

**Climate Protection Program (CPP) 2024
Rulemaking Advisory Committee Meeting 2**
DEQ Office of Greenhouse Gas Programs

May 14, 2024
10 a.m. – 4:30 p.m.

DEQ, Kearns & West, and Governor's Office

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Senior Facilitator

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Senior Associate



Meeting Objectives

- Discuss Community Climate Investments and other flexibility mechanisms.
- Discuss natural gas use at large stationary sources and regulating stationary source emissions.
- Identify any areas of agreement among RAC members on key program elements for CPP 2024.

Today's Agenda

Time	Topic
9:45 a.m.	Rulemaking advisory committee registration
10 a.m.	Welcome, procedures for public comment
10:05 a.m.	Agenda overview
10:15 a.m.	Review rulemaking timeline and upcoming meeting
10:20 a.m.	Discussion of Community Climate Investments
11:30 a.m.	Discussion of compliance periods and other flexibility mechanisms
12:15 p.m.	Lunch break
1:15 p.m.	Public comment
1:45 p.m.	Stationary sources emissions, considerations for Energy-Intensive Trade-Exposed entities (EITEs), point of regulation
2:50 p.m.	Break
3 p.m.	Further discussion of emission cap and compliance instruments
3:45 p.m.	General discussion of CPP 2024 key program elements
4:25 p.m.	Next steps
4:30 p.m.	Adjourn Meeting

Rulemaking Resources

Rulemaking webpage:

[https://www.oregon.gov/deq/rulemaking/Pages/ CPP2024.aspx](https://www.oregon.gov/deq/rulemaking/Pages/_CPP2024.aspx)

Rulemaking contact: Nicole Singh at CPP.2024@deq.oregon.gov

Rulemaking notifications: Subscribe to DEQ

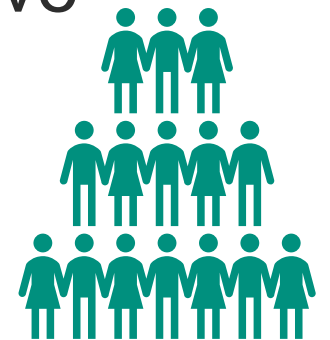
https://public.govdelivery.com/accounts/ORDEQ/subscriber/new?topic_id=ORDEQ_655

RAC Member Introductions



Meeting Guidelines

- ✓ Honor the agenda and strive to stay on topic
- ✓ Provide a balance of speaking time
- ✓ Address issues and questions – focus on substance and avoid personal attacks
- ✓ Listen and speak with respect
- ✓ Seek to understand and consider each other's perspective
- ✓ Engage in dialogue and finding solutions together



Public Participation

- Public participation is welcome – thank you!
- Today’s public comment period will be held from **1:15 – 1:45 p.m.**
- Those wishing to give public comment will be called upon.
- Please respect time limits and ground rules when making comment.
- Members of the public may also provide written comment to CPP.2024@deq.oregon.gov by **May 22, 2024**.

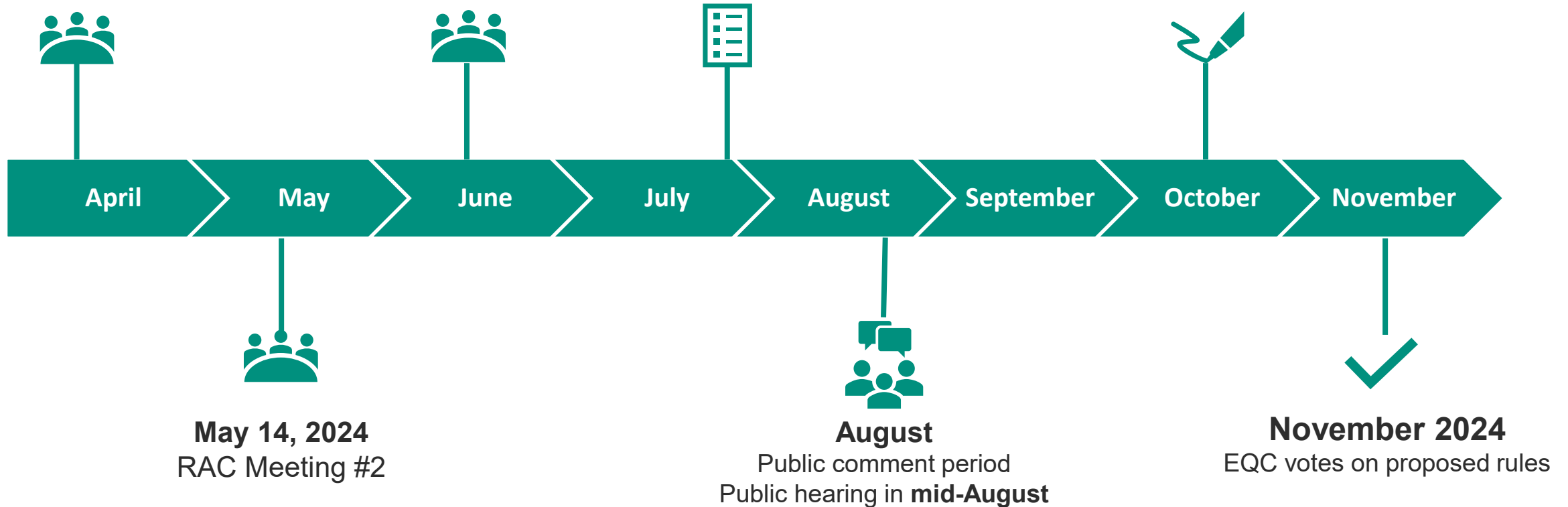
2024 Climate Rulemaking Timeline

April 2, 2024
RAC Meeting #1

June 25, 2024
RAC Meeting #3

Late July 2024
DEQ publishes Notice of
Proposed Rulemaking

October 2024
DEQ reviews comments and
revises proposed rules



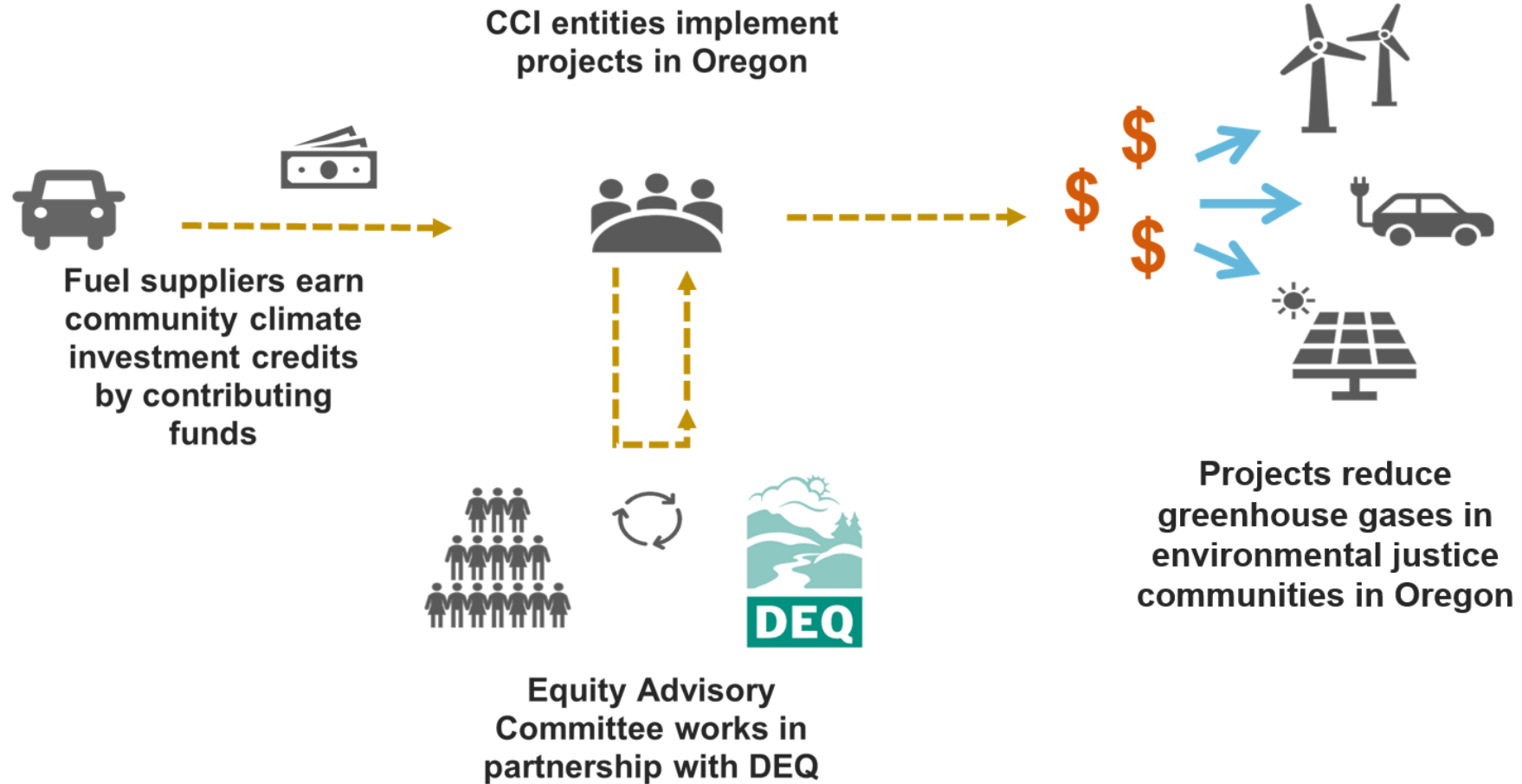
CPP 2024 RAC #3

Meeting	Topics	Comments Requested
RAC 3	<ul style="list-style-type: none">• Updates from RAC 2 meeting• Overview of draft rules• Fiscal impacts statement and racial equity impacts• Further discussion of rulemaking items	July 2nd

Discussion of Community Climate Investments

10:20 a.m. to 11:30 a.m.

Community Climate Investments



CCI Priorities

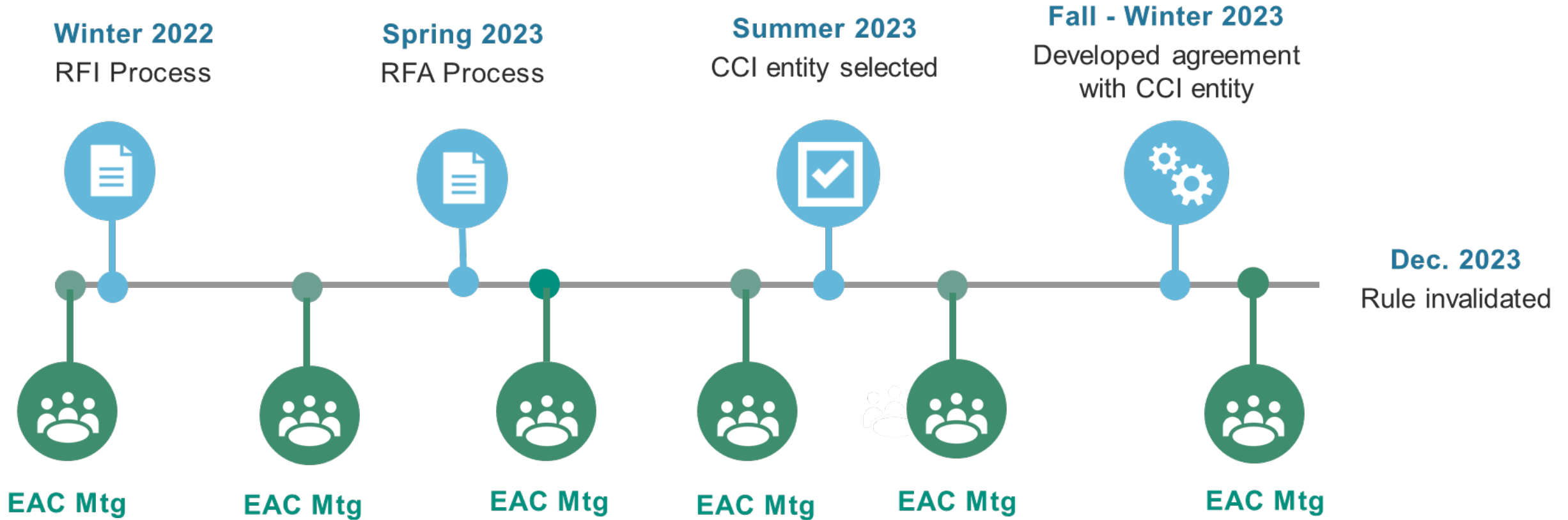
- **Reducing** greenhouse gas emissions on average at least one ton per CCI credit
- **Reducing** emission of other air contaminants, particularly in or near environmental justice communities
- **Promoting** public health, environmental, and economic benefits for environmental justice communities
- **Accelerating** the transition to clean energy particularly in or near environmental justice communities



Allowable Uses of CCI Funds

- DEQ received growing enthusiasm for many project types that could be supported by CCIs. Some that stood out were:
 - **Residential Energy Efficiency:** heat pumps, energy efficient appliances, and weatherization
 - **Solar:** residential, commercial, tribal, and community based
 - **Transportation:** fleet electrification, expanded and cleaner public transit, and electric car share
 - **Micro-hydro:** in pipe water flow energy capture

Equity Advisory Committee Timeline



CCI Implementation

- Funds contributed to earn a CCI credit: \$123
 - 2025 price would have been \$129
- Allowable usage of CCI credits
 - Considering starting allowable usage of CCI credits at 15% for CPP 2024

Environmental Justice considerations

- Slight adjustments to the definition of Environmental Justice communities

“Environmental justice community” includes communities of color, communities experiencing lower incomes, communities experiencing health inequities, tribal communities, rural communities, remote communities, coastal communities, communities with limited infrastructure and other communities traditionally underrepresented in public processes and adversely harmed by environmental and health hazards, including seniors, youth and persons with disabilities.

- Adding emphasis for CCI entities on engaging and involving EJ communities in design, administration, and implementation

Additional considerations

- Incorporating CCI entity fee
 - Up to 5% of CCI contributions to be paid to DEQ by approved CCI entities for oversight and administration
- Changing required date for when CCI entity submits a workplan
 - Better reflect funds available for project implementation

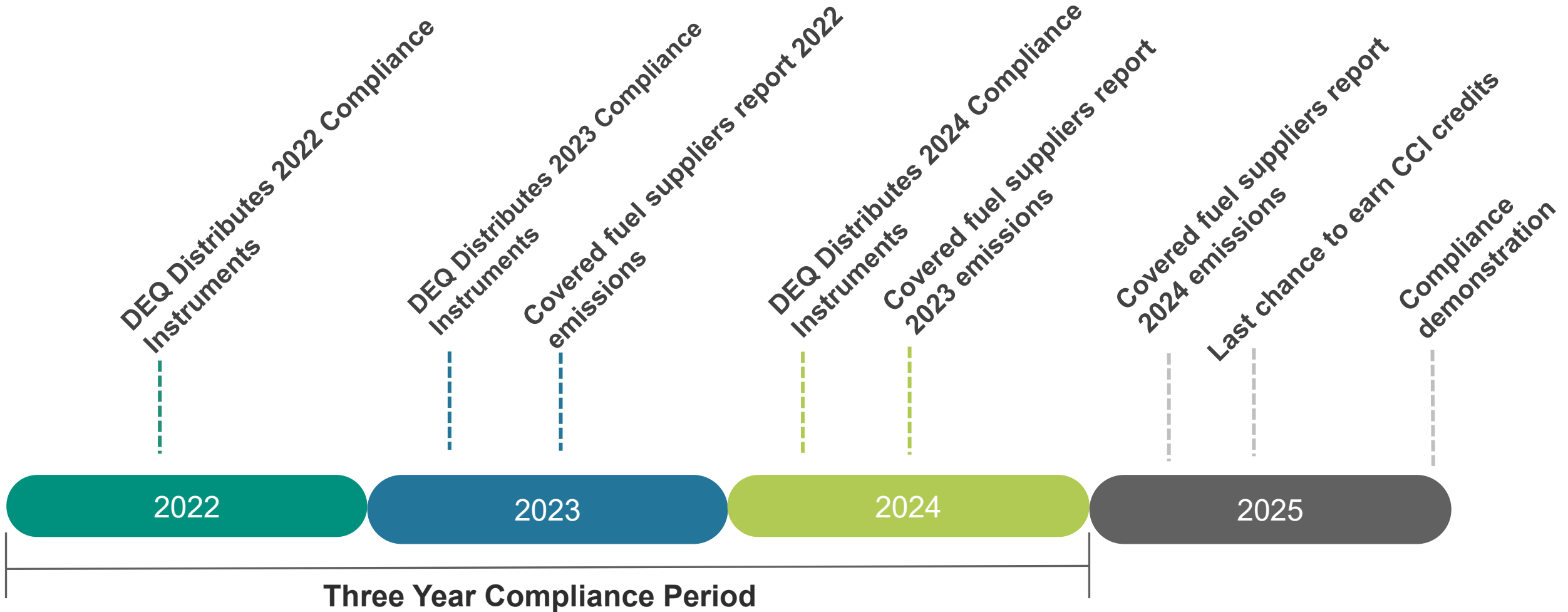
Discussion questions

- How successful is CCI program design at promoting **equitable outcomes** for EJ communities? Improvements?
- Should DEQ consider including **limits on** administrative costs or other **costs** such as capacity building?
- Should DEQ consider more **specificity on investments**, for example percentages for different project types?
- What should the maximum allowable usage percentage of CCI credits be for compliance? Should DEQ consider other changes to the **allowable CCI percentage**?
- What about other **alternative compliance options** for regulated entities, such as offsets?

Discussion of compliance periods and other flexibility mechanisms

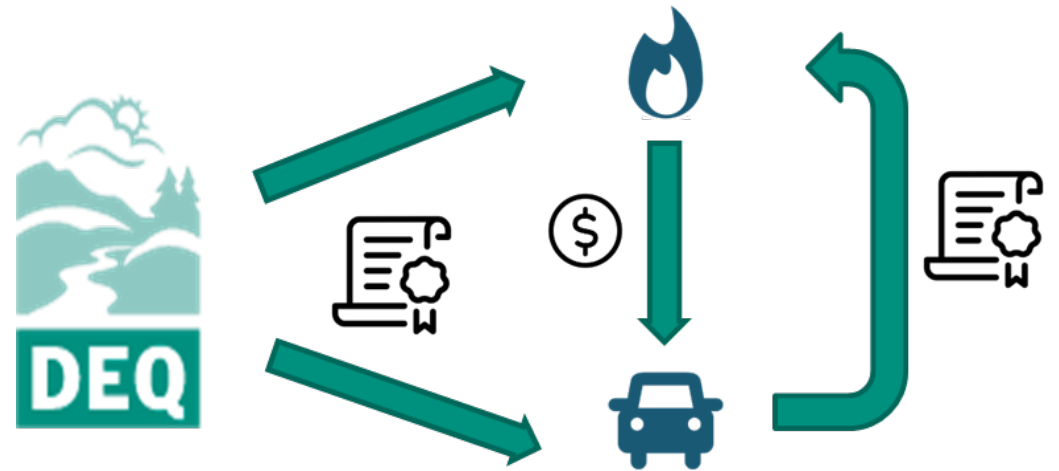
11:30 a.m. to 12:15 p.m.

Compliance Periods



Banking and Trading

- DEQ distributes 100% of compliance instruments to covered fuel suppliers
- Compliance instruments can be banked (used in future years)
- Can trade compliance instruments with each other



Banking and Trading

- 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

Trading and Liquidity

- DEQ online platform
 - Trade instruments and trade inquiry forum
- Holding limits at end of compliance period
 - Limited to holding a certain number of allowances at a specified time

Discussion questions

- Changes to three year **compliance periods**?
- Additional considerations for **banking, trading**, or other flexibility mechanisms?
- Other ways that DEQ can support **liquidity** in the program?

Lunch Break

The meeting will resume at 1:15 p.m.

For Zoom technical issues, email CPP.2024@DEQ.oregon.gov

Public Comment (30 min)

We are taking public comments at this time.

Raise your hand



to join the queue

Or, if joining by phone, *9 to raise hand (and *6 to unmute)

Please say your name and affiliation before speaking
and respect any time limits and ground rules.

You may also send written comment on today's RAC discussion topics by **May 22nd** to CPP.2024@DEQ.oregon.gov.

Stationary sources emissions, considerations for Energy-Intensive Trade-Exposed entities (EITEs), point of regulation

1:45 p.m. to 2:50 p.m.

Stationary source regulation

- Best Available Emissions Reduction program (BAER)
- Only for facilities with emissions $>25,000$ MT CO₂e
 - Industrial processes
 - Solid fuels
 - Natural gas delivered directly by interstate pipeline
 - Site-specific emission reduction requirements

Emission-intensive, trade-exposed (EITE)

- High energy use industries
- Face significant competition from companies located outside Oregon
- Regulations can increase operational costs
- Concerns over leakage
 - Businesses and their emissions relocate out of state

EITEs in Oregon

- Approximately 26 facilities (>25,000 MT CO₂e/year)
- Total GHG emissions about 3.5 million MT CO₂e (2022)
- About half of emissions from natural gas use, with the other half from other industrial process emissions
- Includes 11/13 original BAER facilities

Potential CPP EITE regulation

Example 1 - BAER

- Extend BAER to cover all emissions at EITE facilities
- 25% of total natural gas utility emissions move to point of regulation at facility

Potential CPP EITE regulation

Example 2 – Emissions cap

- **Option 1:** Include under emissions cap for both fuel suppliers and EITEs
- **Option 2:** New, separate emissions cap for only EITEs
 - Free distribution of instruments based on intensity benchmarks
 - Lower rate of cap decline?

Potential CPP EITE regulation

Example 3 – Mixed BAER and cap

- Fuel use regulated under cap
- Process emissions >25,000 MT CO₂e remain under BAER
- Same as original CPP approach, with point of regulation shifted to the facility level

Other flexibility options

- Allow higher CCI utilization for EITEs
- Direct a proportion of CCI funds towards decarbonization projects at regulated EITE facilities

Discussion questions

- Should DEQ **directly regulate EITEs** for emissions?
 - Natural gas emissions? All emissions?
- Should DEQ allow for **special considerations if EITEs** regulated under cap? Different rate of decline?
 - How would DEQ accommodate? Reduce distribution of compliance instruments to other entities?
- Should DEQ also **include non-EITE stationary sources**?
- Other ways DEQ could allow for **more flexibility for EITEs** or support emission reductions at EITEs?

10-min Break

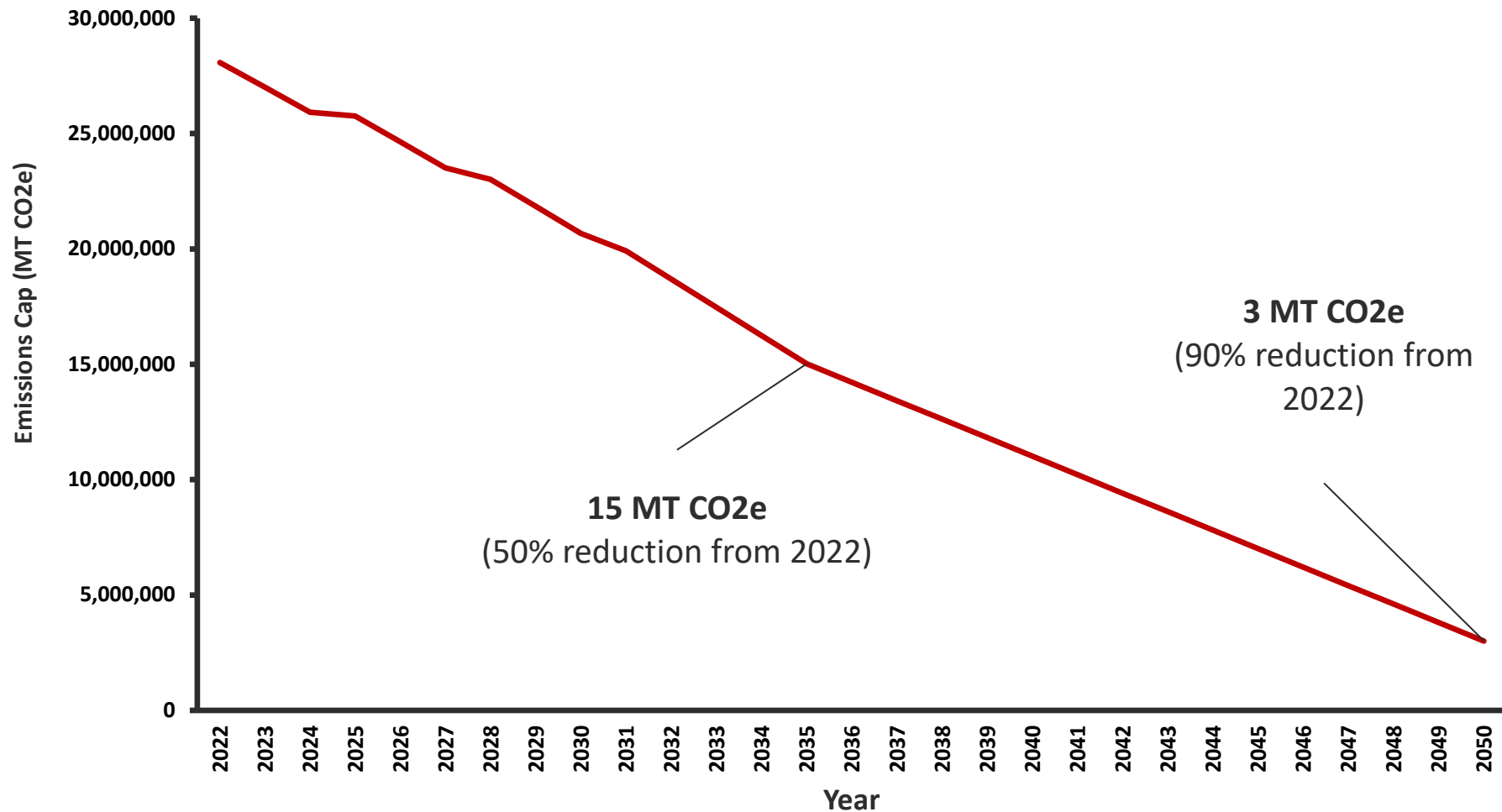
The meeting will resume at 3 p.m.

For Zoom technical issues, email CPP.2024@DEQ.oregon.gov

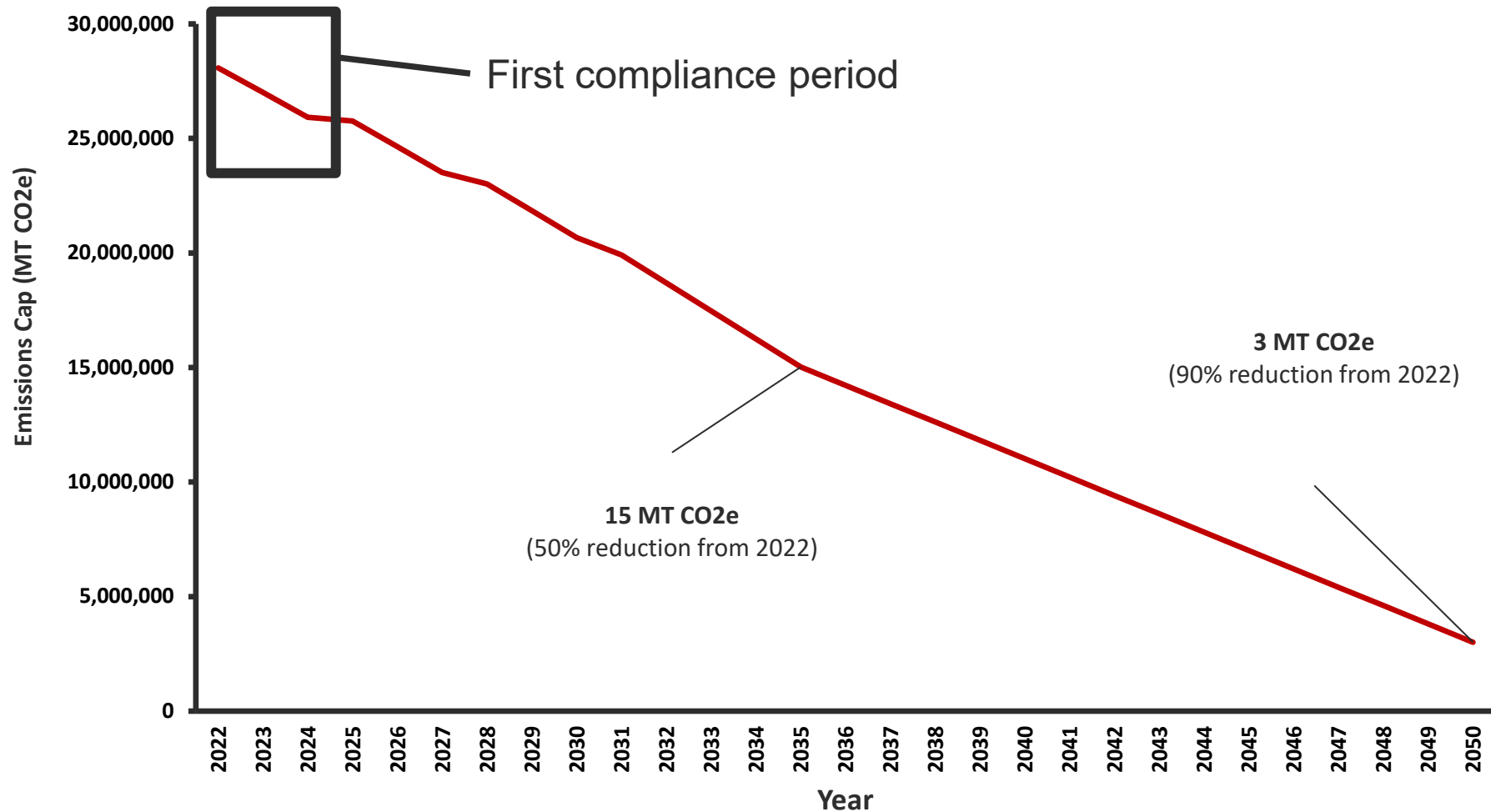
Further discussion of emission cap and compliance instruments

3 p.m. to 3:45 p.m.

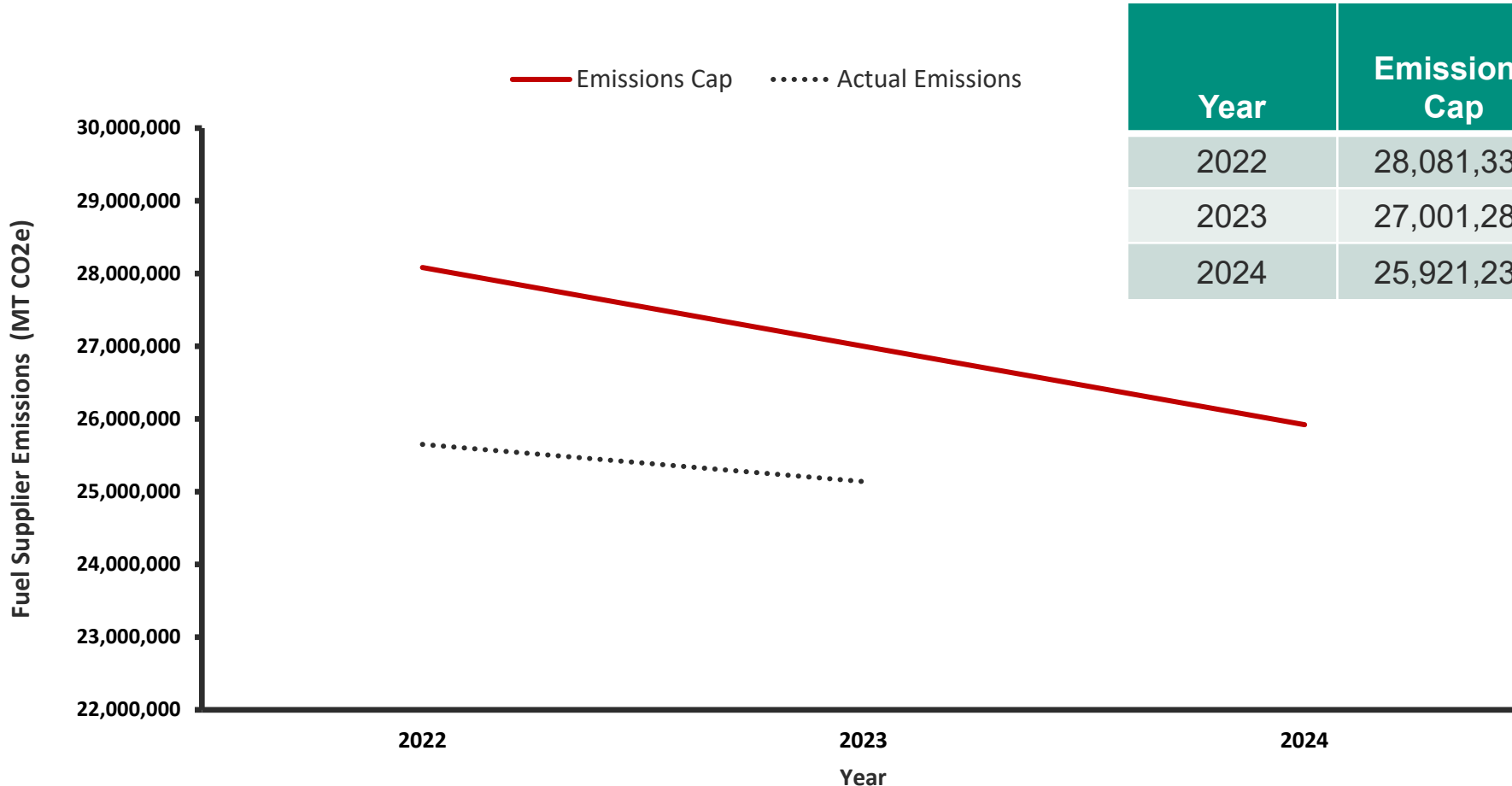
CPP emissions cap



CPP emissions cap



Compliance period 1



Year	Emissions Cap	Actual Emissions	Extra Emission Reductions
2022	28,081,335	25,651,148	2,430,187
2023	27,001,283	25,186,638	1,814,645
2024	25,921,232	?	?

~ **4.2 million MT CO₂e** under the emissions cap over first two years of CPP

Cap adjustment distribution

Option 1

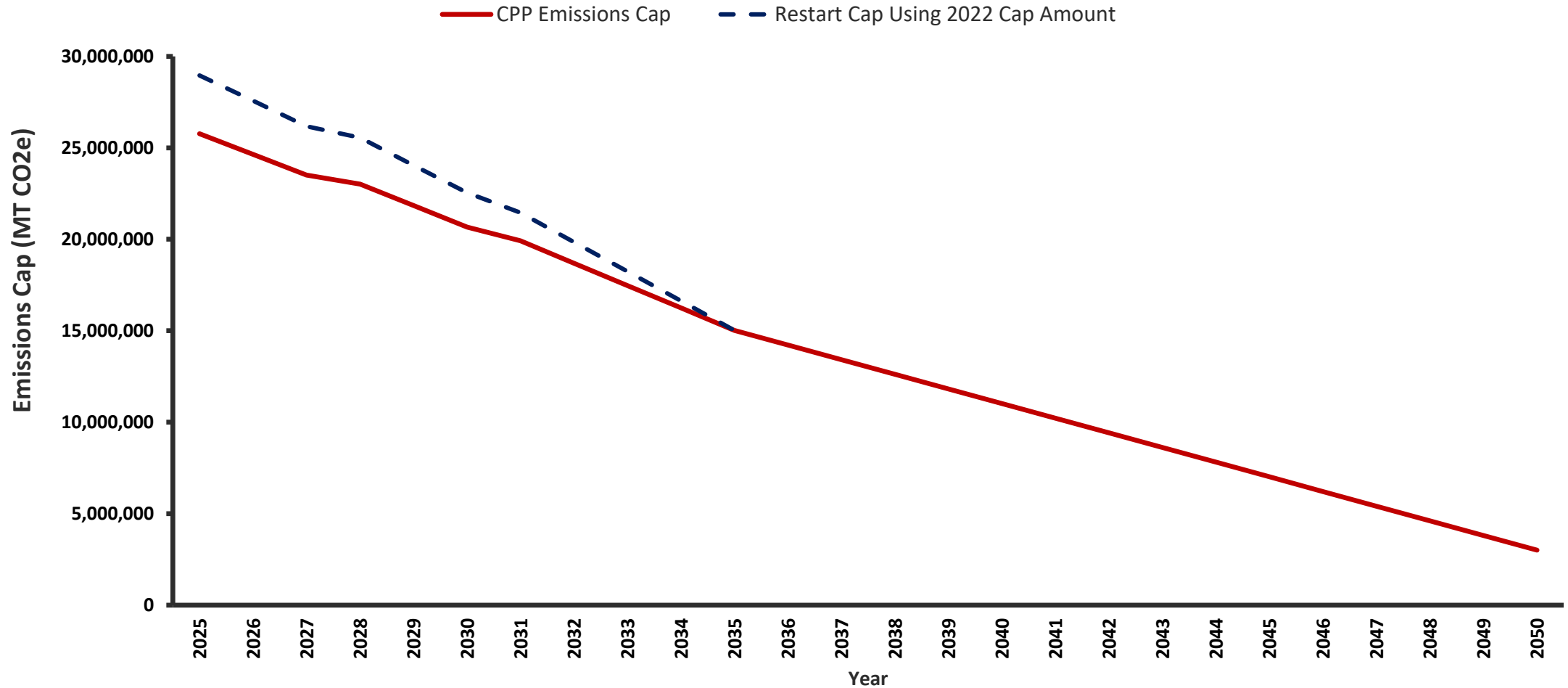
- Add/subtract instruments from 2025 cap.

Option 2

- Distribution based on biofuels

Covered Entity	Covered GHG Emissions (MT CO ₂ e)	Biofuel GHG Emissions (MT CO ₂ e)	Biofuel %	Share of Adjustment Distribution
Fuel Supplier A	1,000,000	250,000	25%	1,000,000
Fuel Supplier B	1,000,000	750,000	75%	3,000,000

Comparison of cap baselines



Discussion questions

- Additional comments on the **starting emissions cap** for CPP 2024?
- If using the CPP 2025 cap, should DEQ adjust the initial distribution to **account for emissions from 2022 – 2024?**
Thoughts on the options presented?
- Should DEQ consider applying this adjustment to **other entities that weren't already covered by the CPP** (e.g., fuel suppliers above a 100k MT CO₂e threshold)

General discussion of CPP 2024 key program elements

3:45 p.m. to 4:25 p.m.

Rulemaking next steps

- Submit written comments to CPP.2024@deq.oregon.gov by **May 22nd**.
- DEQ intends to post all written comments and a meeting summary.
- DEQ publishes Notice of Proposed Rulemaking in **late July**.
- DEQ holds a public hearing in **mid-August**.

Rulemaking resources

- **Rulemaking web page:** [Department of Environmental Quality : Climate Protection Program 2024 : Rulemaking at DEQ : State of Oregon](#)
- **Rulemaking contact:** CPP.2024@deq.oregon.gov
- [Sign up for rulemaking notifications via email or text](#)

Title VI and alternative formats

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