Climate Protection Program: Covered Fuel Supplier Training

January 13, 2022



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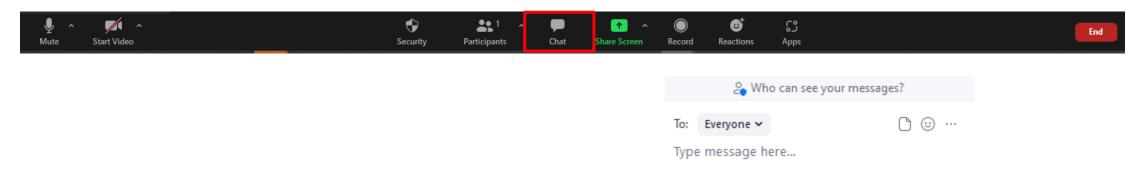
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Greenhouse Gas Program Analyst

Participation Tips

Thank you for joining us today!

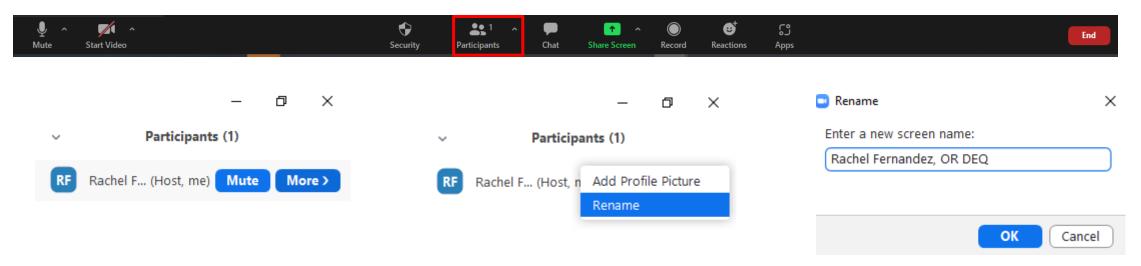
- Please join audio by either phone or computer, not both.
- Stay on mute when not speaking.
- Please hold questions until the question periods.
- The training is being recorded
- For Zoom technical issues, send a chat message to the host.





How to Rename and Add Organization

1. Click on Participants on toolbar.



2. Hover on your name in the participation pane.

- 3. Right click on Rename.
- 4. Add your name & organization.

Agenda

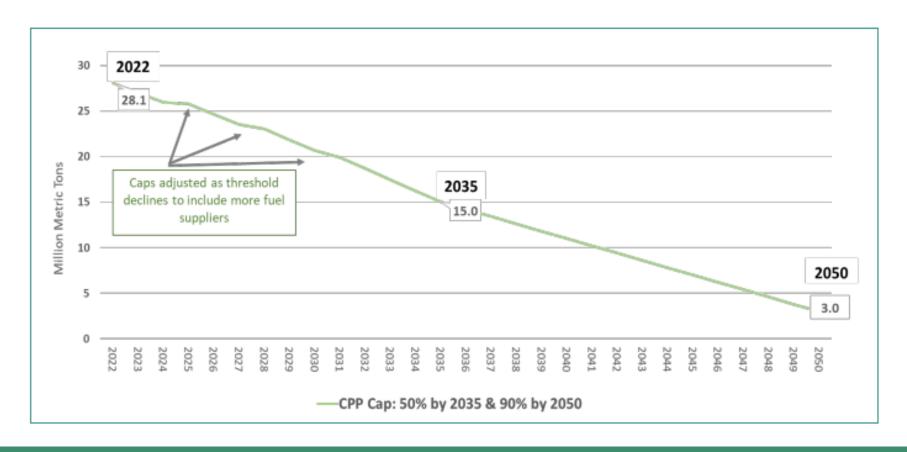
Time	Topic
1:00 p.m.	Overview of Climate Protection Program Requirements
1:50 p.m.	Questions
2:05 p.m.	Break
2:10 p.m.	Using Your DEQ Online (YDO)
2:40 p.m.	Questions
3:00 p.m.	End of Training

Overview of Climate Protection Program



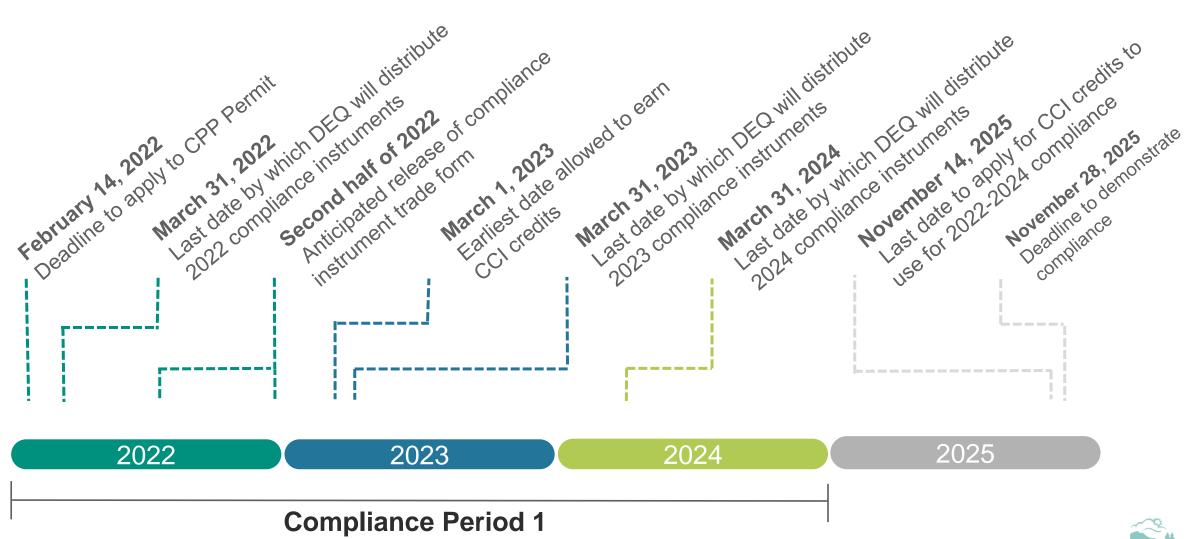
Declining Cap Trajectory

- An overall limit on greenhouse gas emissions for covered fossil fuel suppliers
- Limits, or caps, decline over time

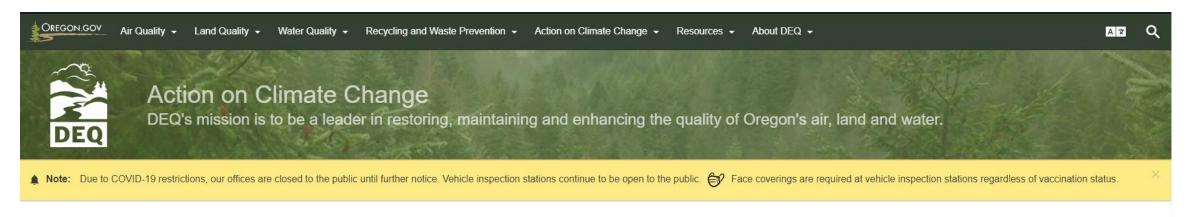




Timeline for Compliance Period 1 (2022-2024)



Resources available on CPP website



All materials and resources used in the development of CPP



Program Development

Climate Protection Program Rulemaking

Scoping Meetings Materials

Where to find a brief on CPP program as well as both current and future program materials for communities



Community Climate Investments



Where to find the rule language (full version and condensed reader's guide)

Where to find supplemental cap information

Where to find the list of covered entities and an FAQ



Covered Entities, Covered Emissions, and CPP Permits

Covered Entities (Rule 0110)

Covered Entities

Covered Fuel Suppliers (Cap approach)

Covered Stationary
Sources
(BAER approach)

Suppliers of fuels other than natural gas (gasoline, diesel, propane, kerosene)

Local Distribution
Companies
(Natural gas utilities)



Covered Entities and Covered Emissions (Rule 0110)

Covered fuel supplier type	Covered emissions	Applicability thresholds
Natural gas utilities	Anthropogenic greenhouse gas emissions from natural gas supplied Excludes: Natural gas used at electricity generating facilities Biomass-derived fuels	No threshold
Non-natural gas fuel suppliers	Anthropogenic greenhouse gas emissions from fossil fuels supplied Excludes: • Aviation fuels • Biomass-derived fuels	Declining threshold (MT CO2e). 1) 2022-2024: 200,000 2) 2025-2027: 100,000 3) 2028-2030: 50,000 4) 2031 and later: 25,000

Covered emissions are determined using emissions required to be reported to the Greenhouse Gas Reporting Program (OAR chapter 340, division 215). Emissions are grouped for related entities, such as subsidiaries, when evaluating the applicability threshold.

Non-Natural Gas Fuel Supplier Applicability (Rule 0110)

- Non-natural gas fuel suppliers are covered if covered emissions meet or exceed program threshold
- Annually evaluate emissions from applicability determination calendar year(s)
- Emissions are grouped for all related entities, such as subsidiaries

Applicability determination calendar year(s)	Threshold for applicability to compare to annual covered emissions	Calendar year a person becomes a covered fuel supplier
Any year from 2018 through 2022	200,000 MT CO2e	2022
2023	200,000 MT CO2e	2023
2024	200,000 MT CO2e	2024
Any year from 2021 through 2025	100,000 MT CO2e	2025
2026	100,000 MT CO2e	2026
2027	100,000 MT CO2e	2027

See Table 1 in OAR 340-271-9000 for additional applicability determination calendar years



Related Entities (Defined in Rule 0020)

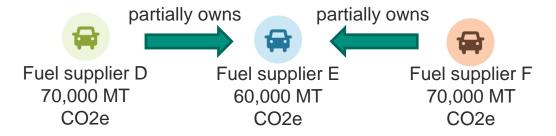
- A related entity is any of the following:
 - A direct or indirect parent company
 - A direct or indirect subsidiary

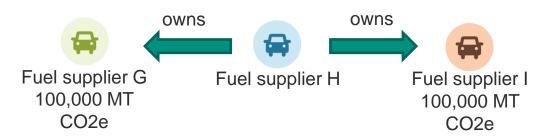
A company that shares ownership of a direct or indirect subsidiary

 A company under full or partial common ownership or control

Illustrative Examples









Who is a covered fuel supplier in 2022?

Company Name	Type of Covered Fuel Supplier
Avista Utilities	Local distribution company
Cascade Natural Gas	Local distribution company
Northwest Natural Gas	Local distribution company
Associated Petroleum Products	Supplier of liquid fuel(s) and/or propane
BP Products North America, Inc.	Supplier of liquid fuel(s) and/or propane
Campo & Poole Distributing, LLC	Supplier of liquid fuel(s) and/or propane
Carson Oil Company, Inc.	Supplier of liquid fuel(s) and/or propane
Chevron Products Company	Supplier of liquid fuel(s) and/or propane
Equilon Enterprises LLC	Supplier of liquid fuel(s) and/or propane
Idemitsu Apollo Corporation	Supplier of liquid fuel(s) and/or propane
Jacksons Food Stores Inc.	Supplier of liquid fuel(s) and/or propane
P C Energy, LLC	Supplier of liquid fuel(s) and/or propane
PacWest Energy, LLC	Supplier of liquid fuel(s) and/or propane
Phillips 66 Company	Supplier of liquid fuel(s) and/or propane
Shell Trading (US) Company	Supplier of liquid fuel(s) and/or propane
Space Age Fuel. Inc.	Supplier of liquid fuel(s) and/or propane
Tesoro Refining & Marketing Company LLC	Supplier of liquid fuel(s) and/or propane
World Fuel Services, Inc.	Supplier of liquid fuel(s) and/or propane

This list is based on emissions from 2018-2020. Additional fuel suppliers may be covered for 2022 based on 2021 and 2022 emissions or based on additional emissions data or information regarding related entities



CPP Permit (Rule 0150)



Application due **February 14, 2022** (future covered entities refer to OAR 340-271-0150 for due dates)

HOW?

Apply through Your DEQ Online (YDO)



Application includes:

- Identifying information;
- A list of related entities subject to any regulations in OAR chapter 340;
- An attestation signed by the designated representative of the covered fuel supplier

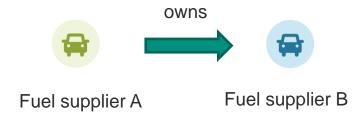


Changes in ownership and related entities (Rule 0120)

- All covered fuel suppliers must report changes in ownership and changes in related entities.
 - If ownership changes, covered fuel supplier continues to hold any compliance instruments and CCI credits

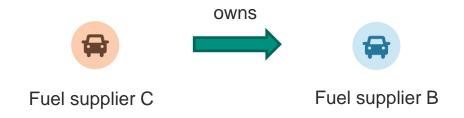
Parent company A owns subsidiary B

Fuel supplier B, the subsidiary of fuel supplier A, holds 100 compliance instruments and 100 CCI credits.



Parent company A sells subsidiary B to Company C

Fuel supplier B, now owned by Fuel supplier C, continues to hold the 100 compliance instruments as well as the 100 CCI credits.



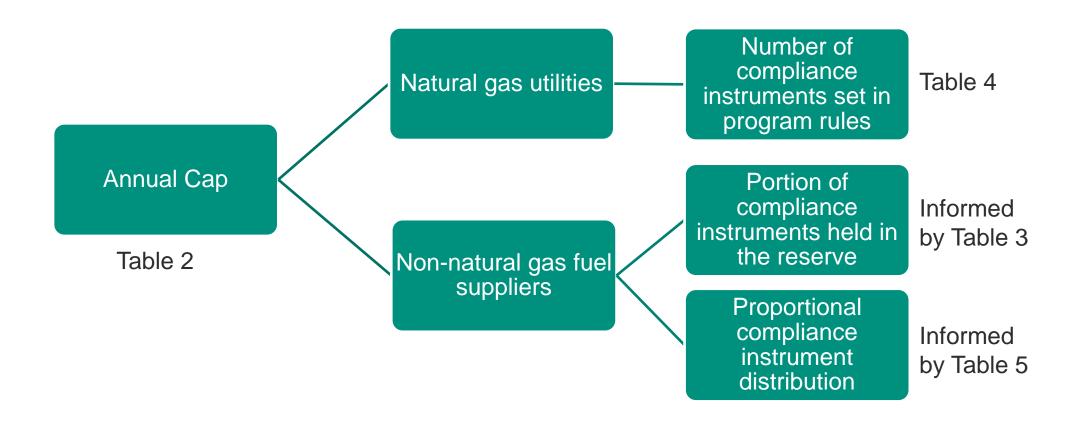
Compliance Instrument Distribution, Banking, and Trading

- 1 compliance instrument authorizes 1 MT CO2e of covered emissions
- DEQ will annually generate compliance instruments equal to the cap for the year in Table 2 in Rule 9000
- DEQ will distribute compliance instruments by March 31 of each year

- Natural gas utilities: distribution stated in Table 4 in Rule 9000
- Non-natural gas fuel suppliers:
 - Proportional to historical covered emissions and biofuel emissions with a 3-year rolling average:

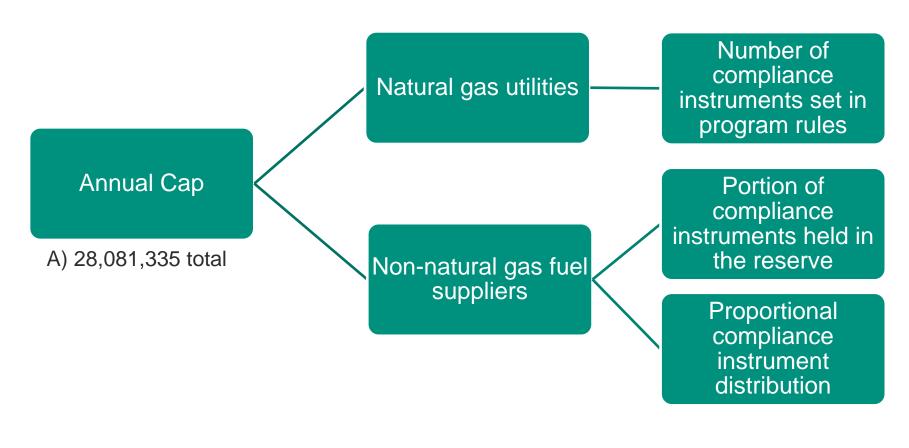
Calendar years of emissions evaluated	Calendar year of the cap
2018 through 2020	2022
2019 through 2021	2023
Each subsequent three-year period	Each subsequent year

- For example, a fuel supplier with 1 percent of historical emissions receives 1 percent of compliance instruments
- Portion of compliance instruments held in a reserve for covered fuel suppliers who become covered after distribution occurs or without 3 years of data



Note: Tables can be found in OAR 340-271-9000.





B) Distribute 7,207,052 compliance instruments to the covered natural gas utilities

- C) Hold 400,000 compliance instruments in the reserve
- D) Distribute 20,474,283 compliance instruments proportionately among non-natural gas fuel suppliers.

Α

В

D



Proportional Calculation for Non-Natural Gas Fuel Suppliers (Rule 0420)

Illustrative example

- Amount to distribute proportionally is 20m compliance instruments
- Two covered fuel suppliers, each with 3.5m MT CO2e covered emissions average
- Covered fuel supplier A also supplied biofuels during evaluation period (0.2m MT CO2e average)
 - Some examples of biofuels include: ethanol, biodiesel, renewable diesel

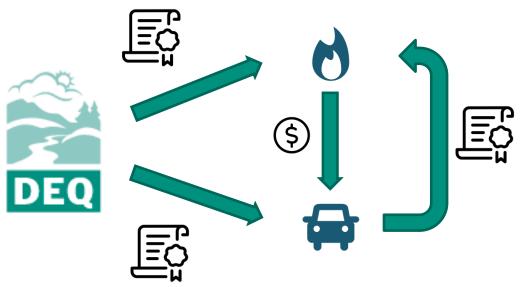
	Sector Total		Covered fuel supplier A			Covered fuel supplier B			
Fuel type	Fossil fuel	Biofuel	Total	Fossil fuel	Biofuel	Total	Fossil fuel	Biofuel	Total
Average missions during evaluation period (million MT CO2e)	21	1.2	22.2	3.5	0.2	3.7	3.5	0.0	3.5
Compliance instruments distributed (million) 20			3.3			3.2			

Banking and Trading (Rules 0430, 500, and 510)

- Compliance instruments can be banked (used in future years)
- Covered fuel suppliers can trade compliance instruments with each other
 - Participants must jointly report trades to DEQ
 - Forms must include quantity and price
 - DEQ will expects to release the trade form in the second half of 2022

Illustrative Example:

Trade of compliance instruments from nonnatural gas fuel supplier to natural gas utility





Demonstration of Compliance

Demonstration of Compliance (Rules 0440 and 0450)

- Compliance obligations are equal to covered emissions rounded to the nearest MT CO2e
 - Each ton met with 1 compliance instrument or 1 community climate investment (CCI) credit
- Three-year compliance period
 - Demonstration of compliance form submitted after each compliance period

Compliance Period	Demonstration of Compliance Due Date
2022-2024	November 28, 2025
2025-2027	November 28, 2028
Each subsequent three-year period	November 28 of every third year

Demonstration of Compliance (Rules 0440 and 0450)

(1) Compliance instruments

Compliance instruments must be from current compliance period or earlier:

- Can use 2022-2024 compliance instruments for 2022-2024 compliance period
- Cannot use 2025 compliance instruments for 2022-2024 compliance period

Choose to use CCI credits

Limited to a percent of the compliance obligation:

Compliance period	CCI credit percentage limit
2022 through 2024	10%
2025 through 2027	15%
2028 and later	20%

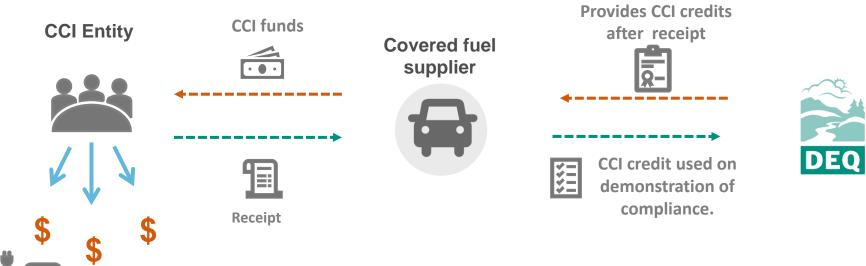


Earning and Using Community Climate Investment Credits

CCIs Covered Fuel Suppliers (Rule 0800s)

- Covered fuel supplier contributes funds to DEQ-approved CCI entity and applies for CCI credits
 - CCI entity uses funds to implement projects that reduce emissions. Covered fuel suppliers are not responsible for project implementation

No contributions prior to March 1, 2023 (contingent upon DEQ approval of a CCI entity)



CI Projects

Earning CCI Credits (Rules 0810 and 0820)

- DEQ will distribute 1 CCI credit for each payment of the CCI credit contribution amount set in program rules (Table 7 in Rule 9000)
 - CCI credit contribution amount begins at \$107 (2021\$), adjusted for inflation
 - On March 1 of each year, the CCI credit contribution amount increases \$1 (2021\$) and is adjusted for inflation
 - DEQ will update its website to include the current contribution amount prior to the effective date

Banking of CCI credits (Rule 0830)

- CCI credits can be banked (used in future years) for two compliance periods
 - Banking ends if not used for 2 consecutive demonstrations of compliance
- CCI credits cannot be traded



Additional CPP Topics

Cessation (Rule 0130)

- Once covered, a fuel supplier remains covered every year until:
 - Covered emissions are 0 MT CO2e for six consecutive years, or
 - For non-natural gas fuel suppliers:
 - Covered emissions are below 25,000 MT CO2e for six consecutive years, and
 - The fuel supplier applies for cessation
- All compliance obligations must be met prior to cessation taking effect. Upon cessation:
 - DEQ will cancel any CCI credits the covered fuel supplier held.
 - The covered fuel supplier will cease to hold compliance instruments. DEQ will either retire the compliance instruments, hold them in the reserve, or distribute them
 - The fuel supplier must still comply with any remaining recordkeeping requirements.

Recordkeeping

- Must retain records related to covered emissions, demonstration of compliance, trading, and CCI credits (Rules 0490, 0590, 0890)
 - Must also provide records to DEQ on request

Potential Ways to Comply

- Emissions reductions will vary among covered fuel suppliers based on:
 - Trading/banking compliance instruments
 - Using Community Climate Investment (CCI) credits
 - Supplying biomass-derived fuels or hydrogen fuels in place of fossil fuels
 - Changes to demand for fossil fuels
 - Utility energy efficiency programs
 - Reduction in demand for fossil fuels, such as due to transportation electrification



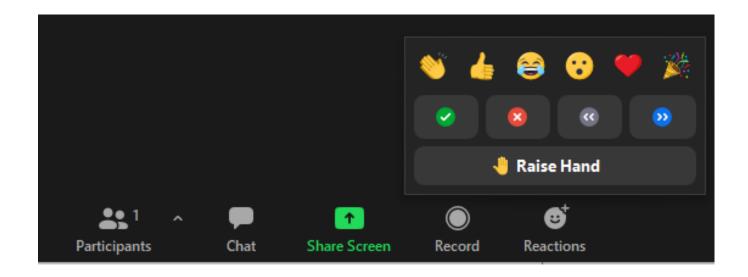
More information

- Refer to CPP website for FAQ and other resources:
 - https://www.oregon.gov/deq/ghgp/pages/climate-protection.aspx
- Schedule a follow-up training or conversation for your company
- Contact <u>cpp.info@deq.oregon.gov</u> with questions

Questions

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- For questions, use "Raise Hand" button to get in the queue; if joined by phone press *9



Break



Overview of Your DEQ Online

Steps for Covered Fuel Suppliers

By **February 14, 2022**, the designated representative for each covered fuel supplier must:

- 1. Register for an account with Your DEQ Online (DEQ recommends registering by February 7, 2022)
- 2. Complete identity verification
- 3. Request access to make submittals for the covered fuel supplier(s)
- 4. Submit the CPP permit application(s)



Using Your DEQ Online for CPP

- CPP permit application
- Viewing compliance instruments (to be distributed by March 31, 2022)
- Request for distribution from the compliance instrument reserve
- Cessation application
- "Other" CPP submittals, such as to respond to records requests
- Additional functions to be released in the future:
 - Compliance instrument trade form
 - CCI credit application
 - Demonstration of compliance



Overview of Your DEQ Online

- IT system used by many DEQ programs, including CPP
 - Terminology is shared across programs, not specific just to CPP
- Access login page, account registration, user guide, and help desk at https://yourdeqonlinehelp.Oregon.gov
- Safari and Google Chrome are the recommended browsers; do not use Internet Explorer

Your DEQ Online Terminology

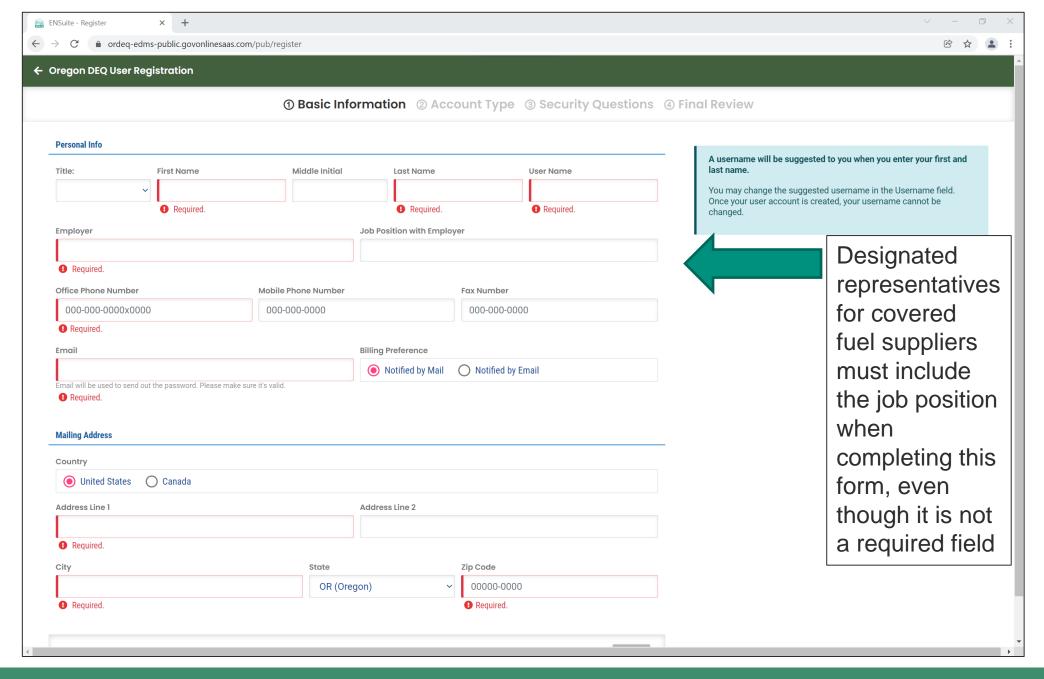
- Facility (also called a site): Each covered entity in the Climate Protection Program is a facility/site.
- **Obligation:** An obligation is a required submittal in Your DEQ Online. DEQ will create obligations in Your DEQ Online for covered fuel suppliers to submit permit applications and demonstrations of compliance.
- Responsible Official (RO): A person responsible for making submittals on behalf of a facility.
- **Submittal**: A form, application, or other type of document that a member of the public submits to DEQ.

Account Registration and Access to CPP Functions

Account Registration

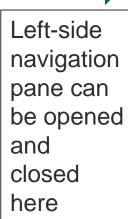
- Register for an account at https://www.oregon.gov/deq/permits/Pages/Account-Registration.aspx.
 - This page also has an account registration user guide and training information. The next training is February 7, 2022
- Account types:
 - Designated representatives for covered fuel suppliers must register for an RO account.
 - Third parties may register for consultant accounts. An RO may then give the consultant access to prepare a submittal. The RO would still need to sign the submittal.
- Identify verification: required before accessing CPP functions
- Do not share your password, PIN, or security questions
 - Your credentials can be used to submit forms that carry legal obligations
 - Accounts cannot be transferred or shared. Each person must have a separate account; new staff must register for new accounts.



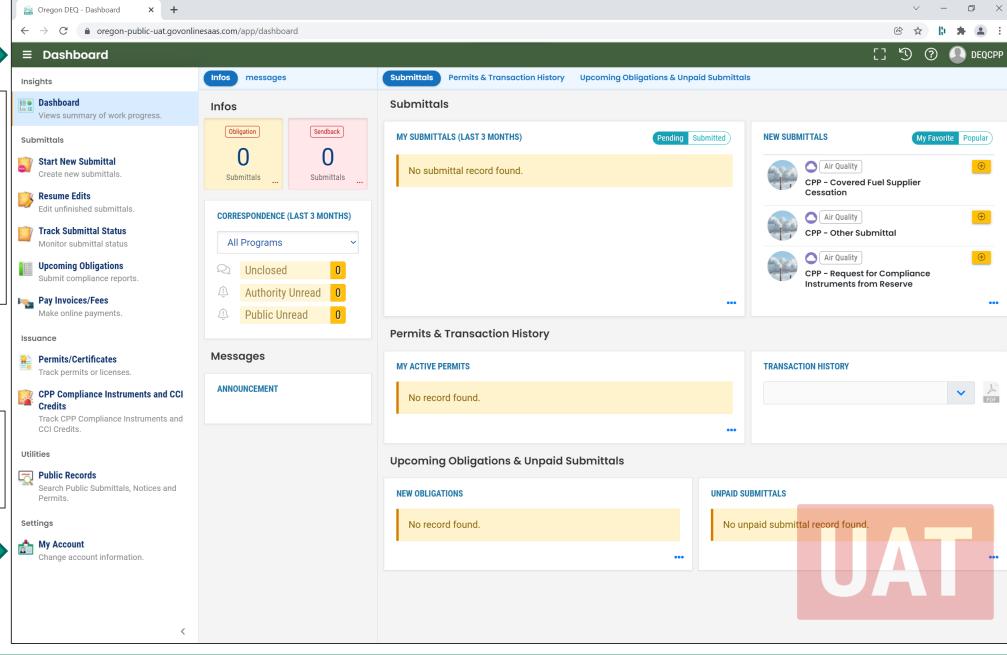


Editing Your Account

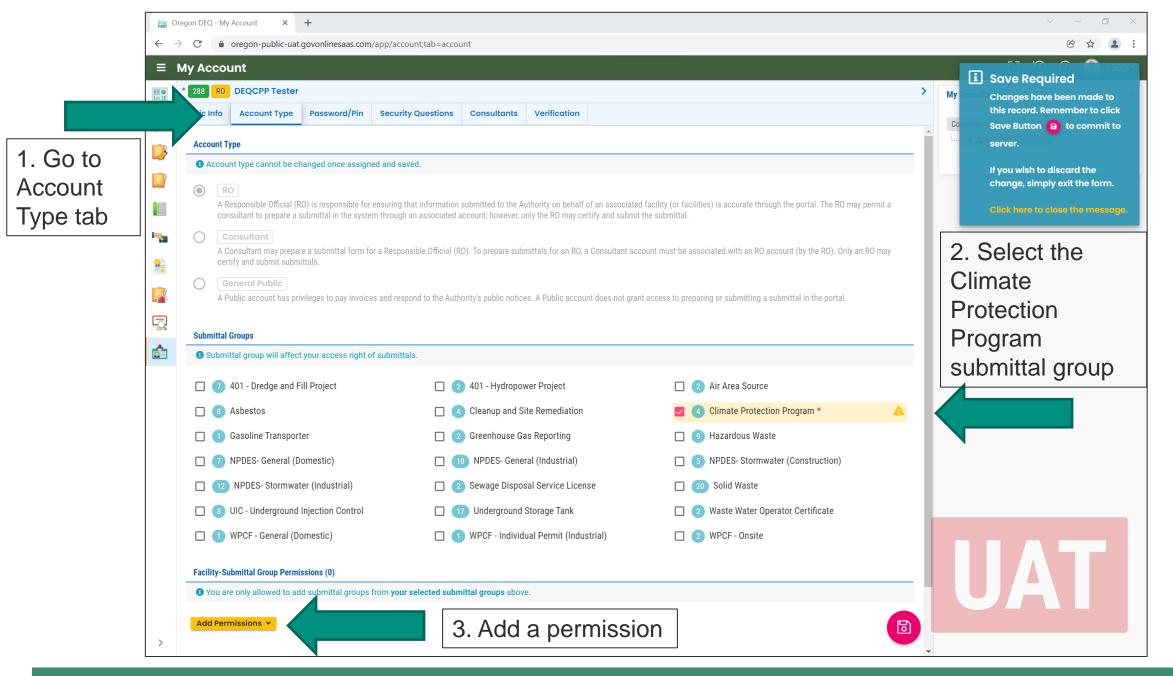
- You can update your contact information at any time as needed (refer to account registration instructions)
- You can also edit your account to add a consultant
- To access CPP functions, you need to edit your account to request access to the CPP submittal group. You also need to request access to the covered fuel supplier(s) you represent.



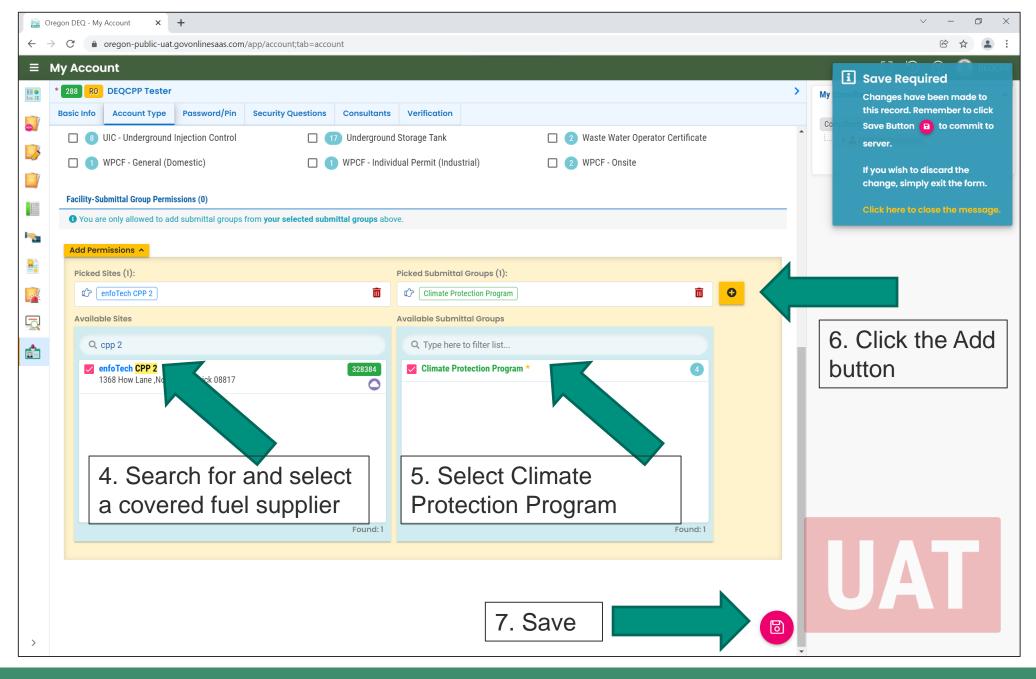
Edit account info

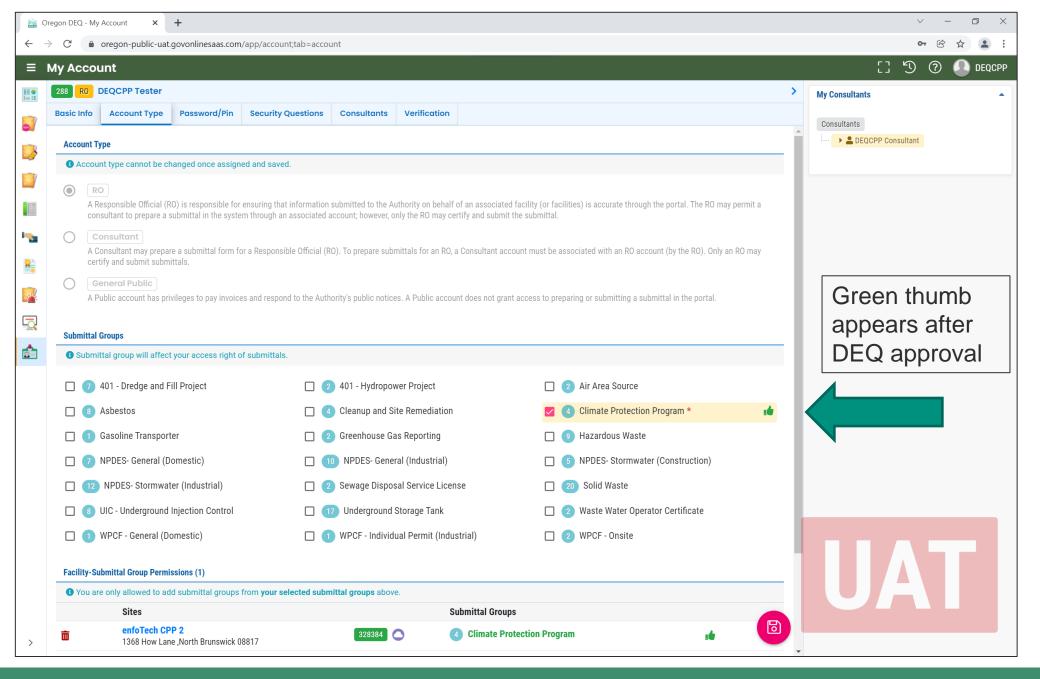










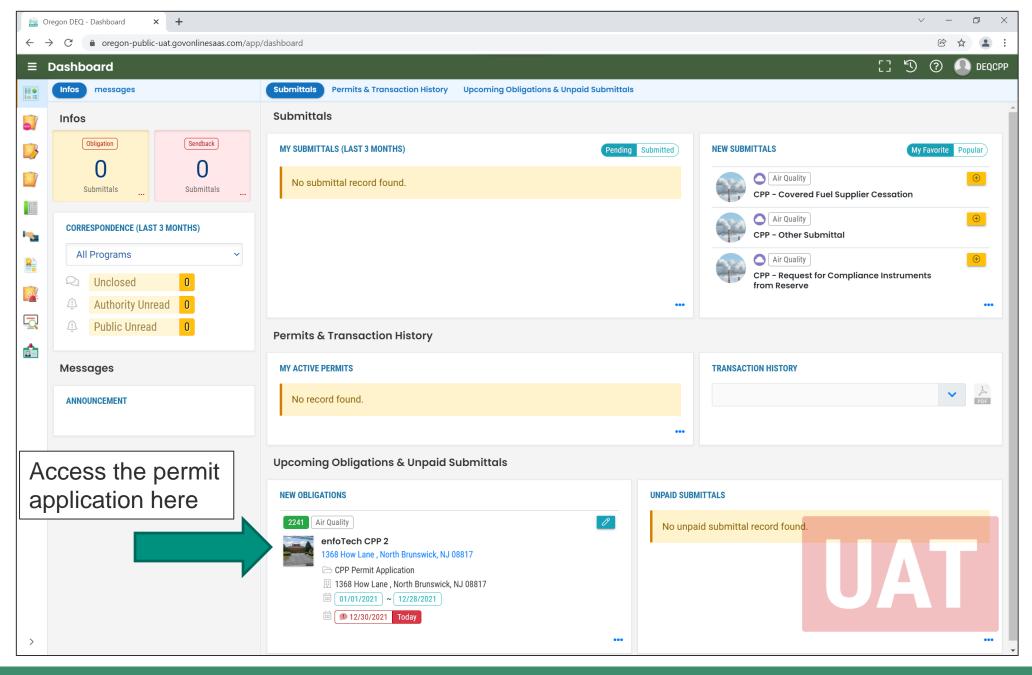


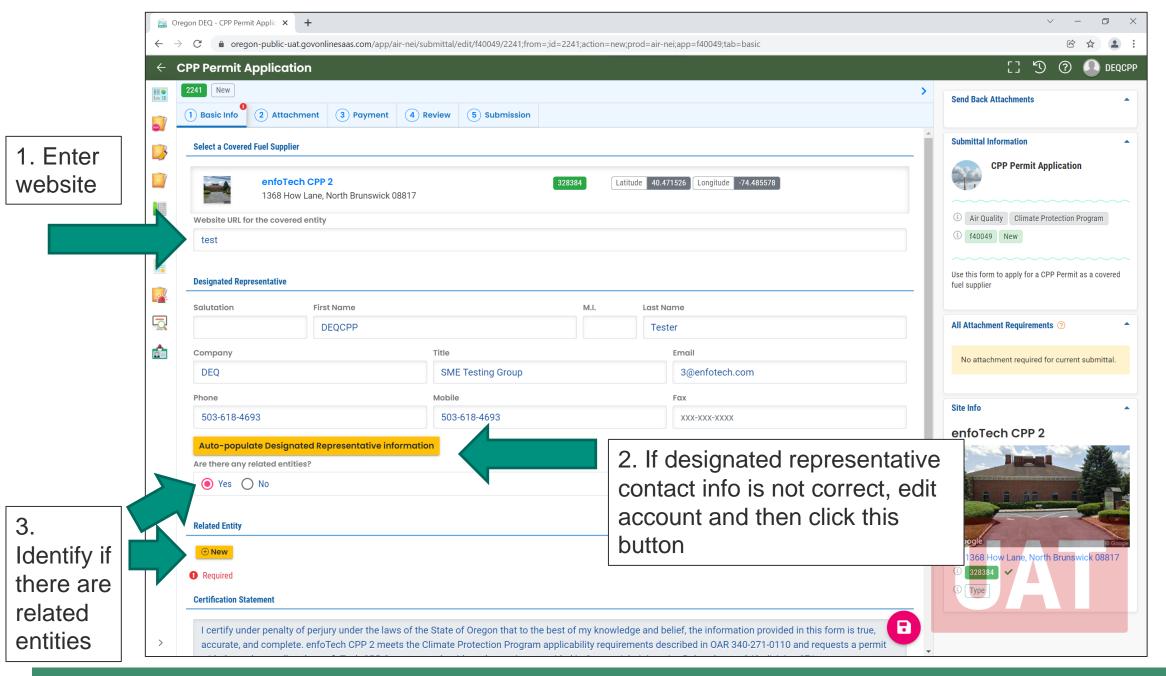


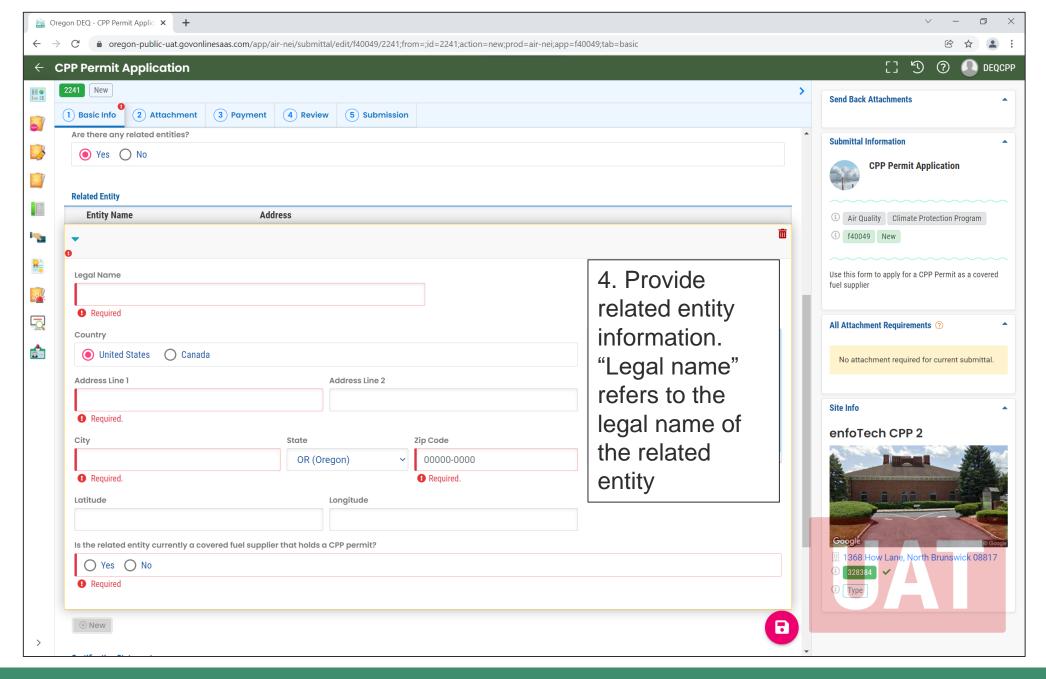
Submitting a CPP Permit Application

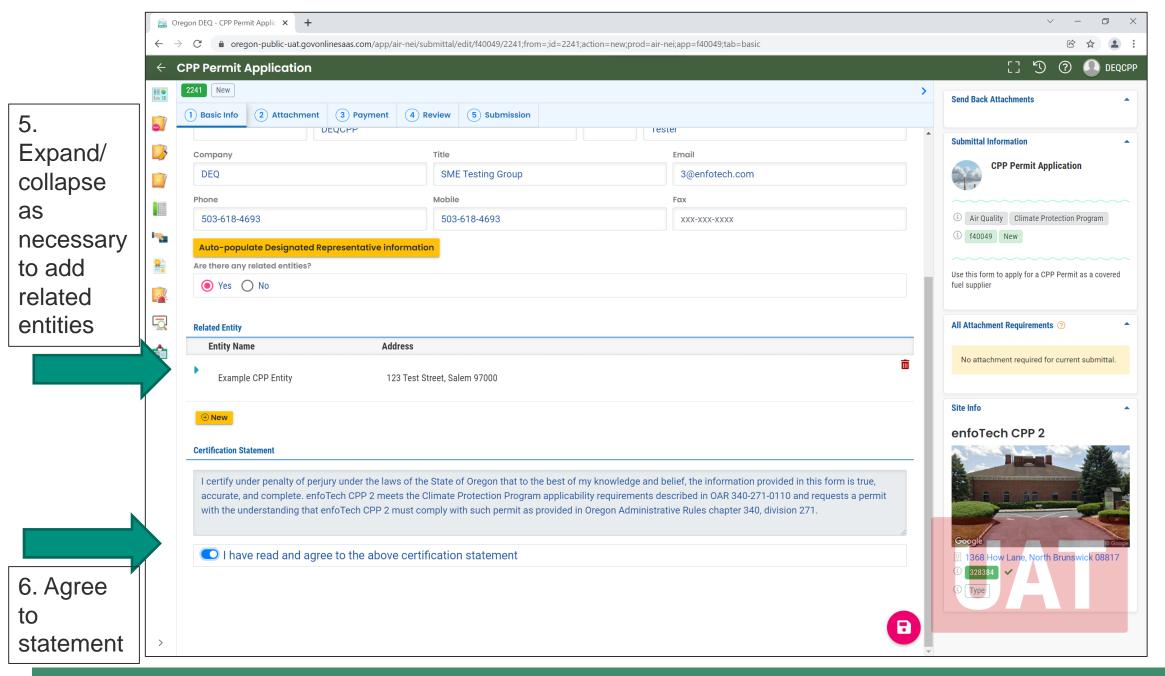
Permit application due by February 14, 2022

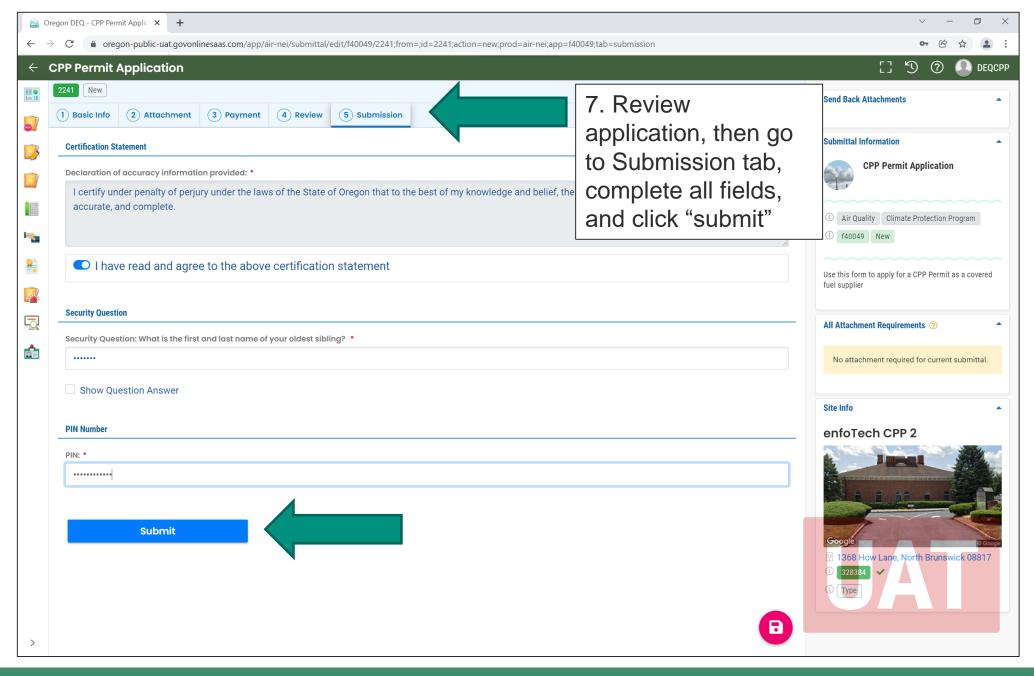
- 1. Once you are registered for a YDO account, your permit application can be accessed in the Upcoming Obligations on the dashboard.
- 2. Some information on the application will be pre-populated. Verify and update as necessary.
- 3. List related entities that are subject to any requirements of OAR chapter 340.
- 4. Sign and submit.



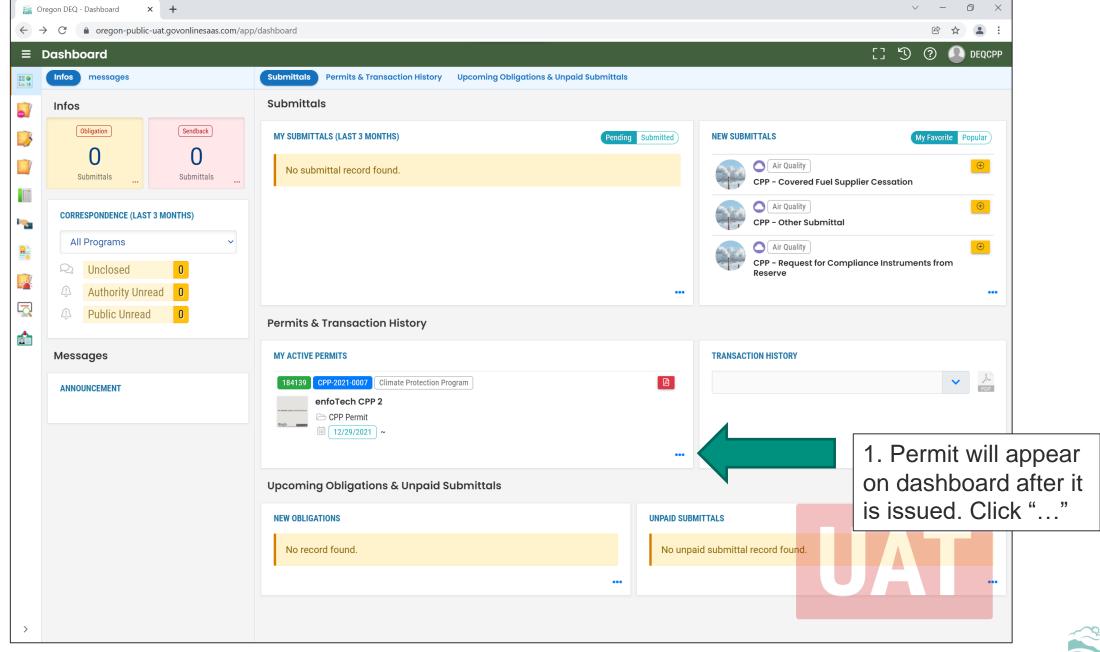


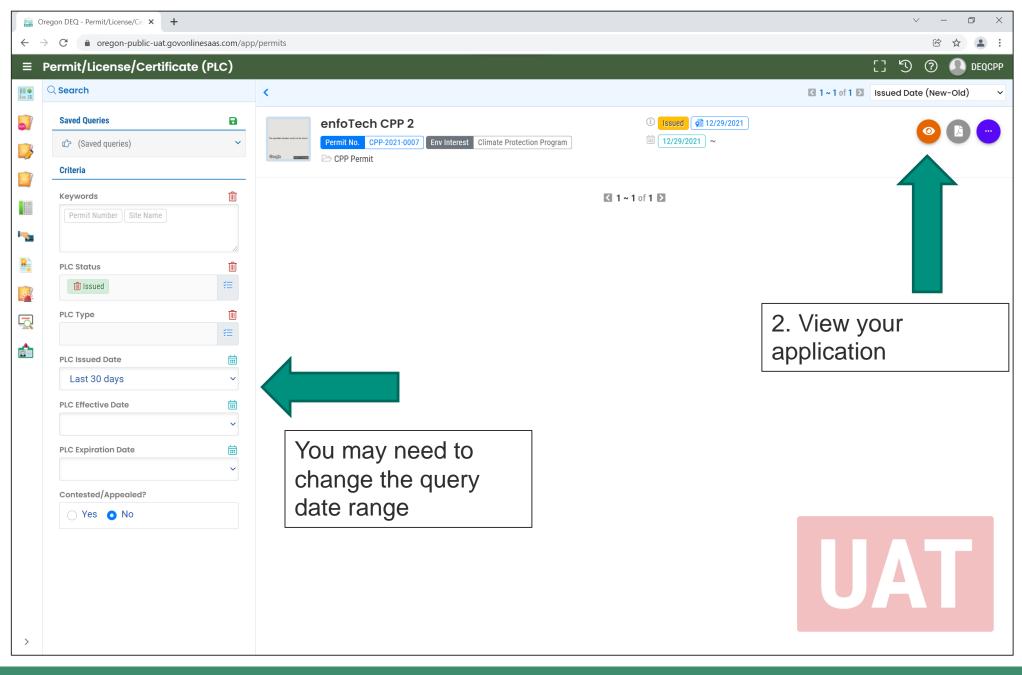


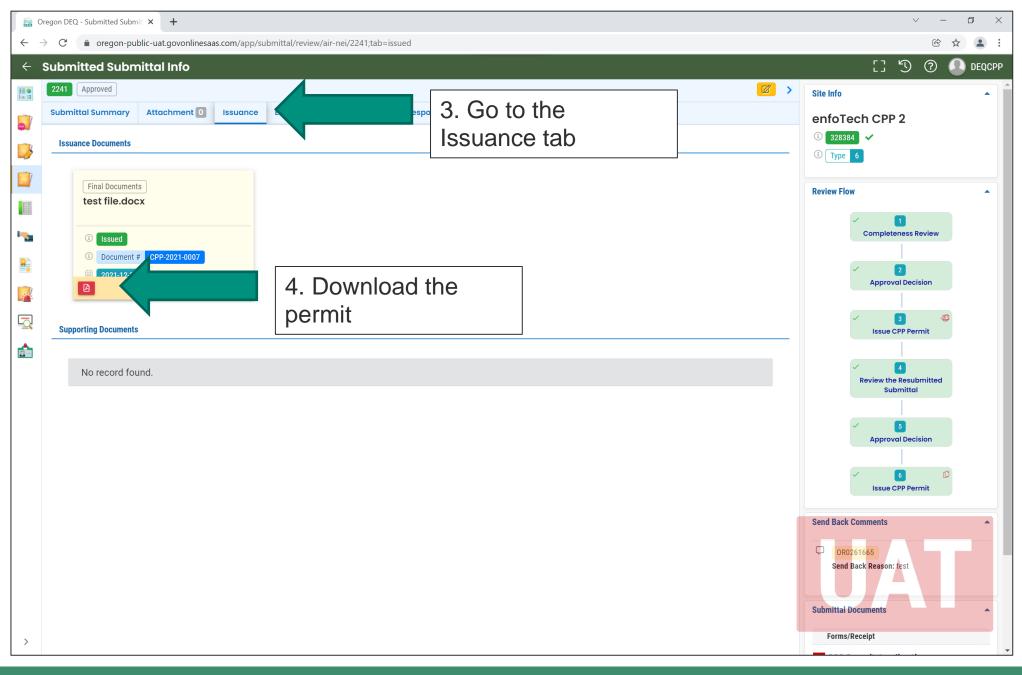




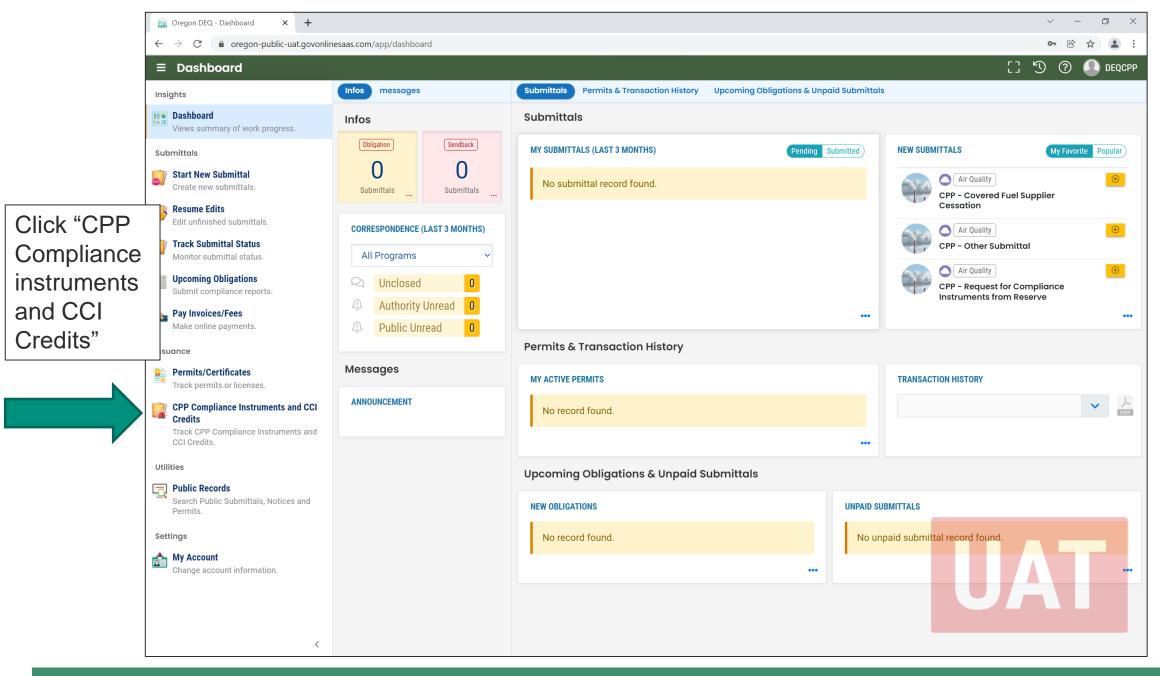
Accessing your Issued Permit



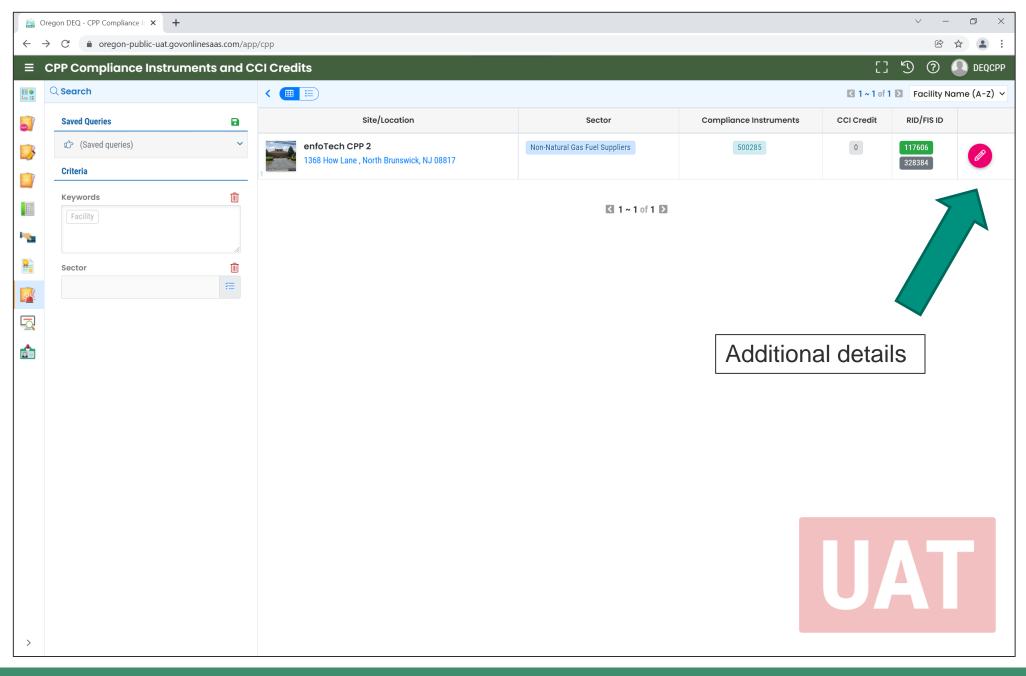


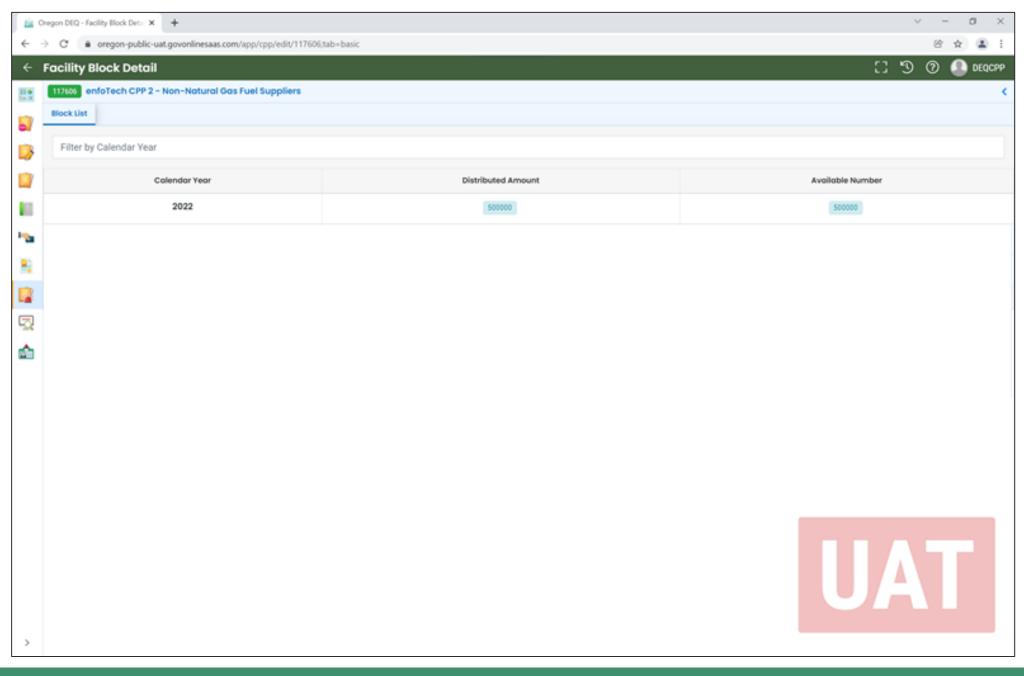


Viewing Your Compliance Instruments





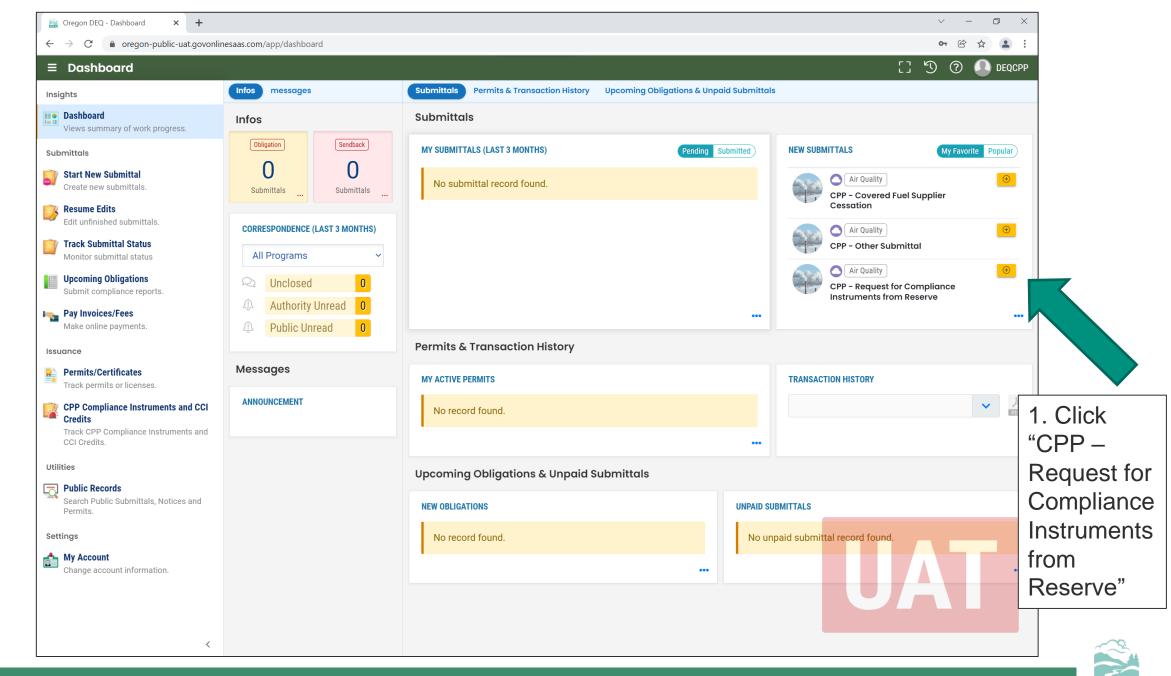


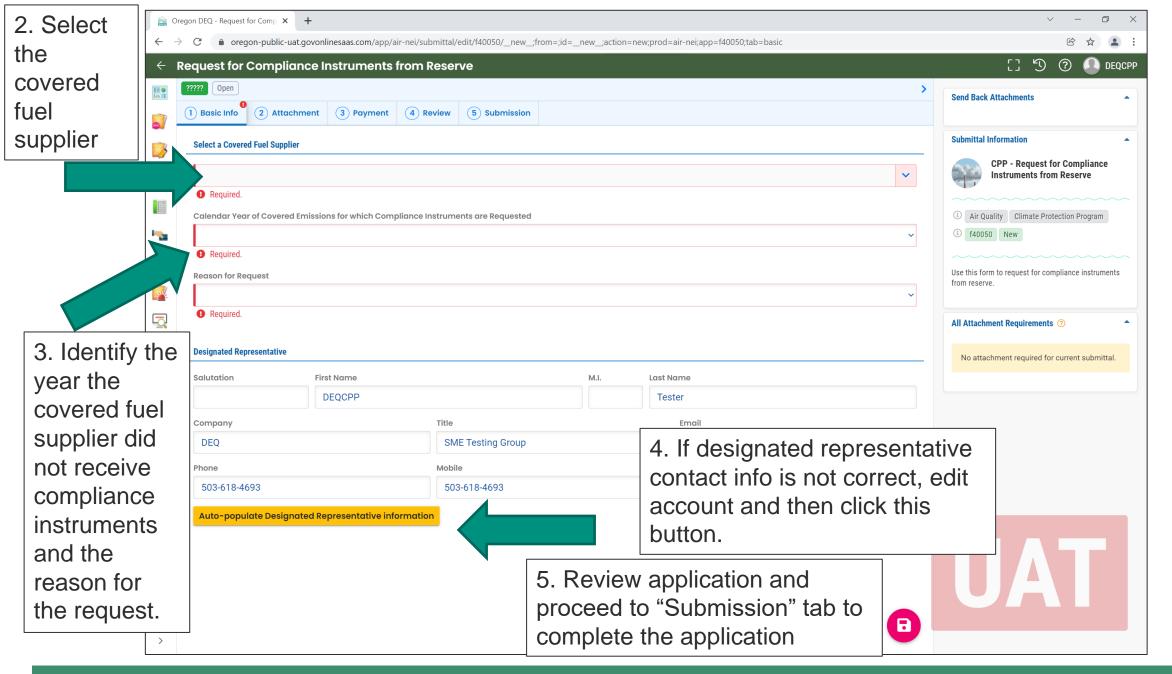


Request for Distribution from the Compliance Instrument Reserve

Request Distribution from Reserve

- Only used by non-natural gas fuel suppliers who did not receive a proportional distribution
- Reminder: DEQ has not yet distributed 2022 compliance instruments. This
 form should not be submitted prior to the proportional distribution



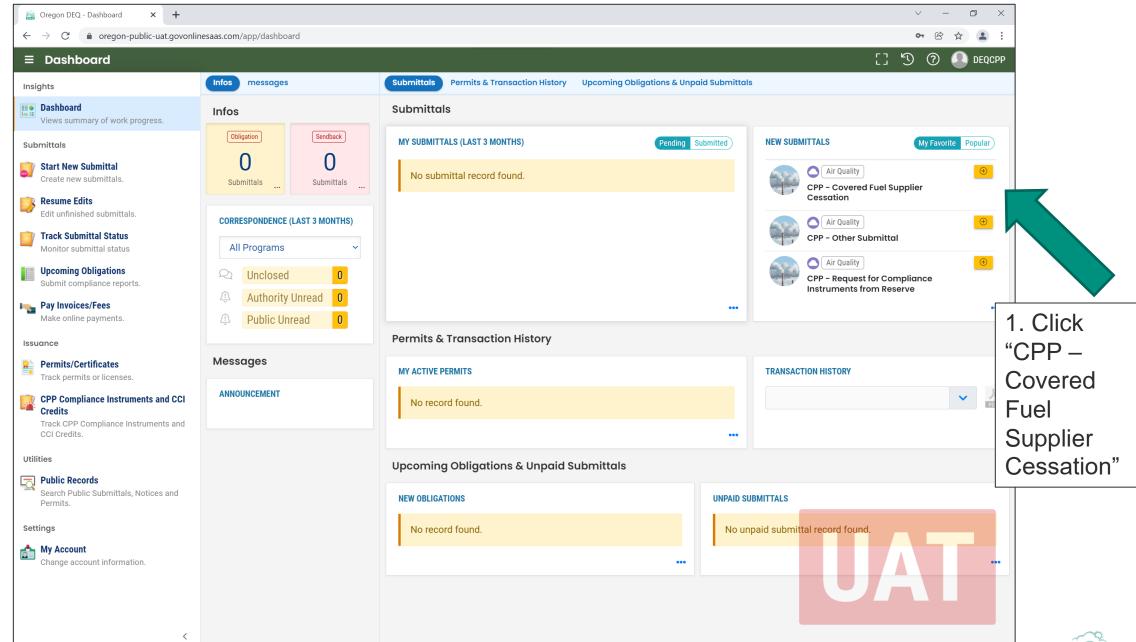


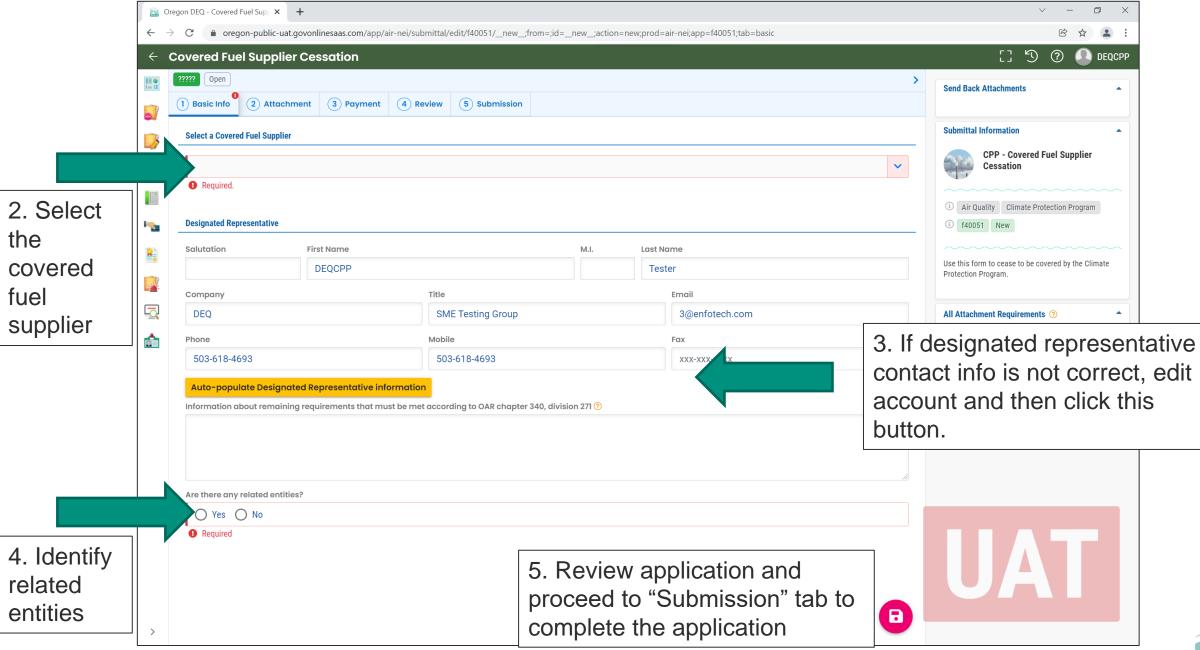


Covered Fuel Supplier Cessation

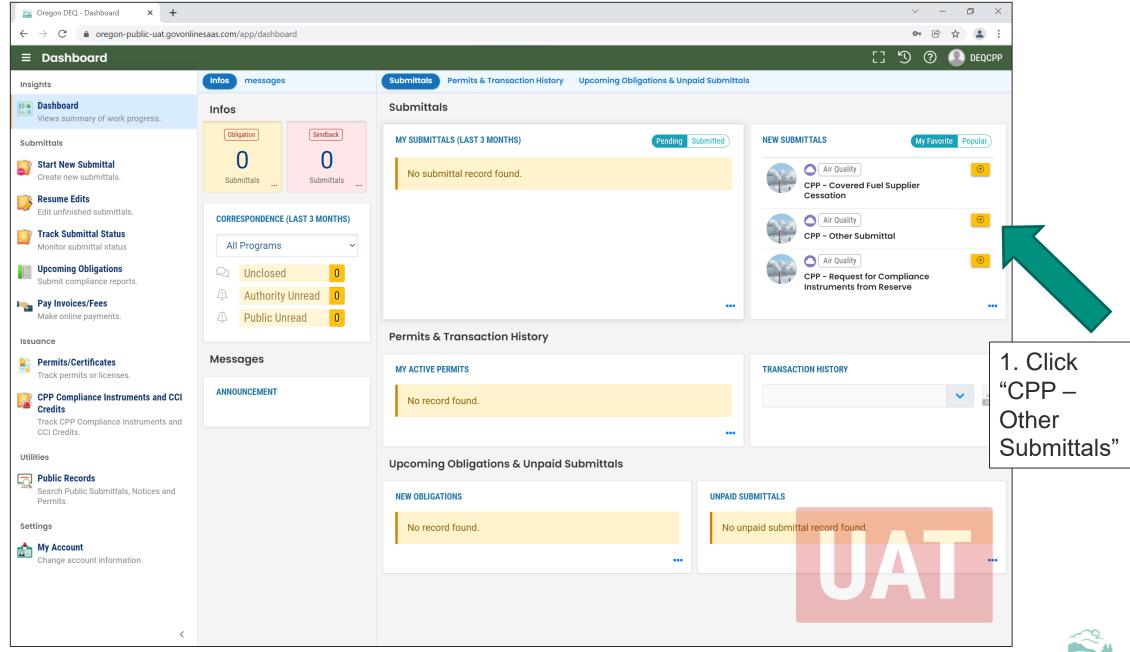
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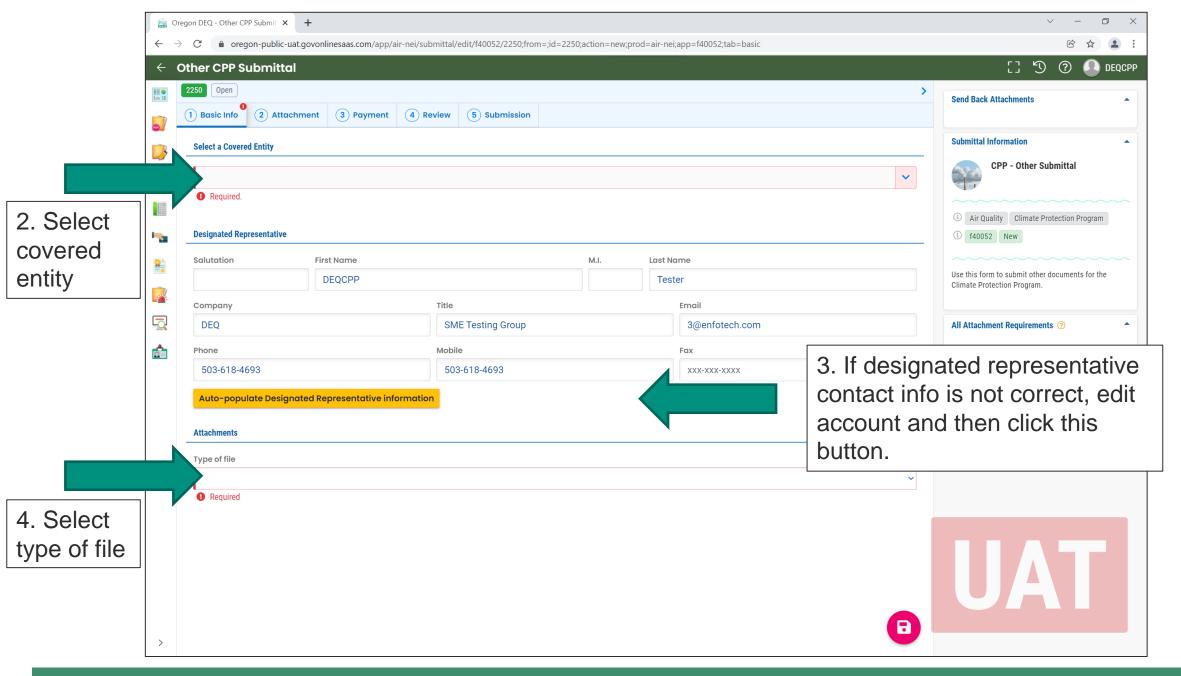
- Only used by non-natural gas fuel suppliers
- Covered emissions must be less than 25,000 MT CO2e for six consecutive years

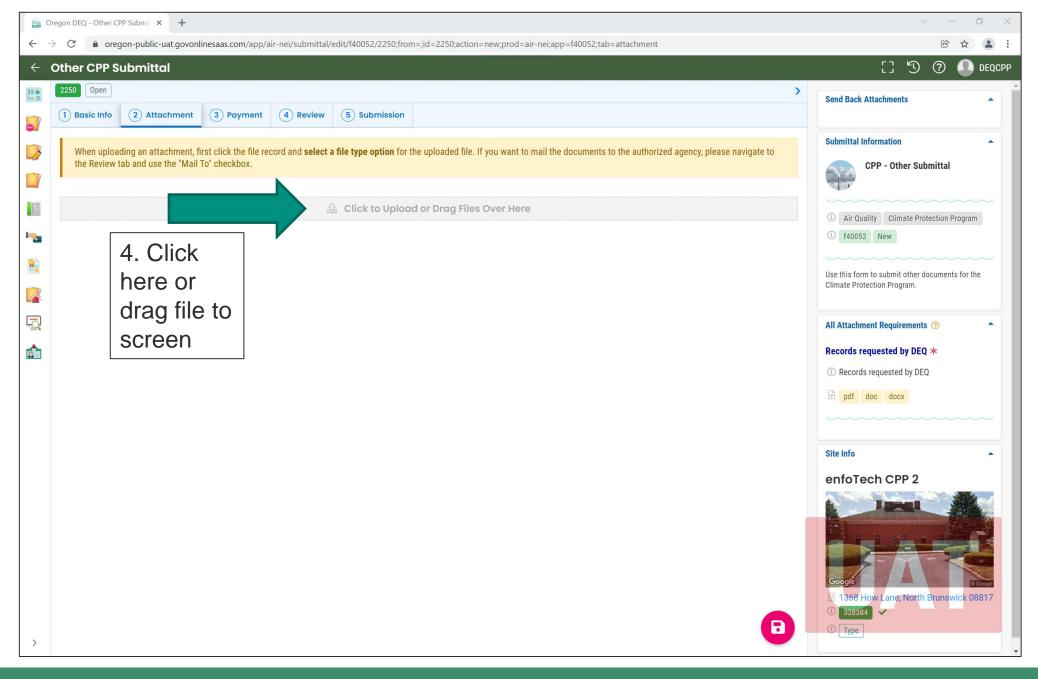


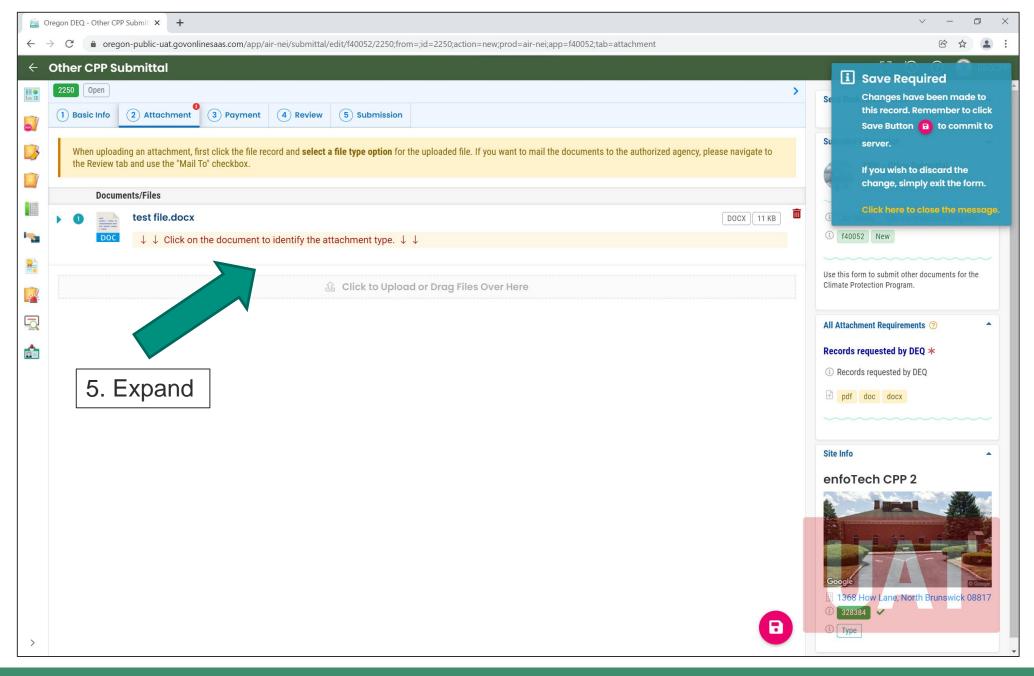


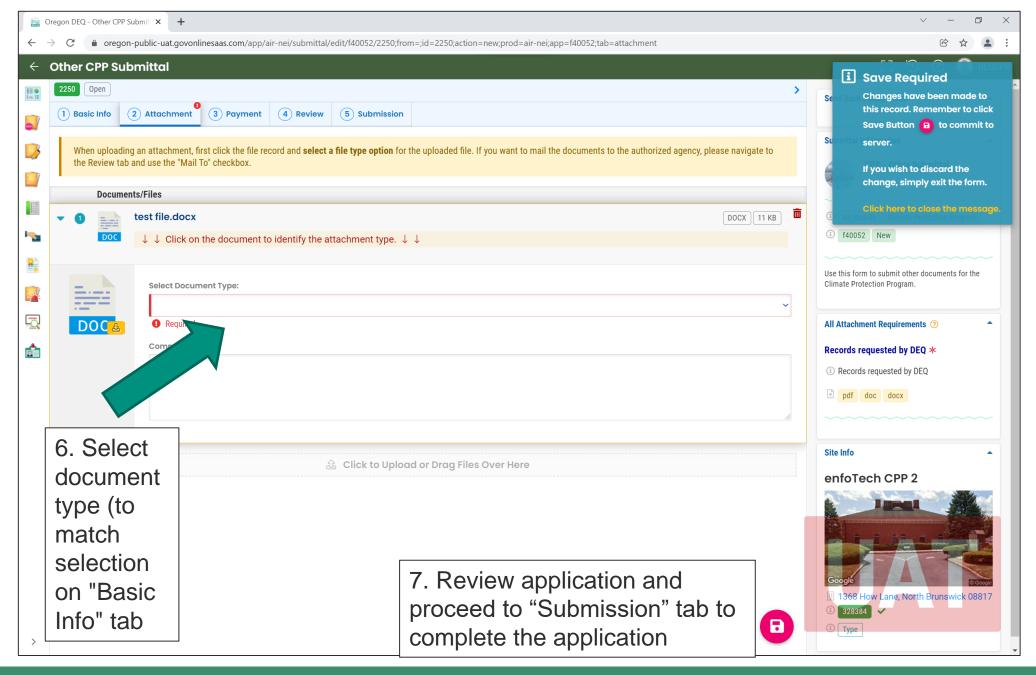
Other CPP Submittals







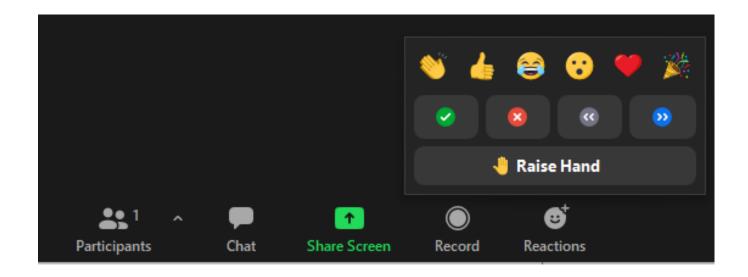




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