

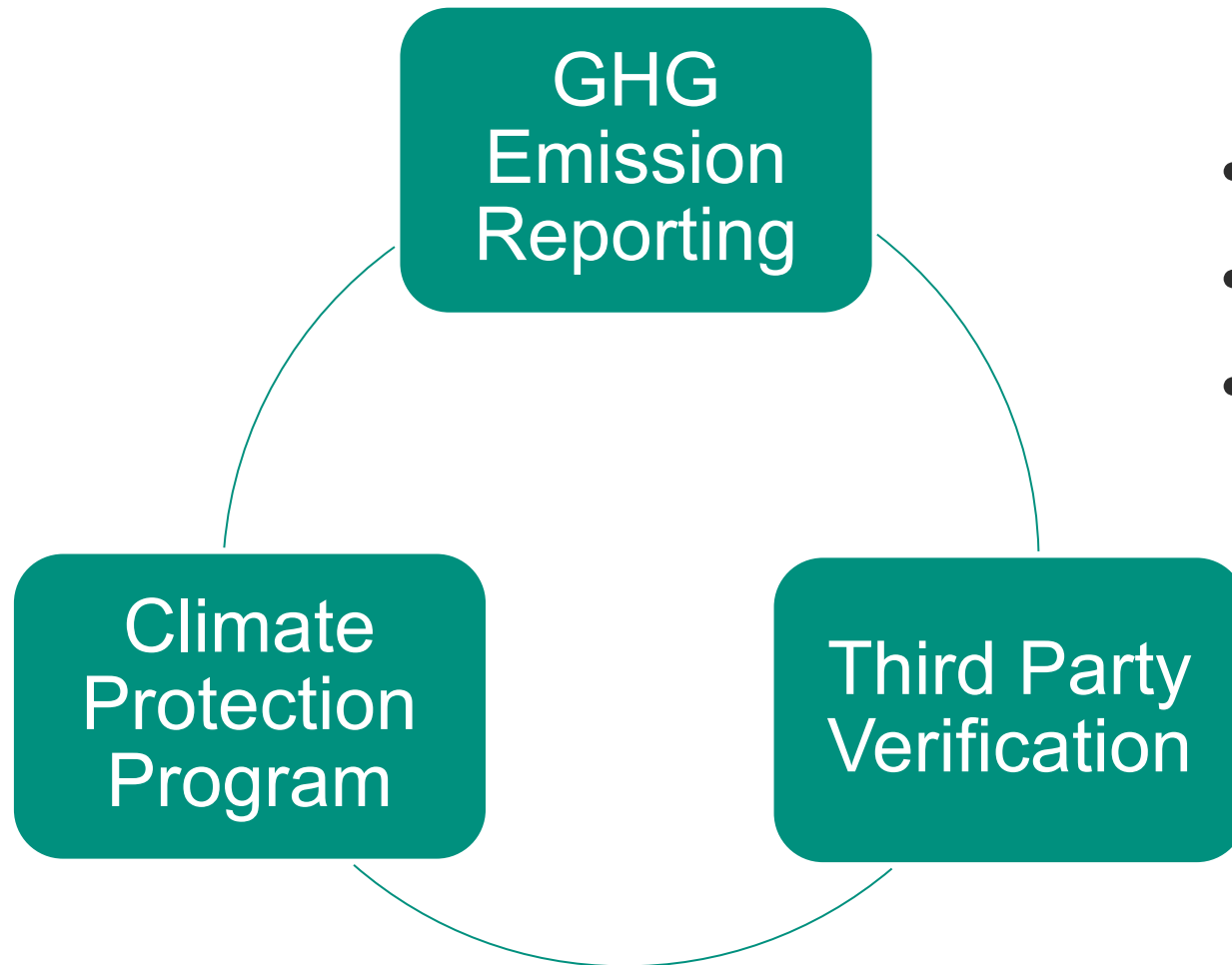
Climate 2023 Rulemaking

Environmental Quality Commission

Nov. 16, 2023

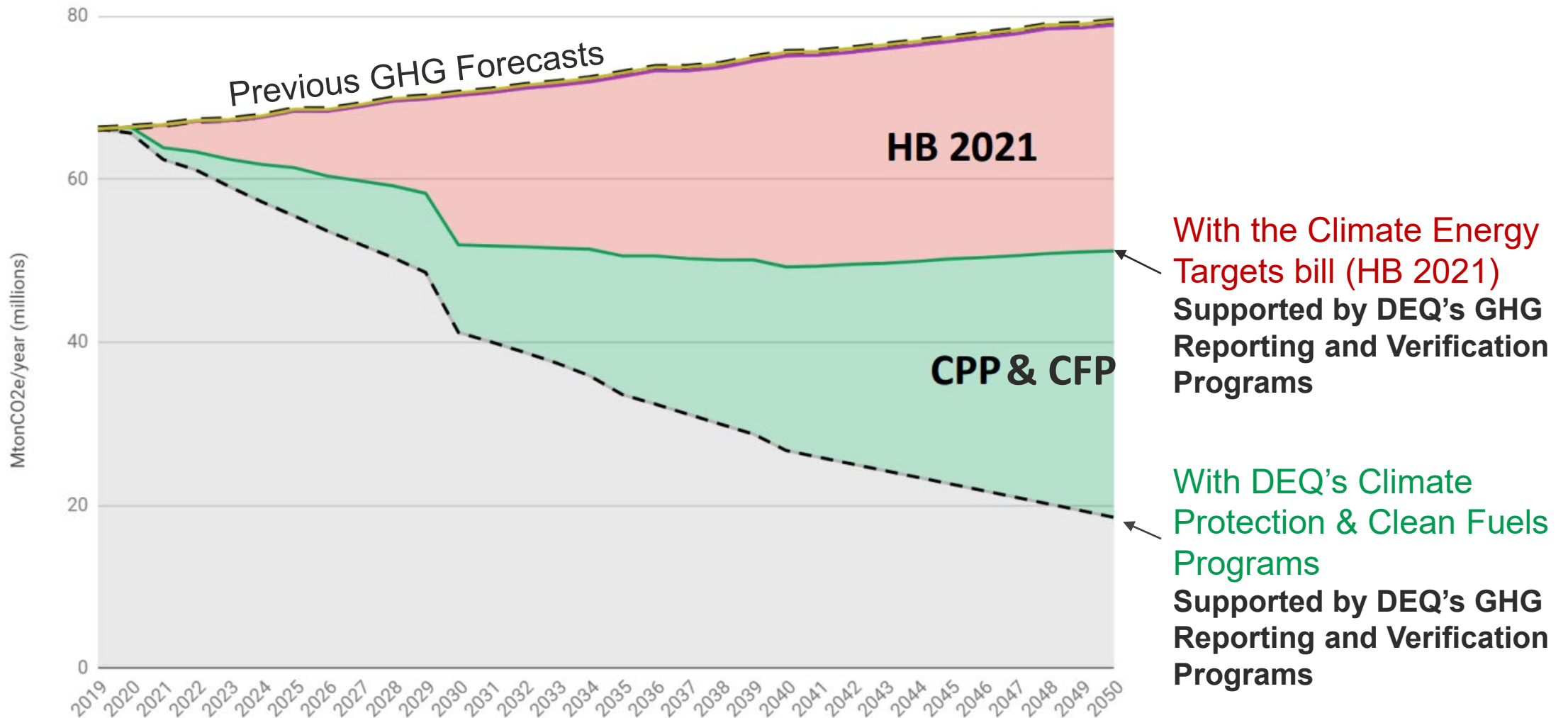
Elizabeth Elbel, Colin McConnaha and Nicole Singh

2023 Climate rulemaking: 3 programs



- OAR 340 Division 215
- OAR 340 Division 272
- OAR 340 Division 271

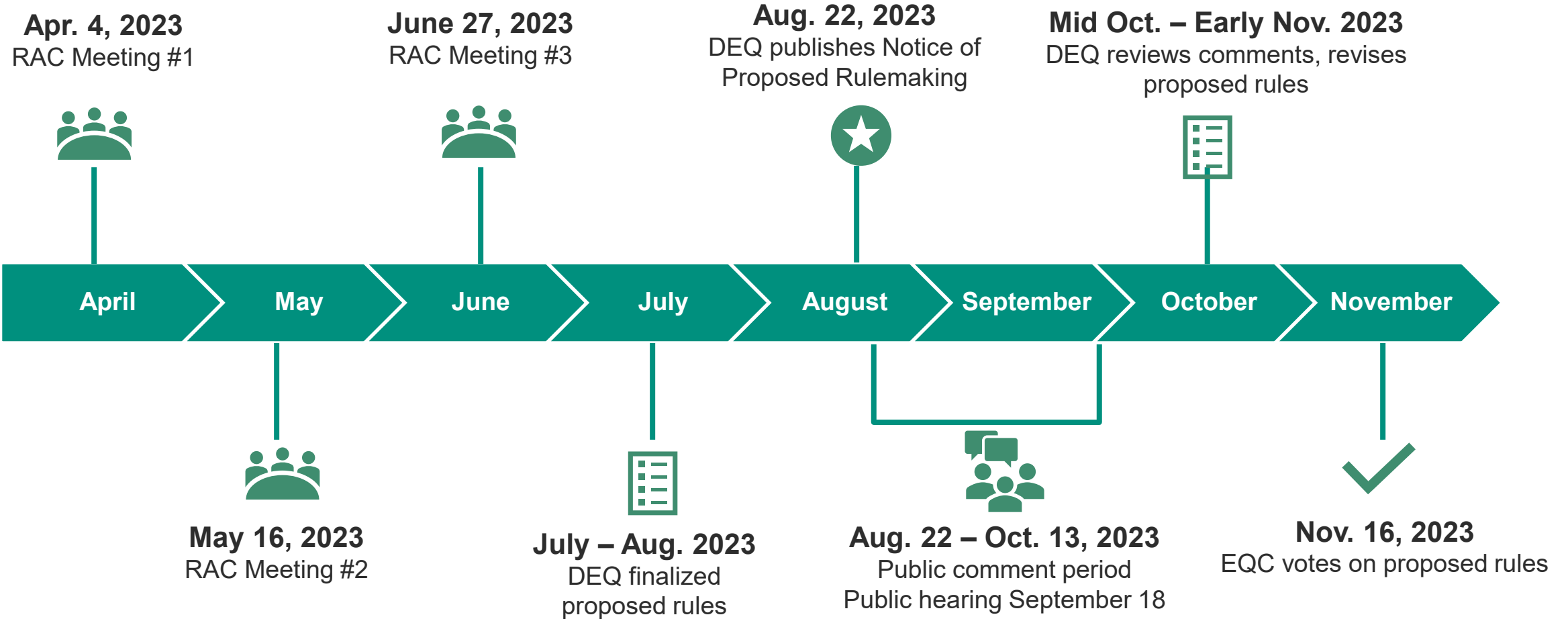
Why these programs are important



With the Climate Energy Targets bill (HB 2021) Supported by DEQ's GHG Reporting and Verification Programs

With DEQ's Climate Protection & Clean Fuels Programs Supported by DEQ's GHG Reporting and Verification Programs

2023 Climate rulemaking process



Significant public engagement

- Engagement on climate programs continues
- Over 2,300 comments on Climate 2023 proposed rule amendments
 - Individual Oregonians
 - Community members and organizations
 - Regulated companies
 - Clean energy stakeholders
 - Environmental interests
 - Environmental justice communities



Climate 2023 rulemaking: Focus today

- **GHG Reporting Program:** Book and claim accounting of biomethane in place of fossil natural gas
- **Climate Protection Program:** Modifications at stationary sources and best available emissions reductions (BAER) for greenhouse gases
- **Climate Protection Program:** Compliance instruments for liquid and propane fuel suppliers

GHG RP: Reporting of biomethane

Why?

- Fossil gas and biomethane are molecularly identical
- Both fuels can be injected into the natural gas pipeline system
- Oregon imports most of the fuel consumed in the state
- Biomethane produced and injected in Oregon may be claimed in other states
- Unique considerations for regulating emissions from combustion of biomass in Oregon

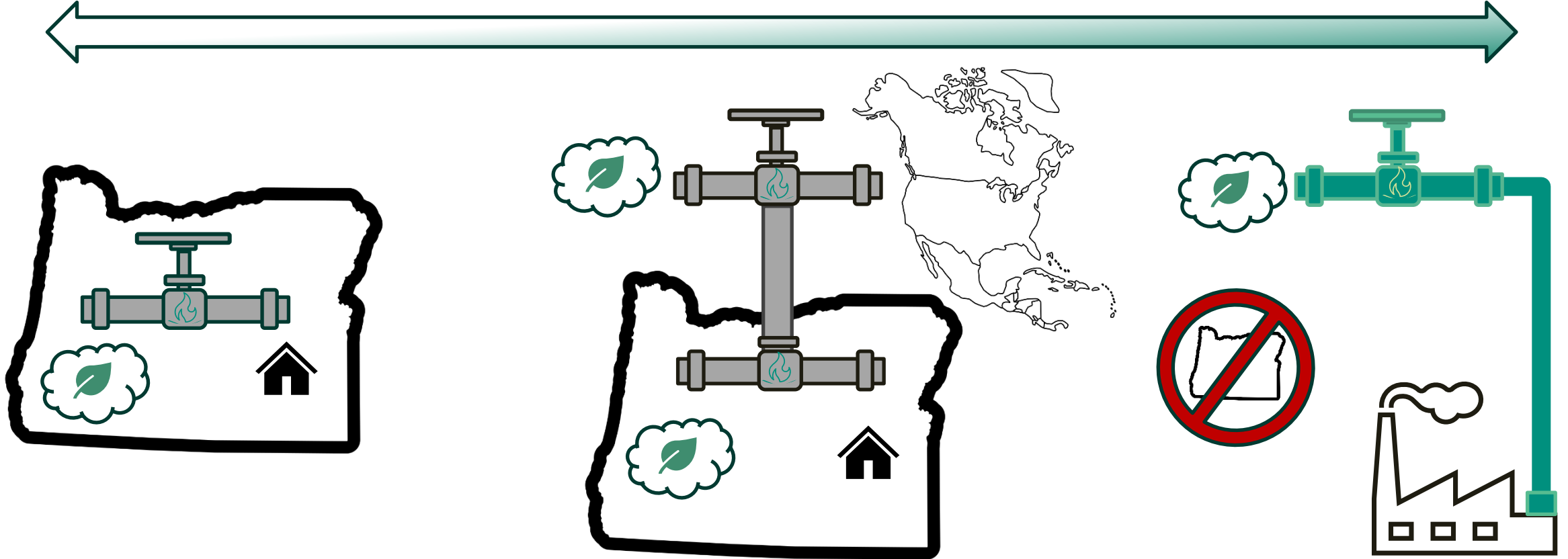
What are we trying to achieve?

- Consistently identify, document, and verify emissions from biomass fuels
- Account for biomethane injected into the natural gas pipeline network in and connected to Oregon
 - Determine what distinguishes biomethane from fossil gas in a comingled system
 - Establish rules to prevent double counting
 - Decide what data and information is need for reporting

GHG RP: Book and claim

More Restrictive

More Expansive



GHG RP: Biomethane reporting proposed rules

- Defines the term biomethane
 - Applies only to pipeline quality gas from biogenic sources
 - Excludes synthetic methane from fossil feedstocks
- Clarifies the use of book and claim accounting
- Specifies injection requirements
 - Gas quality
 - Injection location
 - Timeframes
- Details data and documentation requirements
 - Attestation of environmental attributes
 - Reporting carbon intensity values
- Prescribes third party verification practices

CPP: Best Available Emissions Reduction

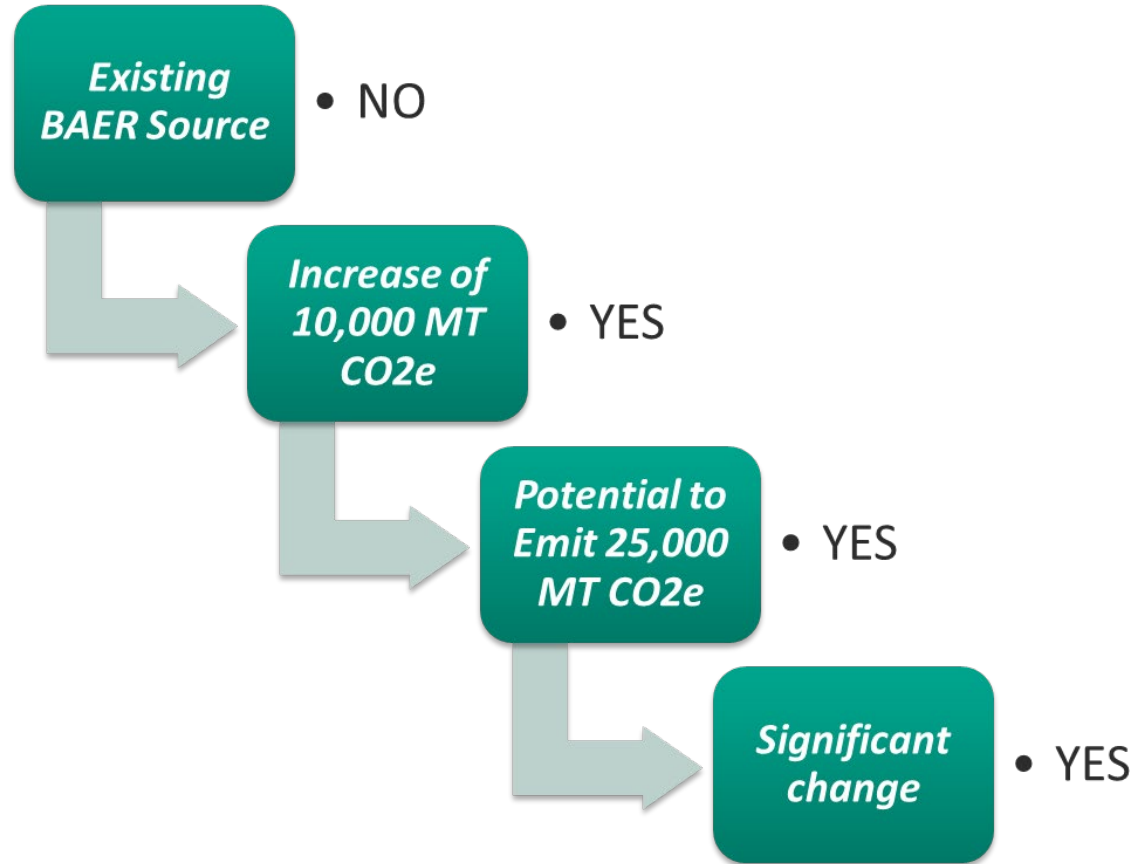
How does BAER work?

- Industrial “process” GHG emissions
- Site specific strategies to reduce emissions
- New and existing stationary sources
- Annual emissions $\geq 25,000$ MT CO₂e
 - New: Potential to Emit
 - Existing: Actual Emissions

What are we clarifying?

- Facility modifications and BAER
 - Circumstances that require BAER at time of permit modification
 - BAER process completed *before* modification is approved
- Requirements for public comment
 - 30-day public comment period
 - BAER assessment and draft BAER orders

Modifications and BAER: Four conditions



If conditions don't apply, but actual emissions 25,000 MT CO₂e



BAER call in process

Public comments on BAER

Strengthen BAER Provisions

- All new sources subject to BAER
- All modifications subject BAER
- Lower/remove thresholds for modifications
- Need mandatory emission limits
- Neighboring communities

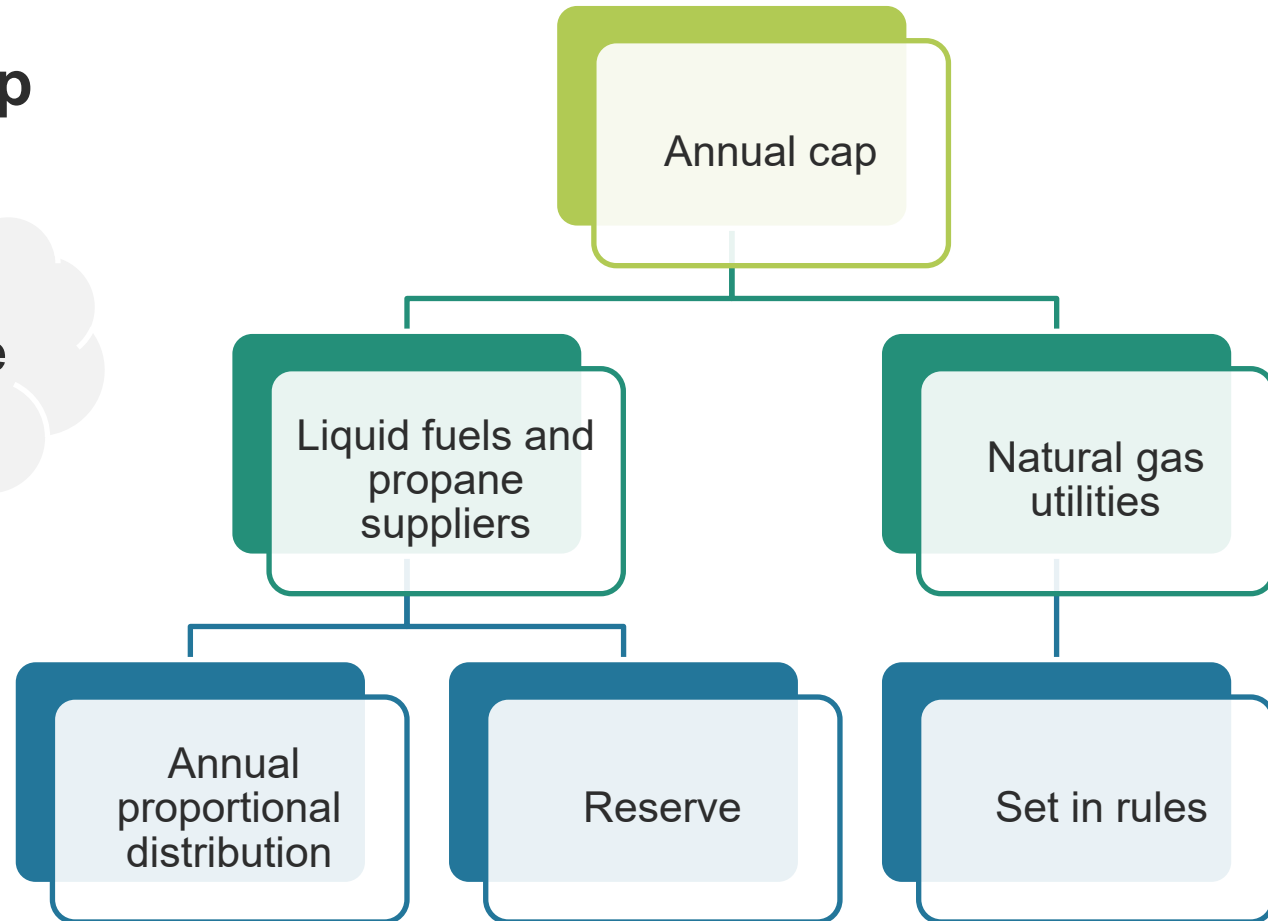
BAER Provisions Unnecessary

- Burdensome and will delay modifications
- BAER assessments costly
- BAER orders will be costly
- Multiple air pollution regulations

CPP: Compliance instrument distribution

How we implement the cap

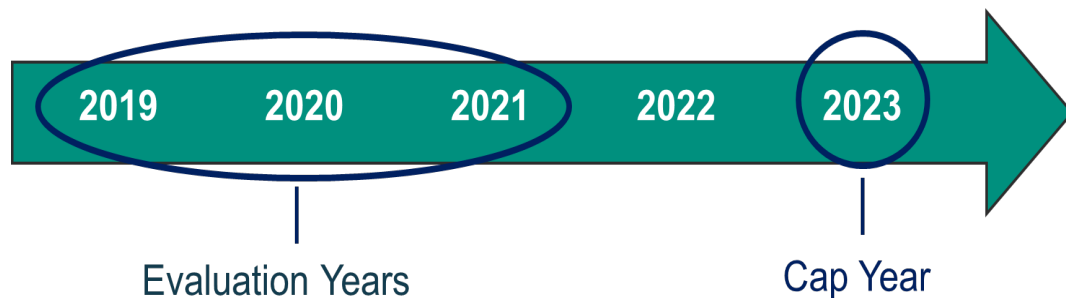
1 compliance instrument =



CPP: Compliance instrument distribution

What we use now?

- Use historic emissions data
- 3-year evaluation period



What are we trying to improve?

- More quickly incorporate new fuels suppliers
- Use more contemporaneous data to better reflect fuels market
- Better address incomplete historic data

CPP: Compliance instrument changes

- One year evaluation period
- Switching to most recently available emissions data
 - Reported emissions data
 - Verified emissions data correction factor
- Initial transition year 2024
 - Use higher of 2022 or 2023 emission data for each fuel supplier for 2024
- Associated changes to distribution timelines

Public comments on compliance instruments



Support for more recent data and shorter evaluation period

Differences in how to incorporate recent data and when to make changes



Some support for holding limits

Holding limits are unnecessary

CPP: Proposing holding limits

- Limits how many compliance instruments fuel suppliers can “hold”
- Customized holding limit for each liquid fuels and propane supplier
 - Individual emissions

By October
28, 2025

- DEQ notifies fuels supplier of calculated holding limits for first compliance period

November
22, 2025

- Deadline for fuel suppliers to comply with calculated holding limits.

December
9, 2025

- Demonstration of compliance for first compliance period

Questions and Discussion

DEQ Recommendation

DEQ recommends that the Environmental Quality Commission:

- Adopt the proposed rule and rule amendments as seen on pages 68 through 364 of this staff report as part of Chapter 340 of the Oregon Administrative Rules

Proposed EQC Motion

“I move that the commission adopt the proposed rule and rule amendments as seen on pages 68 through 364 of this staff report as part of chapter 340 of the Oregon Administrative Rules.”

Title VI and alternative formats

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