dates:** 2/2

WHAT THE MEASURE DOES: Repeals sunset on provisions related to low carbon fuel standards. Prohibits Environmental Quality Commission (Commission) from requiring compliance with low carbon fuel standards if division of Oregon Department of Administrative Services (Division) that serves as office of economic analysis finds that projected incremental cost of compliance would exceed four percent of projected average annual retail cost of gasoline or diesel in Oregon. Requires Commission to suspend requirements to comply with low carbon fuel standards upon certain findings by Division. Allows Commission to reinstate requirements to comply with low carbon fuel standards upon certain findings by Division. Declares emergency, effective on passage.

ISSUES DISCUSSED:**EFFECT OF COMMITTEE AMENDMENT:**

(Proposed -4 Amendment) Replaces measure. Extends sunset on provisions related to low carbon fuel standards to December 31, 2020. Defines incremental cost of compliance. Removes authority for Commission to issue exemptions and deferrals to mitigate cost of complying with low carbon fuel standards. Prohibits Environmental Quality Commission (Commission) from facilitating compliance with low carbon fuel standard through adoption of market-based transfers of credits. Requires Department of Administrative Services (DAS) to monitor and make findings on actual and projected costs of low carbon fuel standard compared to Oregon's average and weighted average price in PADD 5 region. Prohibits Commission from requiring compliance until DAS finds that compliance will not exceed four percent of projected annual average in Oregon. Requires Commission to suspend low carbon fuel standard if DAS finds cost of compliance will exceed four percent of projected annual average and authorizes Commission to reinstate compliance at certain point. Requires Commission to levy and collect annual assessment from producer or importer of fuel equal to \$100 million to be deposited into Congestion Reduction Infrastructure Improvement Fund to be used for infrastructure projects that facilitate reduction of traffic congestion. Establishes Act is effective 91st day after sine die.

(Proposed -5 Amendment) Establishes Act is effective 91st day after sine die.

(Proposed -6 Amendment) Replaces measure. Repeals sunset on provisions related to low carbon fuel standards. Makes adoption of rules by Environmental Quality Commission (Commission) on low carbon fuel standards mandatory. Requires standards to reduce average amount of greenhouse gas emissions per unit of fuel energy of fuels by 10 percent below 2010 levels by year 2025 or later date if Commission determines extension is appropriate. Removes exemption for liquefied petroleum gas. Removes authority for Commission to issue exemptions and deferrals to mitigate cost of complying with low carbon fuel standards. Requires Commission to adopt rules for managing and containing costs of compliance, including but not limited to ensuring people may obtain and trade credits for fuels used as gasoline or diesel substitutes. Requires Commission to exempt person who imports less than 500,000 gallons of gasoline and diesel in a year. Establishes standards for biodiesel to be considered an alternative fuel. Exempts fuel that is demonstrated to be used in motor vehicles used primarily for construction, watercraft and railroad locomotives. Requires Department of Environmental Quality to report to Seventy-eighth Legislative Assembly. Declares emergency, effective on passage.

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This summary has not been adopted or officially endorsed by action of the committee.

BACKGROUND: In 2009 the Oregon Legislature passed House Bill 2186 which authorized the Oregon Environmental Quality Commission (Commission) to adopt rules to reduce the average amount of greenhouse gas emissions from transportation fuels by 10 percent below 2010 levels by 2020. In December, 2012 the Commission completed Phase One of the rulemaking process requiring that Oregon fuel producers and importers register, keep records and report the volumes and carbon intensities of the transportation fuels they provide in Oregon. In January, 2015 the Commission completed Phase II of the rulemaking process requiring suppliers and importers to report the carbon intensity of their fuels this year, and then meet carbon reduction targets starting at 0.25 percent in 2016 and rising to 10 percent by 2025.