

---

Senate Environment and Natural Resources Committee

**Re: Comments on Senate Bill 557**

Thank you for providing the opportunity to comment on Senate Bill 557. We appreciate the efforts of the Oregon Legislature to propose and debate legislation that places a cap and a price on Greenhouse Gas (GHG) emissions as a mechanism for mitigating the impact climate change may have on our state.

The adoption of SB 557 is a concrete step to ensure Oregon achieves its GHG emission reduction objectives in an equitable and lowest cost manner. Our comments focus on the environmental, equity, and economic benefits of the cap and invest approach.

**[SB 557 is essential to ensure Oregon's 2050 GHG target is met](#)**

Oregon has adopted a host of policies such as a Renewable Portfolio Standard and Low Carbon Fuel Standard that will lower our state's GHG emissions, but these measures along with competing carbon price bills do not ensure Oregon achieves a pre-determined level of emission reductions. By setting an emissions ceiling, SB 557 acts as an "elastic band" that achieves whatever remaining reductions are necessary to meet an emissions reductions target that cannot be met by the State's complementary climate policies. This is an important role given that uncertainty will always exist in how our economy grows and interacts with different measures that have a GHG reduction component. Unlike mandating direct reductions and a carbon tax, SB 557 can effectively counteract the uncertainty around the extent to which different policies produce emission reductions.

**[SB 557 demonstrates global leadership and is crucial to encourage reductions beyond the state's borders](#)**

Greenhouse gas emissions are a globally uniform pollutant and one ton of emissions has an impact on Oregon's vulnerability to a changing climate regardless of where in the world where it is emitted.

SB 557 is vital in achieving this diplomacy role in several ways. The use of market linkages brings other jurisdictions into the fold creating a more robust market that enables Oregon to meet its emission reduction goals at a potentially lower compliance cost.

Additionally, the inclusion of offsets in a SB 557 program is important in achieving the goal of enhancing the exportability of greenhouse gas reduction programs. Offsets demonstrate the role sources and sinks of GHG outside of the cap can play in promoting market linkages. In our nineteen-year experience, we have found that once offset projects generate revenues, interest from peers, whether dairy owners or forestland owners grows, and as this interest grows other jurisdictions start to take notice.

Beyond jurisdictional market linkages, offsets attract capital from private sources to help develop and implement offset projects. This is important to note as these private sources of capital help mitigate the costs of meeting Oregon's climate policy goals, which are largely borne by the State's residents and businesses. They can also contribute to an inflow of capital from outside of Oregon to inside the State.

Conversely, carbon taxes and direct reductions do not offer a comparable level of exportability. They support an in-state approach that could lead to a patchwork of differing policies that do not ultimately reduce emissions to the extent a linked market would. They also do not encourage capital in-flows to Oregon because there would not be a market to finance Oregon-based offset projects.

### **SB 557 benefits disadvantaged communities**

Proceeds from auctioning allowances issued under the SB 557 program benefit disadvantaged communities by providing revenues to directly fund initiatives in those communities. However, beyond auction proceeds, the inclusion of offsets also has benefits for disadvantaged communities in two notable ways.

Low-income residents spend a disproportionate amount of their income on energy. A SB 557 program with auctioned allowances helps to fund initiatives that can reduce the extent to which low income residents spend money on their energy needs. The inclusion of offsets also lowers compliance costs, which reduces the extent to which energy cost increases are passed on to low income consumers as a result of Oregon's climate policies.<sup>1</sup>

Secondly, disadvantaged and low income communities in rural areas can reap the public health and economic benefits under a SB 557 program that they would not be able to access under a command and control or carbon tax regime. This is because rural areas are where greenhouse gas sinks and sources outside of the cap are often located. For example, the TMF dairy digester project is currently

---

<sup>1</sup>[http://www.edf.org/sites/default/files/EDF%20AB%2032offsetsmodelingmemo%20final2\\_updat ed\\_3Jan2012\\_v2.pdf](http://www.edf.org/sites/default/files/EDF%20AB%2032offsetsmodelingmemo%20final2_updat ed_3Jan2012_v2.pdf)

registered as an offset project for the California compliance market. This project is located in Boardman, which has a poverty rate that is 9% higher than the State average.<sup>2</sup> One of the benefits of digesters is that they eliminate ammonia emissions associated with manure management. Digesters also eliminate pathogens in manure, which is then spread on the fields surrounding the dairies. Digesters therefore improve respiratory conditions, water quality, and human health as elevated levels of ammonia and pathogens in water cause hypertrophy and can inhibit fetal development.

Offsets are also a proven opportunity for native tribes that own forestland to take advantage of SB 557. Many native tribes have a desire to protect and conserve the forestland they own, but face pressure to harvest it to alleviate relatively high poverty levels. In Oregon, the Warm Springs Tribe is currently pursuing an offset project on its forestland in the California market.

The results in California to date, have demonstrated a positive connection between offset projects and disadvantaged communities. To date, a total of 40 offset projects under the California program have been registered with 22 of them occurring within the state of California.

### Summary

The Climate Trust appreciates the opportunity to provide feedback on SB 557. In summary SB 557:

1. **ensures a GHG reduction target is met**- by capping emissions, SB 557 accomplishes what other policies that reduce GHGs cannot, it ensures a targeted reduction is met. SB 557 can act as an elastic band to generate those remaining necessary reductions that other policies may not achieve due to economic and technical uncertainties. As such, there is no other GHG policy under consideration in Oregon that can match the emissions reduction guarantee provided in SB 557.
2. **promotes market linkage**- by taking a market oriented approach, SB 557 can be linked with other jurisdictions that are using a similar approach to reducing GHGs. This not only encourages additional reductions, it provides greater flexibility in reducing emissions and promotes additional jurisdictions adopting similar measures to combat an environmental issue that knows no borders;

---

<sup>2</sup> <http://www.city-data.com/poverty/poverty-Boardman-Oregon.html> accessed on February 28, 2017.



3. **promotes cost efficiency-** SB 557 provides a design to facilitate reducing GHGs at the least cost. Regulated facilities are given flexibility by purchasing allowances and/or offsets to meet their compliance needs. This ensures SB 557 is not doing an undue damage to the economic growth.
  
4. **benefits disadvantaged communities-** SB 557 is commendable in that protects disadvantaged communities from the economic effects of pricing carbon and provides opportunities for these communities to benefit environmentally and economically. Disadvantaged communities bear a proportional share of their income for energy. The bill's market design, which ensures the least cost approach to GHG reductions, mitigates the extent to which these communities are exposed to price increases. The allocation of auction proceeds provides a mechanism for measures that offer environmental and economic benefits. Similarly, the inclusion of offsets provides opportunities for rural disadvantaged communities to recognize environmental and economic benefits from this bill.

Thank you for considering our comments on SB 557.

Sincerely,

Sheldon Zakreski  
Director of Asset Management  
Oregon Climate Trust  
[szakreski@climatetrust.org](mailto:szakreski@climatetrust.org)