



Program Brief

Climate Protection Program 2021

This document provides a brief overview of the Climate Protection Program (CPP) adopted by the Environmental Quality Commission in December 2021. In December 2023 the Oregon Court of Appeals determined that DEQ did not fully comply with notice requirements during the 2021 CPP rulemaking process, invalidating the program. For information on the current Climate Protection Program 2024 rulemaking, click [here](#).

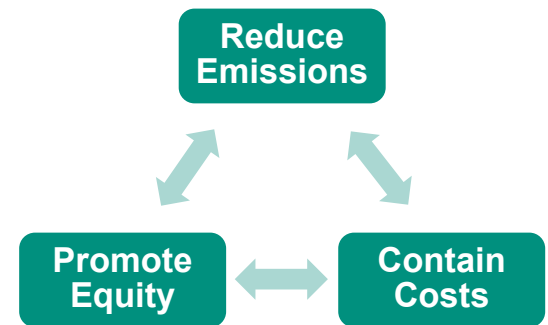
Purposes of the Climate Protection Program

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

- Significantly reduce greenhouse gas emissions,
- Achieve co-benefits from other air contaminant reductions, and
- 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:

- Required that covered entities reduce greenhouse gas emissions,
- Supported reduction of emissions of other air contaminants,
- Prioritized reduction of greenhouse gases and other air contaminants in environmental justice communities disproportionately burdened by the effects of climate change and air contamination,
- Provided covered entities with compliance options to minimize business and consumer economic impacts.

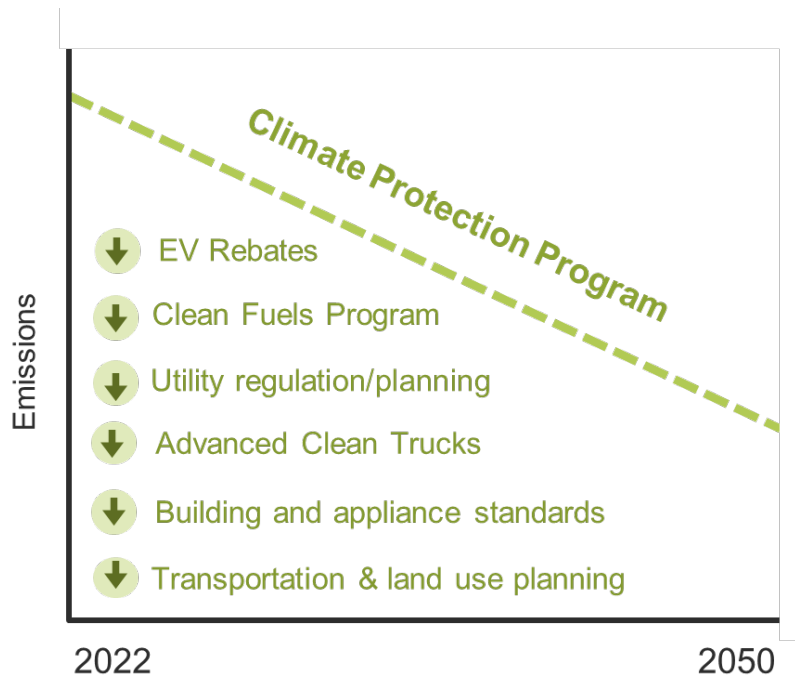


Regulating greenhouse gas emissions

There were 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 was one of many complementary policies and programs in Oregon to reduce greenhouse gas emissions and act on climate change. CPP was designed to both drive emissions reductions as well as leverage reductions achieved through other incentives, to further support compliance.



Covered entities

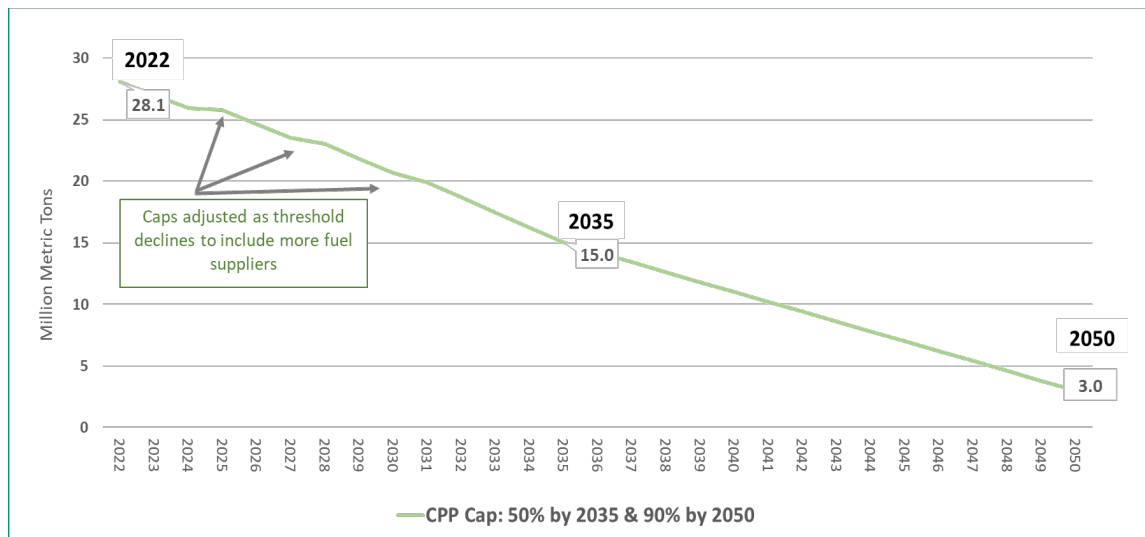
- **Fuel suppliers subject to declining emissions caps:**
 - Local distribution companies: natural gas utilities
 - Liquid fuels and propane supplier: Suppliers of gasoline, diesel, kerosene, and propane with emissions that meet or exceed a threshold for inclusion. The threshold declined over time to cover a wider scope of emissions and suppliers and would have captured approximately 99% of in-scope combustion emissions from liquid fuels and propane used in Oregon.
- **Stationary sources subject to the best available emissions reduction (BAER) approach:**
 1. Existing permitted facilities with annual covered emissions that meet or exceed a threshold of 25,000 metric tons of carbon dioxide equivalent (MT CO₂e)
 2. Proposed new facilities with the potential to emit at or above that threshold.
 3. Existing facilities, not included above, where proposed modifications represented significant changes to processes, would increase potential to emit by 10,000 MT CO₂e and potential to emit at or above 25,000 MT CO₂e.

Emissions covered by BAER did not include emissions from the use of fossil fuels for which fuel suppliers were regulated.

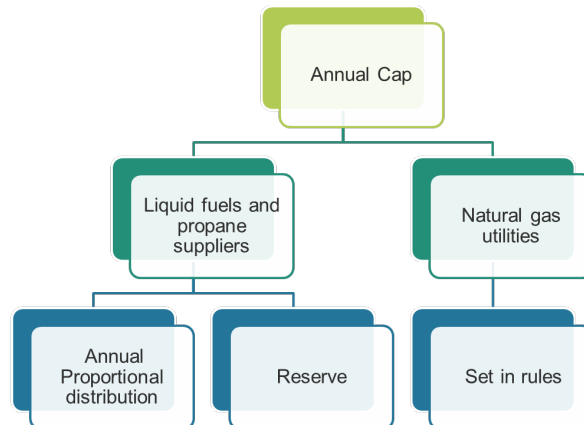
Covered fossil fuel supplier emissions reductions

DEQ set an overall limit on regulated greenhouse gas emissions for covered fossil fuel suppliers each year. DEQ lowered the limit, or cap, each year, reaching a 90% percent reduction in emissions by 2050.

The 2022 base cap was based on average 2017 to 2019 emissions. By 2035, the cap declined to 15.0 million MT CO₂e and by 2050; the cap was 3.0 million MT CO₂e. DEQ adjusted caps in the early years of the program, as more fuel suppliers and emissions were included as the threshold declines.



Compliance instruments: Each year, DEQ freely distributed compliance instruments to each covered fuel supplier. The total number of compliance instruments distributed by DEQ for each year was equal to that year's cap. The number of compliance instruments distributed to each natural gas utility was fixed in the rule. These distributions were based on each utility's share of average 2017-2019 of covered emissions.



The number of compliance instruments distributed to each liquid fuels and propane supplier was proportional. This was to recognize the high variability in the fuels sector. The methodology for distributing 2022 and 2023 compliance instruments used three years of historic emissions data, included covered emissions and biofuels emissions. The methodology that would have been used for the 2024 and subsequent distributions would have used the most recent emissions data.

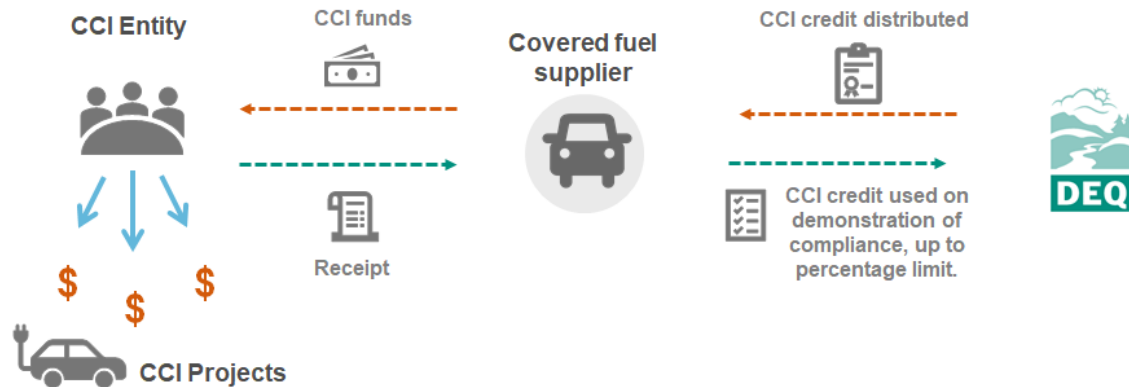
Fuel suppliers could trade unused compliance instruments or bank them for future use. This was to incentivize early emission reductions and provide flexibility for fuel suppliers, allowing them collectively to find the lowest cost emission reductions.

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

- Fuel suppliers' compliance demonstration was every three years for total emissions for the three-year period. The first demonstration of compliance for the 2022-2024 compliance period was scheduled for late 2025.
- For the first compliance period each fuel supplier could choose to meet up to 10 percent of its compliance obligation with CCI credits, increasing to 15 percent for the second compliance period and then to 20 percent for the third and future compliance periods.

Community Climate Investments (CCIs)

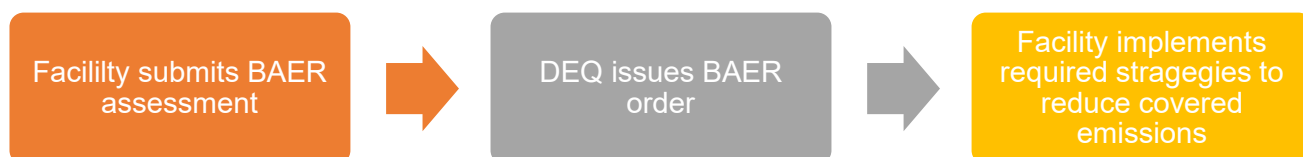
Fuel suppliers could earn CCI credits by contributing funds to third-party entities to implement projects that reduce greenhouse gas emissions in Oregon.



- Funds could only be contributed to DEQ-approved third-parties called CCI entities.
- DEQ's priorities for CCIs included reducing emissions at least one MT CO₂e on average per CCI credit, reducing non-greenhouse gas emissions, promoting benefits for environmental justice communities, and accelerating the transition to clean energy particularly in or near environmental justice communities.
- DEQ convened an Equity Advisory Committee, a key partner as DEQ developed the CCI program.
- The contribution amount to earn one CCI credit from DEQ started at \$107 (2021\$). This contribution amount increased a dollar per year (2021\$) and was adjusted for inflation. The March 1, 2023, inflation adjusted contribution amount was \$123.
- CCI credits could be banked for two compliance periods but can't be traded.
- DEQ would conduct a review of CCIs every two years, including whether reductions of one MT CO₂e or more of greenhouse gas emissions were being achieved on average for each CCI credit.

Best available emissions reduction (BAER) approach sources

The BAER approach applied to additional sources of emissions at stationary sources (industrial facilities) that were not covered by the emissions cap. For example, some industrial processes produce greenhouse gasses. Other emission sources not covered by the cap include the use of solid fuels or natural gas supplied by interstate pipeline. Industrial facilities were subject to BAER if their covered emissions were 25,000 or more metric tons of carbon dioxide (CO₂) equivalent per year. DEQ had identified approximately 15 facilities subject to BAER.



Best available emissions reduction (BAER) assessments: Facilities subject to BAER were required to conduct a BAER assessment that would identify and analyze available strategies to reduce covered emissions. The BAER assessment required analysis of each strategy under consideration including an estimation of

emissions reductions that the facility would achieve if the source implemented that strategy and analysis of potential impacts (economic, environmental, health and energy) both positive and negative.

BAER order: DEQ considerations in issue a BAER order included:

- 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.

BAER process overview:

Call-in: For existing facilities, DEQ notifies the facility in writing that they are being called in to the program. This step only applies to existing facilities.

BAER assessment: within nine months of being notified a facility must submit an assessment that analyzes options for reducing emissions from the facility that are covered under this program.

DEQ review: DEQ evaluates the facility's BAER Assessment. DEQ may ask for additional information, or additional alternatives to be evaluated.

BAER order: DEQ releases a draft order that specifies what actions, if any, the facility must take to comply with the program. DEQ will consider info in the assessment and its own analyses. DEQ will also consider input from the public and communities near each source.

Permit: The facility's air quality permit would need to include conditions that ensure the order is implemented. These conditions would become part of the facility's Air Contaminant Discharge Permit or Title V permit.

Follow-up: Every five years after DEQ has issued a BAER order the facility must submit a review report to DEQ. DEQ will review and may re-open the process if something has changed or if new emission reduction strategies are identified as part of this review process.

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