Regulated, Emissions-Intensive, Trade Exposed Industries

Carbon Policy Office
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Presented to the Joint Committee on Carbon Reduction
Emissions-Intensive, Trade Exposed Industries (EITEs)

- **EITE** is a specific designation given to certain large, industrial facilities that exceed an emissions threshold and are directly covered by a carbon pricing program.

- EITE designation is usually based on demonstration of the potential for “emissions leakage.”

- Emissions leakage can occur if covered entities respond to a carbon price by shifting production elsewhere, resulting in job/output loss while undermining emissions reduction goals.

- **Conditions for emissions leakage:**
  - *Trade exposure:* Highly competitive, price sensitive markets – cannot pass along carbon emissions costs to customer
  - *Carbon price impact:* Costs due to carbon pricing are a material portion of overall costs
  - *Asymmetric carbon pricing:* Competitors do not face carbon emissions costs
Regulated Oregon Industries

- Approximately 30 manufacturing facilities in Oregon with 2016 emissions of 25,000 metric tons carbon dioxide equivalent per year, across the state, from Portland to Ontario to the southern Willamette Valley to Columbia County.

- Recent Oregon legislation recognized the leakage risk for all of the following industries:

  - Cement Manufacturing
  - Mining and Quarrying
  - Frozen Fruit, Juice and Vegetable Manufacturing
  - Frozen Specialty Food Manufacturing
  - Dried and Dehydrated Food Manufacturing
  - Iron and Steel Mills
  - Inorganic Chemical Manufacturing
  - Plastics Product Manufacturing
  - Mineral Wool Manufacturing
  - Polystyrene Foam Product Manufacturing
  - Glass Container Manufacturing
  - Ethyl Alcohol Manufacturing
  - Reconstituted Wood Product Manufacturing
  - Gypsum Product Manufacturing
  - Pulp and Paper mills
  - Silicon Manufacturing
Study of leakage risk for Oregon industries

• HB 5201 funded a study of leakage risk of emission intensive, trade exposed industries (EITEs).

• Contracted with Vivid Economics, an economic consulting firm with experience in analyzing the impacts of carbon pricing on industry

• EITE Study Advisory Group speaking with Vivid Economics one on one and in a group to inform both methods of analysis and understanding of Oregon industries.

• **EITE Study Advisory Group includes representatives of:**
  • Pulp and Paper
  • Semiconductor Manufacturing
  • Food Processing
  • Steel
  • Wood Products
  • Concrete Production
  • Plastics Manufacturing
  • Business Oregon
  • Oregon Department of Energy
  • Carbon Policy Office
Study of leakage risk for Oregon industries

• The EITE study will:
  • Identify sectors and facilities at risk of carbon leakage and adverse competitiveness impacts
  • Determine sectors without emissions high enough to be regulated, but still exposed to indirect costs resulting from carbon pricing, such as electricity or natural gas costs.
  • Analyze approaches used in other jurisdictions to minimize carbon leakage risk
  • Provide options for Oregon to consider to address competitiveness impacts and leakage risk, along with their advantages and disadvantages

• The EITE Study will be completed in early November and will be provided to the Joint Committee on Carbon Reduction and the public.