

# House Bill 3250

Sponsored by COMMITTEE ON ENERGY AND ENVIRONMENT

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires Environmental Quality Commission to adopt carbon cap-and-dividend program. Establishes auction for allowances under program. Directs certain proceeds from allowances to be deposited in Pollution Refund Credit Trust Fund.

Establishes Pollution Refund Credit Trust Fund.

Distributes moneys collected from auction to personal income taxpayers and their dependents in equal shares.

Appropriates moneys from General Fund to Department of Revenue and Environmental Quality Commission for purpose of establishing cap-and-dividend program and funding first year of auction.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to climate protection; and prescribing an effective date.

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

4 **SECTION 1. Sections 2 to 7 of this 2015 Act shall be known and may be cited as the Cli-**  
5 **mate Protection Act.**

6 **SECTION 2. The Legislative Assembly finds and declares that:**

7 (1) **A cap-and-dividend program sets a clear limit on greenhouse gas emissions while**  
8 **minimizing total costs to emitters by translating greenhouse gas emissions limits into**  
9 **tradable allowances that are auctioned to regulated emitters on a regular basis.**

10 (2) **By creating a market for emission permits, the cap-and-dividend program offers an**  
11 **environmentally effective and economically efficient response to climate change.**

12 (3) **By paying equal annual dividends from the proceeds of allowance auctions to the**  
13 **taxpayers of this state and their dependents, a cap-and-dividend program helps to ensure**  
14 **that Oregon households can afford the energy they need during the transition to a**  
15 **greenhouse gas-free economy.**

16 (4) **Dividends paid under a cap-and-dividend program will stimulate the economy.**

17 (5) **A phased-in cap on greenhouse gas emissions as part of a cap-and-dividend program**  
18 **is an efficient, transparent and enforceable mechanism for driving a transition to a domestic**  
19 **energy economy, stimulating investment in renewable energy technologies and creating**  
20 **powerful incentives to increase energy efficiency in this state.**

21 (6) **The cap-and-dividend program established under sections 2 to 7 of this 2015 Act will**  
22 **correct energy market distortions in this state, reduce greenhouse gas emissions, reduce**  
23 **Oregon's dependence on the importation of energy generated outside this state and protect**  
24 **the economy, human health and the environment.**

25 **SECTION 3. As used in sections 2 to 7 of this 2009 Act:**

26 (1) **"Allowance" means an authorization, issued by this state, to emit one metric ton of**  
27 **a greenhouse gas as measured in carbon dioxide equivalent.**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (2) “Carbon dioxide equivalent” means the quantity of a given greenhouse gas multiplied  
 2 by a global warming potential factor.

3 (3) “Global warming potential factor” means the radiative forcing impact of one mass-  
 4 based unit of a given greenhouse gas relative to an equivalent unit of carbon dioxide over a  
 5 given period of time.

6 (4) “Greenhouse gas” has the meaning given that term in ORS 468A.210.

7 (5) “Offset” means a reduction in emissions of one metric ton of a greenhouse gas, as  
 8 measured in carbon dioxide equivalent, that is not subject to the greenhouse gas cap-and-  
 9 dividend program and that is used to offset greenhouse gas emissions subject to the cap-  
 10 and-dividend program.

11 **SECTION 4.** (1) The Environmental Quality Commission shall, after consulting with the  
 12 Department of Environmental Quality, adopt by rule a greenhouse gas cap-and-dividend  
 13 program to reduce greenhouse gas emissions in an amount not to exceed the following  
 14 benchmarks:

15 (a) By 2020, achieve greenhouse gas levels that are equal to 1990 levels.

16 (b) By 2030, achieve greenhouse gas levels that are 40 percent below 1990 levels.

17 (c) By 2050, achieve greenhouse gas levels that are 85 percent below 1990 levels.

18 (2) The greenhouse gas cap-and-dividend program shall include, but not be limited to:

19 (a) A declining cap on total greenhouse gas emissions from:

20 (A) Air contamination sources located in this state as specified by the commission;

21 (B) The generation and transmission of electricity used within this state; and

22 (C) The combustion of fuel within this state;

23 (b) A requirement that, beginning January 1, 2018, the following persons retire allow-  
 24 ances or offsets equal to greenhouse gas emissions subject to the cap established under  
 25 paragraph (a) of this subsection that the commission determines are attributable to such  
 26 persons:

27 (A) The owner or operator of an air contamination source specified by the commission  
 28 pursuant to paragraph (a)(A) of this subsection;

29 (B) The importer, seller, deliverer or distributor of electricity for use in this state; and

30 (C) The importer, seller, deliverer or distributor of fuel for use in this state;

31 (c) Procedures for the trading and retirement of allowances and offsets;

32 (d) Requirements for record keeping and compliance reporting;

33 (e) Requirements for third-party verification of greenhouse gas emissions;

34 (f) Procedures for the commission to auction allowances to persons listed under para-  
 35 graph (b) of this subsection in the manner provided for under section 5 of this 2015 Act;

36 (g) Procedures, protocols and limitations for the generation and retirement of offsets;  
 37 and

38 (h) In addition to any other penalty provided by law, a requirement that any person that  
 39 fails to retire allowances or offsets equal to its greenhouse gas emissions pursuant to para-  
 40 graph (b) of this subsection must retire additional allowances for excess greenhouse gas  
 41 emissions.

42 (3) In adopting rules pursuant to this section, the commission shall consider:

43 (a) Establishing applicability thresholds, exemptions and deferrals concerning the  
 44 greenhouse gas cap-and-dividend system;

45 (b) Including greenhouse gas emissions from the production of fuel used within this state

1 in the emissions subject to the cap under subsection (1) of this section, including but not  
 2 limited to fuel that is produced outside of this state; and

3 (c) Adopting criteria and procedures to certify providers of third-party verification ser-  
 4 vices for greenhouse gas emissions.

5 (4) The department shall administer the greenhouse gas cap-and-dividend program.

6 (5)(a) The commission shall adopt a greenhouse gas cap-and-dividend system pursuant to  
 7 this section no later than December 31, 2016.

8 (b) The commission shall implement the greenhouse gas cap-and-trade system no earlier  
 9 than July 1, 2017.

10 **SECTION 5.** (1) The Department of Revenue shall, in cooperation with the Department  
 11 of Environmental Quality, conduct an auction of the allowances provided for by rule under  
 12 section 4 of this 2015 Act. The Department of Revenue may conduct the auction in the  
 13 manner that it determines is best suited to maximize the return to the state on the sale of  
 14 allowances and shall announce a reserve bid prior to conducting the auction. The reserve  
 15 amount shall be at least 95 percent of the total amount of the allowance. Moneys necessary  
 16 to reimburse the Department of Revenue for the actual costs incurred by the department in  
 17 administering an auction, not to exceed 0.25 percent of auction proceeds, are continuously  
 18 appropriated to the department. The Department of Revenue shall deposit net receipts from  
 19 the auction required under this section in the suspense account provided for under section  
 20 6 of this 2015 Act.

21 (2) The Environmental Quality Commission, after consultation with the Department of  
 22 Revenue, shall adopt rules in order to ensure that the auction provided for under this section  
 23 meets the requirements and goals of the cap-and-dividend program provided for under sec-  
 24 tion 4 of this 2015 Act.

25 **SECTION 6.** (1) Moneys received by the Department of Revenue pursuant to the auction  
 26 provided for under section 5 of this 2015 Act shall be deposited in a suspense account created  
 27 pursuant to ORS 293.445. After the payment of the costs of the Department of Revenue and  
 28 the Department of Environmental Quality for the implementation and enforcement of  
 29 sections 2 to 7 of this 2015 Act and repayment of any funds borrowed to initiate implemen-  
 30 tation and enforcement of sections 2 to 7 of this 2015 Act, moneys in that account shall be  
 31 transferred to the Pollution Refund Credit Trust Fund established in section 7 of this 2015  
 32 Act.

33 (2) On or after September 1, but not later than September 30, of each year, all but \$50  
 34 million of the Pollution Refund Credit Trust Fund shall be distributed in equal shares to all  
 35 persons who are:

36 (a) Taxpayers who filed an Oregon personal income tax return for the immediately pre-  
 37 ceding tax year; or

38 (b) Dependents, residing in this state, claimed by taxpayers who filed on Oregon personal  
 39 income tax return for the immediately preceding tax year.

40 (3) Distributions required under this section shall be issued in the same manner as re-  
 41 funds are made under ORS 314.415.

42 **SECTION 7.** The Pollution Refund Credit Trust Fund is established in the State Treasury,  
 43 separate and distinct from the General Fund. Interest earned by the Pollution Refund Credit  
 44 Trust Fund shall be credited to the fund. Moneys in the fund are continuously appropriated  
 45 to the Department of Revenue for the payment of distributions as provided in section 6 of

1 this 2015 Act.

2 **SECTION 8.** (1) In addition to and not in lieu of any other appropriation, there is appro-  
3 priated to the Department of Revenue for the biennium beginning July 1, 2015, out of the  
4 General Fund, the amount of \$\_\_\_\_\_, which may be expended for the purpose of funding  
5 the first year of administration of the auction imposed under section 5 of this 2015 Act.

6 (2) In addition to and not in lieu of any other appropriation, there is appropriated to the  
7 Environmental Quality Commission, for the biennium beginning July 1, 2015, out of the  
8 General Fund, the amount of \$\_\_\_\_\_, which may be expended for the purpose of assisting  
9 the commission in establishing the cap-and-dividend program provided for under sections 4  
10 and 5 of this 2015 Act.

11 **SECTION 9.** This 2015 Act takes effect on the 91st day after the date on which the 2015  
12 regular session of the Seventy-eighth Legislative Assembly adjourns sine die.

13

\_\_\_\_\_