

Overview of Proposed Program

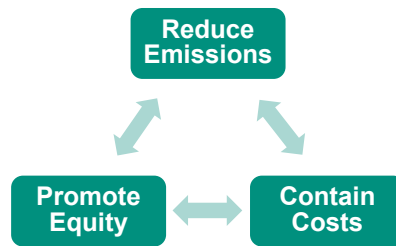
Sept. 2, 2021

This document provides a brief overview of the proposed Climate Protection Program. Please see DEQ's [Notice of Proposed Rulemaking and Proposed Rules](#) for the complete proposed Climate Protection Program rules.¹

Purposes of the Climate Protection Program

The purposes of the Climate Protection Program (CPP) are to:

- Reduce greenhouse gas emissions
- Achieve co-benefits from other air contaminant reductions
- Enhance public welfare for Oregon communities, particularly environmental justice communities, including, communities of color, tribal, low-income, and rural communities



To support these purposes, CPP:

- Requires that covered entities reduce greenhouse gas emissions
- Supports reduction of emissions of other air contaminants that are not greenhouse gases
- Prioritizes reduction of greenhouse gases and other air contaminants in environmental justice communities disproportionately burdened by the effects of climate change and air contamination
- Provides covered entities with compliance options to minimize business and consumer economic impacts
- Allows covered fuel suppliers to comply in part with Community Climate Investments

Regulating greenhouse gas emissions

There are two key approaches for the Climate Protection Program:

- Declining and enforceable limits, or caps, on greenhouse gas emissions from the use of fossil fuels, and
- Best available emissions reductions approach for other site-specific emissions at facilities, such as emissions from industrial processes.

The Climate Protection Program is one of many emerging complementary policies and programs in Oregon to reduce greenhouse gas emissions and act on climate change. CPP will both drive emissions reductions as well as leverage reductions achieved through other incentives, which will further support compliance.



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DEQ is a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

¹ DEQ is providing this overview of the proposed program for information purposes only. The final rules adopted by the Environmental Quality Commission may be different from the proposed rules.

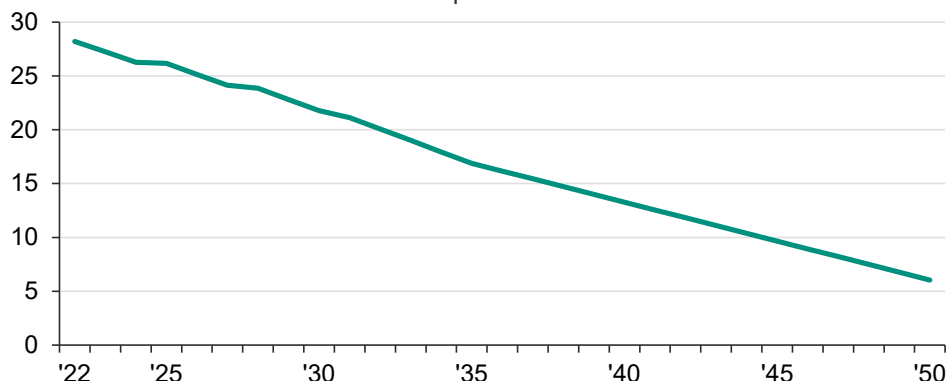
Covered entities

- **Fuel suppliers subject to declining emissions caps:**
 - Natural gas utilities, and
 - Suppliers of gasoline, diesel, kerosene, and propane with emissions that meet or exceed a threshold for inclusion. The threshold declines over time to cover a wider scope of emissions and suppliers and will capture approximately 99% of in-scope combustion emissions from liquid fuels and propane used in Oregon.
- **Stationary sources subject to the best available emissions reduction approach:**
 - Existing permitted facilities with annual covered emissions that meet or exceed a threshold of 25,000 metric tons of carbon dioxide equivalent (MT CO₂e) and proposed new facilities anticipated to exceed the threshold. Emissions regulated under this approach do not include fossil fuel combustion emissions that DEQ regulates from the fossil fuel suppliers.

Covered fossil fuel suppliers emission reductions

DEQ sets an overall limit on regulated greenhouse gas emissions for covered fossil fuel suppliers each year. DEQ lowers the limit, or cap, each year, reaching an 80 percent reduction in emissions by 2050.²

Annual Caps on Covered Emissions from Covered Fuel Suppliers
Million Metric Tons of Carbon Dioxide Equivalent



The 2022 base cap, based on average 2017 to 2019 emissions, is 28.2 million MT. By 2035, the cap declines to 16.9 million MT and by 2050; the cap is 6.0 million MT. DEQ adjusts caps in the early years of the program, as more fuel suppliers and emissions are included as the threshold declines.

Compliance instruments: Each year, DEQ will freely distribute compliance instruments to each covered fuel supplier. The total number of compliance instruments distributed by DEQ for each year is equal to that year's cap.

Fossil fuel suppliers can trade unused compliance instruments or bank them for future use. This both incentivizes early emission reductions and provides flexibility for covered fossil fuel suppliers, allowing them collectively to find the lowest cost emission reductions.

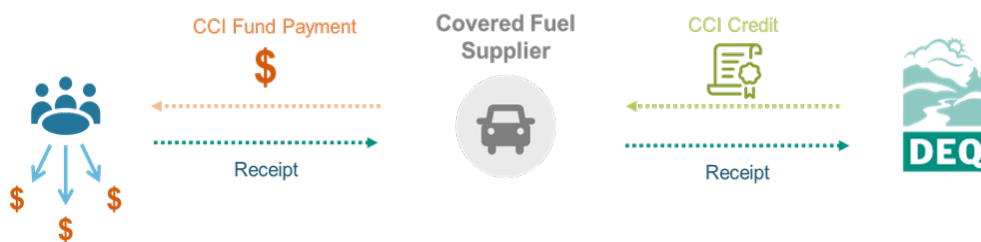
² The 2050 cap is an 80 percent reduction from 2017 to 2019 average emissions calculated using the lowest program threshold of 25,000 MT CO₂e.

Demonstrating compliance: For every MT CO₂e of covered emissions, a covered fuel supplier must submit to DEQ a compliance instrument or community climate investment (CCI) credit.

- Though DEQ tracks emissions annually, fuel suppliers' compliance demonstration is every three years for total emissions for the three-year period.
- At program start, each fuel supplier may meet up to 10 percent of its compliance obligation with CCI credits, increasing to 20 percent over time.

Community Climate Investments

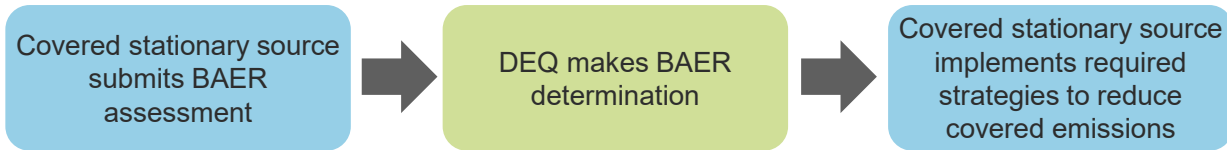
Covered fuel suppliers can earn CCI credits by contributing funds to third-party entities to implement projects that reduce greenhouse gas emissions in Oregon.



- Funds may only be contributed to DEQ-approved third-parties called CCI entities.
- An equity advisory committee will assist DEQ in approving CCI entities and their projects, including to advise DEQ on which CCI entities and projects would achieve the greatest benefit for communities disproportionately burdened by the effects of climate change and air contamination.
- DEQ's priorities include achieving at least one MT CO₂e of emissions reductions per the average CCI credit achieved, reducing non-greenhouse gas emissions, promoting benefits for environmental justice communities, and accelerating the transition from fossil fuels to low carbon energy sources.
- DEQ sets the CCI contribution amount in the program rules, starting at \$81 (2021\$) to earn one CCI credit from DEQ. This amount increases over time. A single contribution amount for all CCI credits will allow third parties to implement a variety of projects with different costs across Oregon.
- DEQ will evaluate CCIs every two years, including an analysis of whether one MT CO₂e of emission reductions per the average CCI credit is being achieved.

Best available emissions reduction approach for covered stationary sources

DEQ requires implementation of site-specific strategies for covered stationary sources to reduce greenhouse gas emissions that are not regulated through the covered fuel suppliers. This includes emissions from industrial processes, combustion of solid fuels, and natural gas supplied by interstate pipelines. Sources with covered emissions above the threshold would be subject to this approach. This currently represents approximately 1.7 million metric tons of emissions from 13 existing sources.



Best available emissions reduction (BAER) assessments: Covered stationary sources are required to conduct and submit to DEQ a BAER assessment that identifies and analyzes the available strategies to reduce covered emissions from the source. The assessment requires analysis of each strategy under consideration including an estimation of emissions reductions that the source would achieve if the source implemented that strategy and analysis of potential impacts (positive and negative) on environment and health, energy consumption, and costs.

- DEQ will notify stationary sources when it is time to conduct and submit a BAER assessment, and will have at least one year to do so.
- New stationary sources must submit a BAER assessment to DEQ with any initial DEQ permit application.

BAER determination: DEQ, informed by a BAER assessment, its own analysis, and public input, will establish the timeline and required strategies that a covered stationary source must implement to reduce covered emissions in an agency order known as a BAER determination. In making a BAER determination, DEQ will take some key considerations into accounting, including:

- Which strategies maximize covered emissions reductions,
- Technical feasibility, commercial availability, and cost-effectiveness of strategies under consideration,
- Environmental and public health impacts, such as impacts on nearby communities,
- Whether a strategy may impact the type or quality of good(s) produced at the source, and
- Input from the public and community organizations located near the source.

Reporting: Once DEQ has made a BAER determination, covered stationary sources must submit an annual report on progress toward implementing the BAER determination, along with a completion report. If DEQ determines that no actions are required by the source, a source must still submit a five-year review report providing a list of strategies available at that time to reduce emissions. DEQ may also request a complete BEAR assessment at that time.

Public comment and next steps

DEQ is requesting public comment on the proposed rules through Oct. 4, 2021. DEQ plans to hold two public hearings virtually. Please visit the [Greenhouse Gas Emissions Program 2021 Rulemaking website](#) for more information.

DEQ will review and respond to comments and further refine the proposal before bringing it to the Environmental Quality Commission for consideration late in 2021.

Alternative formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.