



Oregon Department of Environmental Quality

Draft Rules – Division 273

Climate Protection Program 2024 Rulemaking

Attachment A1

Department of Environmental Quality

Oregon Administrative Rules Chapter 340 Division 273 OREGON CLIMATE PROTECTION PROGRAM

340-273-0010

Purpose and Scope

(1) This division establishes rules and requirements for the Climate Protection Program for certain air contamination sources that emit greenhouse gases or that cause greenhouse gases to be emitted.

(2) Climate change caused by anthropogenic greenhouse gas emissions has detrimental effects on the overall public welfare of the State of Oregon. Reducing greenhouse gas emissions and mitigating climate change will improve the overall public welfare of Oregon. In particular, reducing greenhouse gas emissions will improve the welfare of environmental justice communities.

(a) Fuel combustion and industrial processes result in emissions of greenhouse gases, which are air contaminants that cause climate change;

(b) Reducing greenhouse gas emissions may also reduce emissions of other air contaminants, which may improve air quality for Oregon communities; and

(c) Environmental justice communities in Oregon are disproportionately burdened by air contamination, including through disproportionate risk of the impacts of climate change.

(3) The purposes of the Climate Protection Program are to reduce greenhouse gas emissions from sources in Oregon, achieve co-benefits from reduced emissions of other air contaminants, support a strong statewide economy, and enhance public welfare for Oregon communities, particularly environmental justice communities disproportionately burdened by the effects of climate change and air contamination. To support these purposes, this division:

(a) Requires that covered entities reduce greenhouse gas emissions;

(b) Supports reduction of emissions of other air contaminants that are not greenhouse gases;

(c) Prioritizes reduction of greenhouse gases and other air contaminants in environmental justice communities;

(d) Provides covered entities with compliance options to minimize disproportionate business and consumer economic impacts associated with meeting the Climate Protection Program requirements;

(e) Incentivizes the reduction of greenhouse gas emissions from industries in Oregon, while allowing trade exposed industries to remain competitive; and

(f) Allows covered entities to comply with the Climate Protection Program requirements in part through contributing community climate investment funds to support projects that reduce greenhouse gas emissions and prioritize benefits for environmental justice communities in Oregon.

(4) DEQ administers this division in all areas of the State of Oregon.

(5) (a) Whenever the DEQ Director has good cause to believe that any person is engaged or is about to engage in any acts or practices that constitute a violation of this division, the Director may authorize DEQ to institute actions or proceedings for legal or equitable remedies to enforce compliance thereto or to restrain further violations.

(b) The proceedings authorized by subsection (a) may be instituted without the necessity of prior DEQ notice, hearing and order.

(c) The provisions of this section are in addition to and not in substitution of any other civil or criminal enforcement provisions available to DEQ. This includes, without limitation, the authority to impose civil penalties and issue orders according to ORS Chapter 468.090 to 468.140 and OAR chapter 340, divisions 11 and 12.

(6) If any dates under this division occur on a Saturday, Sunday, or a state holiday, the deadline is extended to the following business day.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040, 468A.050 & 468A.135

Statutes/Other Implemented: ORS 468.020, 468.035, 468.010, 468A.015, 468A.025, 468A.040, 468A.045, 468A.050, 468A.135 & 468A.295

340-273-0020

Definitions

The definitions in OAR 340-200-0020, OAR 340-215-0020, and this rule apply to this division. If the same term is defined in this rule and either or both OAR 340-200-0020 and OAR 340-215-0020, the definition in this rule applies to this division. If the same term is defined in OAR 340-200-0020 and OAR 340-215-0020, but not in this rule, then the definition in OAR 340-215-0020 applies to this division.

(1) “Air contamination source” has the meaning given the term in ORS 468A.005. Air contamination sources include, without limitation, stationary sources, fuel suppliers, in-state fuel producers, and local distribution companies.

(2) “Biomass-derived fuels” has the meaning given the term in OAR 340-215-0020. Biomass-derived fuels include, without limitation, biomethane, biodiesel, renewable diesel, renewable propane, woody biomass, and ethanol.

- (3) “Cap” means the total number of compliance instruments generated by DEQ for each calendar year.
- (4) “Climate Protection Program permit” or “CPP permit” means a permit issued to a covered entity according to this division.
- (5) “Community climate investment credit” or “CCI credit” or “credit” means an instrument issued by DEQ to track a covered entity’s payment of community climate investment funds, and which may be used in lieu of a compliance instrument, as further provided and limited in this division.
- (6) “Community climate investments,” “community climate investment funds” or “CCI funds” means money paid by a covered entity to a community climate investment entity to support implementation of community climate investment projects and any interest that accrues on the money while it is held by a CCI entity or subcontractor.
- (7) “Community climate investment entity” or “CCI entity” means a nonprofit organization that has been approved by DEQ as a CCI entity and that has entered into a written agreement with DEQ consistent with OAR 340-273-0920 to implement projects supported by community climate investment funds.
- (8) “Compliance instrument” means an instrument issued by DEQ that authorizes the emission of one MT CO₂e of greenhouse gases.
- (9) “Compliance obligation” means the total quantity of covered emissions from a covered fuel supplier rounded down to the nearest metric ton of CO₂e.
- (10) “Compliance period” means a period of multiple consecutive calendar years, as described in OAR 340-273-0440.
- (11) “Covered direct natural gas source” or “Covered DNG source” means an air contamination source as described in OAR 340-273-0110(6).
- (12) “Covered EITE source” means an air contamination source as described in OAR 340-273-0110(5).
- (13) “Covered emissions” means the greenhouse gas emissions described in any of subsections OAR 340-273-0110(3)(b), (4)(b), (5)(b), and 6(b) for which covered entities may be subject to the requirements of this division.
- (14) “Covered entity” means an air contamination source subject to the requirements of this division. A covered entity may be one or more of a covered fuel supplier, a covered EITE source, or a covered DNG source.
- (15) “Covered fuel supplier” means an air contamination source that is one or more of the following:
- (a) A fuel supplier or in-state producer as described in OAR 340-273-0110(3); or
 - (b) A local distribution company as described in OAR 340-273-0110(4).
- (16) “Designated representative” means the person responsible for certifying, signing,

and submitting any registration, report, or form required to be submitted according to this division, on behalf of a covered entity. For the owner or operator of a covered entity with an Oregon Title V Operating Permit, the designated representative is the responsible official and certification must be consistent with OAR 340-218-0040(5).

(17) “Direct natural gas source” or “DNG source” means a stationary source that uses natural gas distributed to the source by an entity other than a local distribution company.

(18) “Emissions-intensive and trade-exposed source” or “EITE source” means a stationary source engaged in a sector described in OAR 340-273-9000 Table 7.

(19) “Eligible projects” means projects undertaken by a CCI entity that reduce anthropogenic greenhouse gas emissions as described in OAR 340-273-0900(2)(a).

(20) “Environmental justice communities” means 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.

(21) “Nominal electric generating capacity” has the meaning given in ORS 469.300.

(22) “Shut down” means that all operations of a covered entity are permanently shut down, including but not limited to decommissioning and cancelling air permits. Permanent shutdown may include continued operations of space heaters and water heaters as necessary to support decommissioning activities.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0030

Acronyms

(1) “CCI” means community climate investment.

(2) “CFR” means Code of Federal Regulations.

(3) “CPI-U West” means the US Bureau of Labor and Statistics West Region Consumer Price Index for All Urban Consumers for all Items.

(4) “CPP” means Oregon Climate Protection Program established in this division.

(5) “DEQ” means Oregon Department of Environmental Quality.

(6) “EITE” means emissions-intensive and trade-exposed.

(7) “EQC” means Environmental Quality Commission.

(8) “EPA” means US Environmental Protection Agency.

(9) “IRS” means US Internal Revenue Service.

(10) “Metric tons of CO₂e” or “MT CO₂e” means metric tons of carbon dioxide equivalent.

(11) “NAICS” means North American Industry Classification System.

(12) “US” means United States.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0090

Overview of Program Provisions for Covered Entities and CCI Entities

(1) OAR 340-273-0100 describes general requirements for covered entities.

(2) OAR 340-273-0110 describes which air contamination sources are covered entities subject to the requirements of the CPP.

(3) OAR 340-273-0120, OAR 340-273-0130, and 340-273-0150 describe covered entity requirements including notifying DEQ of changes in ownership, operational control, and related entities; cessation of applicability; and requirements to obtain CPP permits, respectively.

(4) OAR 340-273-400 describes the generation of compliance instruments under the cap.

(5) OAR 340-273-0410 through OAR 340-273-0890 describe the provisions that apply to covered entities.

(6) OAR 340-273-0900 through OAR 340-273-0990 describe the provisions for how DEQ will approve CCI entities and how CCI entities will implement eligible projects supported by CCI funds.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468.065, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0100

Oregon Climate Protection Program Requirements

(1) A person who owns or operates a covered entity must comply with the rules in this division, including all provisions of this division that create any type of obligation of, or requirement that applies to, the covered entity that such person owns or operates. Compliance with this division does not relieve a person who owns or operates a covered entity of the obligation to comply with any other provisions of OAR chapter 340, as applicable.

(2) A person who owns or operates a covered entity identified in OAR 340-273-0110 must apply for and hold a CPP permit according to OAR 340-273-0150 that authorizes the person's covered emissions and subjects the person to the requirements of this division.

(3) A person who owns or operates a covered entity must submit reports and attestations required in this division, as applicable.

(4) A person who owns or operates a covered entity must develop and retain all records required in this division, as applicable.

(5) A person who owns or operates a covered entity must use forms and reporting tools approved and issued by DEQ for all certifications, attestations and submissions. All submissions must be made electronically unless otherwise requested or approved by DEQ.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468.065, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0110

Covered Entity and Covered Emissions Applicability

(1) Calculations of covered emissions, compliance obligations, and distribution of compliance instruments will be based on emissions data and information submitted in accordance with this rule and in emissions data reports submitted by a person described in this rule and required according to OAR chapter 340, division 215, which may be subject to verification according to OAR chapter 340, division 272. For any person that does not submit sufficient information in compliance with OAR chapter 340, divisions 215 and 272, calculations will be informed by additional best data available to DEQ. For any person that has not registered and reported according to division 215, such calculations will be based on the best data available to DEQ, following all reporting requirements and assumptions that would be applicable had the person reported according to that division.

(2) A covered entity is subject to the requirements of this division for its covered emissions described in this rule. A person remains a covered entity until cessation is met according to OAR 340-273-0130.

(3) Applicability for fuel suppliers and in-state fuel producers. A person is a covered fuel supplier if the person is described in subsection (a) and has annual covered emissions described in subsection (b) in any applicability determination calendar year that equal or exceed the threshold for applicability listed in Table 1 in OAR 340-273-9000. All persons that are related entities must aggregate their emissions together to determine applicability and each becomes a covered fuel supplier if applicability is met. When applicability is met, each person is a covered fuel supplier beginning with the calendar year a person becomes a covered fuel supplier, as provided in Table 1 in OAR 340-273-9000. Once a person is a covered fuel supplier, the person remains a covered fuel

supplier until the person has met the cessation requirements according to OAR 340-273-0130.

(a) The person is a fuel supplier or in-state producer that imports, sells, or distributes fuel for use in Oregon, and is one or more of the following:

(A) A dealer, as that term is defined in ORS 319.010 that is subject to the Oregon Motor Vehicle and Aircraft Fuel Dealer License Tax in OAR chapter 735, division 170;

(B) A seller, as that term is defined in ORS 319.520, that is subject to the Oregon Use Fuel Tax in OAR chapter 735, division 176;

(C) A person that produces, imports, sells, or distributes gasoline or distillate fuel oil for use in Oregon and that is not subject to the Oregon Motor Vehicle and Aircraft Fuel Dealer License Tax or the Oregon Use Fuel Tax in OAR chapter 735, divisions 170 and 176; or

(D) A person that either produces propane in Oregon or imports propane for use in the state.

(b) Except as provided in paragraph (B), covered emissions include emissions described in paragraph (A).

(A) Covered emissions include emissions of anthropogenic greenhouse gases in metric tons of CO₂e that would result from the complete combustion or oxidation of the annual quantity of propane and liquid fuels (including, for example and without limitation, gasoline and petroleum products) imported, sold, or distributed for use in this state.

(B) Covered emissions do not include:

(i) Emissions that are from the combustion of biomass-derived fuels;

(ii) Emissions that are from the combustion of fuels used for aviation including, for example and without limitation, aviation gasoline, kerosene-type jet fuel, and alternative jet fuel;

(iii) Emissions described in 40 CFR part 98 subpart W – Petroleum and Natural Gas Systems; and

(iv) Emissions from fuels that have been used in a manner other than combustion or oxidization, and that does not result in material emissions of CO₂e, if documented in information provided to DEQ.

(4) Applicability for local distribution companies. A person is a covered fuel supplier if the person is described in subsection (a) and has annual covered emissions described in subsection (b) in 2020 or any subsequent calendar year, unless the person has met the cessation requirements according to OAR 340-273-0130.

(a) The person is a local distribution company that either produces natural gas, compressed natural gas, or liquefied natural gas in Oregon, or that imports, sells, or distributes natural gas, compressed natural gas, or liquefied natural gas to end users in the state.

(b) Except as provided in paragraph (B), covered emissions include emissions described in paragraph (A).

(A) Covered emissions include emissions of anthropogenic greenhouse gases in metric tons of CO₂e that would result from the complete combustion or oxidation of the annual quantity of natural gas imported, sold, or distributed for use in this state.

(B) Covered emissions do not include:

(i) Emissions that are from the combustion of biomass-derived fuels;

(ii) Emissions described in 40 CFR part 98 subpart W – Petroleum and Natural Gas Systems;

(iii) Emissions avoided where the use of natural gas results in greenhouse gas emissions captured and stored, if documented by information provided to DEQ under approved protocols;

(iv) Emissions from natural gas delivered to an air contamination source that is an electric power generating plant with a total nominal electric generating capacity greater than or equal to 25 megawatts; and

(v) Emissions from the combustion or oxidation of natural gas at a covered EITE source as described in section (5).

(5) Applicability for EITE sources. A person is a covered EITE source if the person is described in subsection (a) and has annual covered emissions described in subsection (b) in 2020 or any subsequent calendar year that equal or exceed 15,000 MT CO₂e.

(a) The person owns or operates a source engaged in a sector described in OAR 340-273-9000 Table 7.

(b) Except as provided in paragraph (B), covered emissions include emissions described in paragraph (A).

(A) Covered emissions include all emissions of anthropogenic greenhouse gases in metric tons of CO₂e, including without limitation, emissions from all uses of natural gas and solid fuels, from energy production, from industrial processes, and from any other processes.

(B) Covered emissions do not include:

(i) Emissions from the use of biomass-derived fuels;

(ii) Emissions from the use of liquid fuels or propane;

(iii) Emissions from an air contamination source that is owned or operated by an interstate natural gas pipeline and that is operating under authority of a certificate of public convenience and necessity issued by the Federal Energy Regulatory Commission;

(iv) Emissions from an air contamination source that is an electric power

generating plant with a total nominal electric generating capacity greater than or equal to 25 megawatts.

(v) Emissions described in 40 CFR part 98 subpart HH – Municipal Solid Waste Landfills;

(vi) Emissions described in 40 CFR part 98 subpart TT – Industrial Waste Landfills; and

(vii) Emissions avoided where greenhouse gas emissions are captured and stored, if documented by information provided to DEQ under approved protocols;

(6) Applicability for direct natural gas sources. A person is a covered DNG source if the person is described in subsection (a) and has annual covered emissions described in subsection (b) in 2020 or any subsequent calendar year that equal or exceed 15,000 MT CO₂e.

(a) The person owns or operates a stationary source that:

(A) Is not in a source classification described in OAR 340-273-9000 Table 7; and

(B) Uses natural gas distributed to the source by an entity other than a local distribution company.

(b) Except as provided in paragraph (B), covered emissions include emissions described in paragraph (A).

(A) Covered emissions include all emissions of anthropogenic greenhouse gases in metric tons of CO₂e, including without limitation, emissions from all uses of natural gas and solid fuels, from energy production, from industrial processes, and from any other processes.

(B) Covered emissions do not include:

(i) Emissions from the use of biomass-derived fuels;

(ii) Emissions from the use of liquid fuels or propane;

(iii) Emissions from an air contamination source that is owned or operated by an interstate natural gas pipeline and that is operating under authority of a certificate of public convenience and necessity issued by the Federal Energy Regulatory Commission;

(iv) Emissions from an air contamination source that is an electric power generating plant with a total nominal electric generating capacity greater than or equal to 25 megawatts;

(v) Emissions described in 40 CFR part 98 subpart HH – Municipal Solid Waste Landfills;

(vi) Emissions described in 40 CFR part 98 subpart TT – Industrial Waste Landfills;

(vii) Emissions avoided where greenhouse gas emissions are captured and stored, if

documented by information provided to DEQ under approved protocols; and

(viii) Emissions from natural gas, compressed natural gas, or liquefied natural gas used on site that was delivered by a local distribution company.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0120

Changes in Covered Entity Ownership and Changes to Related Entities

(1) Changes in ownership or operational control.

(a) If a covered entity undergoes a change in ownership or operational control, the new person that owns or operates the covered entity must notify DEQ in writing within 30 days of the ownership or operational control change. The person must submit a complete and accurate notification, including providing the following information:

(A) The name of the previous owner or operator;

(B) The name of the new owner or operator;

(C) The date of ownership or operator change;

(D) Name of the designated representative;

(E) If the covered entity is a covered fuel supplier that is not a local distribution company information about each person that was a related entity prior to the change in ownership or operational control and that was required to report emissions according to OAR chapter 340, division 215, including legal name, full mailing address, and whether each is a covered fuel supplier and holds a CPP permit; and

(F) If the covered entity is a covered fuel supplier that is not a local distribution company, information about each person that is a related entity after the change in ownership or operational control and that is required to report emissions according to OAR chapter 340, division 215, including legal name, full mailing address, and whether each is a covered fuel supplier and holds a CPP permit.

(b) The covered entity continues to be a covered entity following a change in ownership or operational control, until it meets the cessation requirements in OAR 340-273-0130. Any other covered entity that was a related entity also continues to be a covered entity following the change in ownership or operational control, until it meets the cessation according to OAR 340-273-0130.

(c) Following a change in ownership or operational control, a covered fuel supplier that holds a compliance instrument or CCI credit according to OAR 340-273-0430 or OAR 340-273-0830 continues to hold the compliance instrument or CCI credit according to each rule, as applicable.

(2) Changes to related entities of covered fuel suppliers.

(a) If a person subject to any regulations in OAR chapter 340, division 215, becomes a new related entity to a covered fuel supplier that is not a local distribution company due to a change in ownership or operational control, the designated representative of the covered fuel supplier must notify DEQ in writing, on a form approved by DEQ, within 30 days of the ownership or operational control change. The designated representative must submit a complete and accurate notification, including providing the following information:

(A) Information about the new related entity, including legal name, full mailing address, and whether the person is a covered fuel supplier and holds a CPP permit;

(B) The name of the previous owner or operator of the new related entity;

(C) The name of the new owner or operator of the new related entity;

(D) The date of ownership or operator change for the new related entity; and

(E) Information about all other related entities subject to any regulations in OAR chapter 340, including legal names, full mailing addresses, and whether each is a covered fuel supplier and holds a CPP permit.

(b) If the person that is the new related entity to a covered fuel supplier identified in paragraph (a)(A) is not already a covered fuel supplier, the person:

(A) Becomes a covered fuel supplier beginning with the date of ownership or operator change;

(B) Must apply to DEQ for a CPP permit according to OAR 340-273-0150(1)(a)(B); and

(C) If the person is a covered fuel supplier, the person will have compliance obligations beginning with covered emissions from the calendar year in which the ownership or operator change occurred.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468.065, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0130

Cessation of Covered Entity Applicability

(1) Cessation for covered fuel suppliers.

(a) A person that is a covered fuel supplier as described in OAR 340-273-0110 remains a covered fuel supplier until the person receives written notification from DEQ after either or both:

(A) The person's annual covered emissions are 0 (zero) MT CO₂e for six consecutive calendar years. If the person is not a local distribution company, the covered emissions of the person's related entities must also be 0 (zero) MT CO₂e for the same six consecutive calendar years; or

(B) The person was designated a covered fuel supplier in OAR 340-273-0110(3), the

sum of its annual covered emissions and the annual covered emissions of its related entities are less than 25,000 MT CO₂e for six consecutive calendar years and the person applies to DEQ according to subsection (c).

(b) After a covered fuel supplier identified according to paragraph (a)(A) demonstrates compliance with compliance obligations for the years up to and including the years described in paragraph (a)(A), DEQ will notify the designated representative of the covered fuel supplier in writing that cessation is met.

(c) In order for cessation according to paragraph (a)(B) to take effect, a covered fuel supplier must apply to cease being a covered fuel supplier by submitting the following information to DEQ on a form approved by DEQ:

(A) Information about the covered fuel supplier, including:

(i) Name and full mailing address, and website; and

(ii) Designated representative's contact information including name, title or position, phone number, and email address;

(B) If the person is not a local distribution company information about each related entity required to report emissions according to OAR chapter 340, division 215, for each of the six consecutive calendar years, including legal name, full mailing address, and whether each is a covered fuel supplier and holds a CPP permit;

(C) Information about remaining requirements that must be met according to this division at the time the application is submitted to DEQ; and

(D) The following attestation, signed by the designated representative of the covered fuel supplier:

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief, the information provided in this form is true, accurate, and complete. [Covered fuel supplier] meets the eligibility for cessation as a covered fuel supplier according to Oregon Administrative Rules chapter 340, division 273. I understand that ceasing to be a covered fuel supplier means that [covered fuel supplier] will also cease to hold any compliance instruments and CCI credits.

(d) After the covered fuel supplier applying for cessation according to paragraph (a)(B) and subsection (c) demonstrates compliance with compliance obligations for the years up to and including the years described in paragraph (a)(B), DEQ will notify the designated representative of the covered fuel supplier in writing that the application for cessation is approved and that cessation is met.

(e) A person that ceases to be a covered fuel supplier according to this section must comply with all remaining applicable recordkeeping requirements of this division from the last date on which the person was a covered fuel supplier.

(f) When a person ceases to be a covered fuel supplier:

(A) The cessation does not change the compliance obligation for any year for which the

person has already demonstrated compliance;

(B) Any remaining compliance instruments held by the person will be retired, held in reserve, or distributed by DEQ according to OAR 340-273-0430(3); and

(C) Any remaining community climate investment credits held by the person will be canceled according to OAR 340-273-0830(1)(c).

(2) Cessation for covered EITE sources.

(a) A person that is a covered EITE source as described in OAR 340-273-0110(5) remains a covered EITE source until the person receives written notification from DEQ after either or both:

(A) The person's annual covered emissions are 0 (zero) MT CO₂e for six consecutive calendar years.; or

(B) The person's annual covered emissions are less than 15,000 MT CO₂e for six consecutive calendar years and the person applies to DEQ according to subsection (c).

(b) After a covered EITE source identified according to paragraph (2)(a)(A) demonstrates compliance with compliance obligations for the years up to and including the years described in paragraph (a)(A), DEQ will notify the designated representative of the covered EITE source in writing that cessation is met.

(c) In order for cessation according to paragraph (2)(a)(B) to take effect, a covered EITE source must apply to cease being a covered EITE source by submitting the following information to DEQ on a form approved by DEQ:

(A) Information about the covered EITE source, including:

(i) Name and full mailing address; and

(ii) Designated representative's contact information including name, title or position, phone number, and email address;

(B) Information about remaining requirements that must be met according to this division at the time the application is submitted to DEQ; and

(C) The following attestation, signed by the designated representative of the covered EITE source:

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief, the information provided in this form is true, accurate, and complete. [EITE source name] meets the eligibility for cessation as a covered EITE source according to Oregon Administrative Rules chapter 340, division 273. I understand that ceasing to be a covered EITE source means that [EITE source name] will also cease to hold any compliance instruments and CCI credits.

(d) After the covered EITE source applying for cessation according to paragraph (a)(B) and subsection (c) demonstrates compliance with compliance obligations for the years up to and including the years described in paragraph (a)(B), DEQ will notify the

designated representative of the covered EITE source in writing that the application for cessation is approved and that cessation is met.

(e) A person that ceases to be a covered EITE source according to this section must comply with all remaining applicable recordkeeping requirements of this division from the last date on which the person was a covered EITE source.

(f) When a person ceases to be a covered EITE source:

(A) The cessation does not change the compliance obligation for any year for which the person has already demonstrated compliance;

(B) Any remaining compliance instruments held by the person will be retired, held in reserve, or distributed by DEQ according to OAR 340-273-0430(3); and

(C) Any remaining community climate investment credits held by the person will be canceled according to OAR 340-273-0830(1)(c).

(3) Cessation for covered DNG sources.

(a) A person that is a covered DNG source as described in OAR 340-273-0110(6) remains a covered DNG source until the person receives written notification from DEQ after either or both:

(A) The person's annual covered emissions are 0 (zero) MT CO₂e for six consecutive calendar years.; or

(B) The person's annual covered emissions are less than 15,000 MT CO₂e for six consecutive calendar years and the person applies to DEQ according to subsection (c).

(b) After a covered DNG source identified according to paragraph (3)(a)(A) demonstrates compliance with compliance obligations for the years up to and including the years described in paragraph (a)(A), DEQ will notify the designated representative of the covered DNG source in writing that cessation is met.

(c) In order for cessation according to paragraph (3)(a)(B) to take effect, a covered DNG source must apply to cease being a covered DNG source by submitting the following information to DEQ on a form approved by DEQ:

(A) Information about the covered DNG source, including:

(i) Name and full mailing address; and

(ii) Designated representative's contact information including name, title or position, phone number, and email address.

(B) Information about remaining requirements that must be met according to this division at the time the application is submitted to DEQ; and

(C) The following attestation, signed by the designated representative of the covered DNG source:

I certify under penalty of perjury under the laws of the State of Oregon that to the best

of my knowledge and belief, the information provided in this form is true, accurate, and complete. [DNG source name] meets the eligibility for cessation as a covered DNG source according to Oregon Administrative Rules chapter 340, division 273. I understand that ceasing to be a covered DNG source means that [DNG source name] will also cease to hold any compliance instruments and CCI credits.

(d) After the covered DNG source applying for cessation according to paragraph (a)(B) and subsection (c) demonstrates compliance with compliance obligations for the years up to and including the years described in paragraph (a)(B), DEQ will notify the designated representative of the covered DNG source in writing that the application for cessation is approved and that cessation is met.

(e) A person that ceases to be a covered DNG source according to this section must comply with all remaining applicable recordkeeping requirements of this division from the last date on which the person was a covered DNG source.

(f) When a person ceases to be a covered DNG source:

(A) The cessation does not change the compliance obligation for any year for which the person has already demonstrated compliance;

(B) Any remaining compliance instruments held by the person will be retired, held in reserve, or distributed by DEQ according to OAR 340-273-0430(3); and

(C) Any remaining community climate investment credits held by the person will be canceled according to OAR 340-273-0830(1)(c)

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0150

Covered Entity Permit Requirements

(1) A person described in either or both OAR 340-273-0110(3) or (4) must apply for a CPP permit as provided in this section.

(a) The person must apply for a CPP permit according to subsections (b) and (c) by the following deadlines:

(A) If DEQ notifies the person in writing that the person is a covered fuel supplier, then the person must apply to DEQ for a CPP permit within 30 days of the notification or by another date DEQ specifies in the notification that is at least 30 days after the date of the notification;

(B) If DEQ does not provide a notification according to paragraph (A), then the person must apply to DEQ for a CPP permit by April 15 of the year after the calendar year that the person becomes a covered fuel supplier; or

(C) If there was a change in ownership or operational control according to OAR 340-273-0120(2), then the person must apply to DEQ for a CPP permit within 45 days of the

change in ownership or operational control.

(b) A person that submits a CPP permit application to DEQ must submit a complete and accurate application. The application for a CPP permit must be submitted to DEQ using a form approved by DEQ and include:

(A) Identifying information about the covered fuel supplier including name, full mailing address, and website, and designated representative's contact information including name, title or position, phone number, and email address;

(B) If the person is a covered fuel supplier that is not a local distribution company, information about each related entity required to report emissions according to OAR chapter 340, division 215, including legal name, full mailing address, and whether each is a covered fuel supplier and holds a CPP permit; and

(C) The following attestation, signed by the designated representative of the person considered a covered fuel supplier;

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief, the information provided in this form is true, accurate, and complete. [Covered entity] meets the Climate Protection Program applicability requirements described in OAR 340-273-0110 and requests a permit with the understanding that [covered entity] must comply with such permit as provided in Oregon Administrative Rules chapter 340, division 273.

(c) DEQ may issue a CPP permit to a covered fuel supplier that submits a complete and accurate application. The permit may contain all applicable provisions of this division and such other conditions as DEQ determines are necessary to implement, monitor and ensure compliance with this division.

(2) A person described in either OAR 340-273-0110(5) or (6) must apply for a CPP permit as provided in this section.

(a) The CPP permit application deadlines are:

(A) If DEQ notifies the owner or operator in writing that they are a covered entity, then the owner or operator must apply to DEQ for a CPP permit within 60 days of the notification or by another date DEQ specifies in the notification that is at least 60 days after the date of the notification; or

(B) If DEQ does not provide a notification according to paragraph (A), then the owner or operator must apply to DEQ for a CPP permit by April 15 of the year after the calendar year that the EITE source or DNG source becomes a covered entity.

(b) A covered EITE source or DNG source that submits a CPP permit application to DEQ must submit a complete and accurate application. The application for a CPP permit must be submitted to DEQ using a form approved by DEQ and include:

(A) Identifying information about the covered entity, including name and the name of the person that owns or operates the covered entity, full mailing address, the physical address of the covered entity, and a description of the nature of business being

operated, the name, phone number and email address of the designated representative who is responsible for compliance with the permit, the permit number for a source that has already been issued an air quality permit, and the primary and any secondary NAICS code(s) of the covered entity;

(B) A process flow diagram showing the complete production or operational process at the covered entity including all emission units;

(C) For each process or product produced by the covered entity:

(i) The type of process or product and a proposed metric of emissions intensity;

(ii) The level of process or quantity of product produced in each of the 5 previous calendar years, or all years of operation if the facility has not been in operation for 5 years; and

(iii) A calculation of all greenhouse gas emissions in MT CO₂e resulting from the process or production of the product in each of the same five previous calendar years used in subparagraph (ii). If multiple processes or products are produced at the covered entity, provide a methodology for allocating emissions to each product; and

(D) Any other information requested by DEQ.

(c) DEQ may issue a CPP permit to a covered EITE source or covered DNG source that submits a complete and accurate application. The permit may contain all applicable provisions of this division and such other conditions as DEQ determines are necessary to implement, monitor and ensure compliance with this division.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.135

Statutes/Other Implemented: ORS 468.020, 468.065, 468A.025, 468A.040, 468A.135, 468.035, 468A.010, 468A.015 & 468A.045

340-273--0400

Generation of Compliance Instruments

(1) Each year, DEQ will generate the number of compliance instruments equal to the cap for the calendar year identified in Table 2 in OAR 340-273-9000.

(2) Additional 2025 compliance instruments. DEQ will add together the 2022, 2023, and 2024 emissions that would have been considered covered emissions as described in OAR 340-273-0110(3)(B) for all fuel suppliers that individually, or as a group of related entities, had covered emissions greater than or equal to 200,000 MT CO₂e from any calendar year between 2018 and 2022, and DEQ will compare these total emissions to a benchmark of 81,003,850 MT CO₂e. If the total emissions from those fuel suppliers are at least 10,000 MT CO₂e below the benchmark, DEQ will generate additional compliance instruments equal to the difference between those total emissions and 81,003,850 and will distribute those additional compliance instruments in 2025 as described in OAR 340-273-0420(5).

(3) A compliance instrument is a regulatory instrument and does not constitute personal property, a security or any other form of property.

(4) Compliance instruments may not be divided into fractions.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

273-0410

Distribution of Compliance Instruments to Covered Emissions-Intensive and Trade-Exposed Sources and Covered Direct Natural Gas Sources

(1) DEQ will distribute compliance instruments annually to covered EITE sources and covered DNG sources according to this rule. DEQ will distribute compliance instruments from a cap no later than June 30 of each calendar year.

(2) In order to be eligible for an annual distribution of compliance instruments, a covered EITE source or covered DNG source must:

(a) Provide DEQ with timely and accurate reports as required under OAR Chapter 340, Division 215; and

(b) Hold a CPP permit as required by OAR 340-273-0150(4).

(3) Covered EITE sources and covered DNG sources are exempt from compliance obligations for the first compliance period.

(a) Covered EITE sources and covered DNG sources do not have compliance obligations for covered emissions for 2025, 2026, and 2027.

(b) Covered EITE sources and covered DNG sources will not receive a distribution of compliance instruments in 2025, 2026, or 2027.

(4) The EQC recognizes that EITE sources may face competition from sources operating outside of Oregon and not subject to these rules. Avoiding leakage of emissions and economic activity to other jurisdictions as a result of the cost of compliance with this division of rules is a critical objective of this division of rules. To achieve this objective while hastening investments to decarbonize manufacturing in Oregon, DEQ staff will work to develop a proposed baseline emissions intensity value for each covered EITE source and covered DNG source for the second and subsequent compliance periods from data provided by each covered entity. DEQ staff anticipates that the proposed baseline emissions intensity value would calculate the number of metric tons of CO₂e emitted per unit of applicable product or operational process for each covered entity, and then DEQ staff would propose to establish an annual decline from the proposed baseline emissions intensity value for all such covered entities. Each calendar year DEQ could propose to distribute to each covered EITE source and covered DNG source compliance instruments from the annual cap equivalent to the applicable emission intensity target times the number of applicable units using emissions and production data from the previous calendar year. DEQ staff will develop this proposal for potential adoption by the EQC.

(5) For the second and subsequent compliance periods, DEQ will distribute compliance instruments to each covered EITE source and covered DNG source equal to the covered entity's average covered emissions for 2022 through 2023 multiplied by the emission reduction target in OAR 340-273-9000 Table 8 for each year of the compliance period. If DEQ does not have emissions data for a covered EITE source or covered DNG source for either or both 2022 and 2023, DEQ will replace the missing year(s) with the most recent calendar year(s) of emissions data that is available from calendar years 2017 through 2024. If DEQ only has one year of emissions data for a covered EITE source or covered DNG source between 2017 and 2024, DEQ will distribute the number of compliance instruments equal to the covered entity's covered emissions for that one year. If DEQ does not have any emissions data for a covered entity from 2017 through 2024, DEQ will distribute compliance instruments equal to the covered entity's 2024 covered emissions.

(6) A covered EITE source or covered DNG source that begins operations in 2025 or any subsequent year will not incur a compliance obligation for covered emissions occurring until the first year of the next compliance period after they become a covered entity.

(a) For any covered EITE source or covered DNG source that begins operations in 2025 or any subsequent year, DEQ will use the most recent year(s) of available data to calculate a covered emissions baseline, up to two years.

(b) A covered EITE source or covered DNG source that begins operations in 2025 or any subsequent year will not receive a distribution of compliance instruments until the first year of the next compliance period after becoming a covered entity.

(c) Beginning in the first year of the next compliance period after becoming a covered EITE source, the EITE source will receive a distribution of compliance instruments equal to the covered EITE source's emissions baseline, as described in subsection (a), multiplied by an emission reduction target of 1. The emissions reduction target will decrease by 0.03 per year until this target reaches an equivalent emissions reduction to the emissions reduction target for that calendar year outlined in Table 8.

(d) Beginning in the first year of the next compliance period after becoming a covered DNG source, the DNG source will receive a distribution of compliance instruments equal to the covered DNG source's emissions baseline, as described in subsection (a), multiplied by an emission reduction target of 1. The emissions reduction target will decrease by 0.05 per year until this target reaches an equivalent emissions reduction to the emissions reduction target for that calendar year outlined in Table 8.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0420

Distribution of Compliance Instruments to Covered Fuel Suppliers

(1) DEQ will distribute compliance instruments to covered fuel suppliers according to this rule. DEQ will distribute compliance instruments from a cap according to sections (2), (3), (4), (5), (6), and (7) no later than June 30 of the calendar year of that cap.

(2) Annual distribution of compliance instruments to covered fuel suppliers that are local distribution companies. DEQ will annually distribute to each local distribution company, or to its successor(s) due to a change in ownership or operation, the percentage of compliance instruments from the calendar year's cap stated in Table 4 in OAR 340-273-9000. This percentage shall be derived from the remaining compliance instruments under the cap after the number of compliance instruments distributed to covered EITE sources and covered DNG sources according to OAR 340-273-0410 are subtracted from the cap.

(3) DEQ will establish a compliance instrument reserve for covered fuel suppliers that are new to the program and are not local distribution companies. DEQ will hold, according to subsection (4)(a), a subset of compliance instruments in the reserve from the caps identified in Table 2 in OAR 340-273-9000. Once a compliance instrument is held in the reserve, it remains in the reserve until DEQ determines, at its discretion, to undertake one of the following actions:

(a) DEQ distributes the compliance instrument according to section (6) to a new covered fuel supplier that is not a local distribution company;

(b) DEQ retires the compliance instrument because the compliance instrument reserve exceeds the size described in Table 3 OAR 340-273-9000, provided that after such retirement the size of the compliance instrument reserve will equal or exceed the reserve size described in Table 3; or

(c) DEQ distributes the compliance instrument to a covered fuel supplier that is not a local distribution company because the size of the compliance instrument reserve exceeds the reserve size described in Table 3 in OAR 340-273-9000. DEQ will only distribute compliance instruments from the reserve according to this subsection if there are at least 10,000 compliance instruments to distribute and if the remaining size of the reserve after this distribution will equal or exceed the reserve size described in Table 3 in OAR 340-273-9000. DEQ will calculate the number of compliance instruments to distribute to each covered fuel supplier that is not a local distribution company according to subsection (4)(b), except "total compliance instruments to distribute" means the total number of compliance instruments DEQ is distributing from the reserve according to this subsection.

(4) Annual distribution of compliance instruments to covered fuel suppliers that are not local distribution companies. DEQ will annually distribute compliance instruments from the applicable calendar year's cap to covered fuel suppliers that are not local distribution companies as follows:

(a) If the size of the compliance instrument reserve is less than the reserve size described in Table 3 in OAR 340-273-9000 for the calendar year, then DEQ will calculate the difference and hold in the compliance instrument reserve that quantity of

compliance instruments. Otherwise, the number of compliance instruments in the reserve will not be changed.

(b) Except for compliance instruments identified in Table 4 in OAR 340-273-9000 for distribution according to section (2) and the compliance instruments held in the reserve according to section (3) and subsection (4)(a), DEQ will calculate the number of compliance instruments to distribute to each covered fuel supplier that is not a local distribution company as described in this subsection, including paragraphs (A) through (E), based on emissions data from the prior calendar year as reported by each covered fuel supplier as required by OAR chapter 340, division 215, and subject to DEQ's initial review for errors, but prior to completion of third-party verification as required by OAR chapter 340, division 272. A person that becomes a covered fuel supplier after DEQ has distributed the compliance instruments for that year will not receive a distribution under this subsection.

(A) Beginning with the 2026 annual distribution of compliance instruments, prior to each calculation of compliance instrument distribution described in paragraph (B), DEQ will apply a "Verified emissions data correction factor" to the annual compliance instrument distribution of each covered fuel supplier. DEQ will recalculate the compliance instrument distribution from the previous year using third-party verified emissions data. If DEQ determines that the reported emission data used for the previous year's compliance instrument distribution resulted in a lesser or greater number of compliance instruments being distributed to a covered fuel supplier, when compared to the recalculation using the third-party verified data, DEQ will increase or reduce, respectively, the number of compliance instruments distributed to the covered fuel supplier by an equal amount in the current compliance instrument distribution.

(B) DEQ will use the following formula to calculate the number of compliance instruments to distribute to each covered fuel supplier:

Number of Compliance Instruments = (Total compliance instruments to distribute * ([Covered fuel supplier covered emissions + covered fuel supplier biofuel emissions] / Total emissions)) ± Verified emissions data correction factor – Compliance instrument holding limit reduction

(C) As used in the formula in paragraph (B):

(i) "Total compliance instruments to distribute" means the cap for the calendar year, according to Table 2 in OAR 340-273-9000, minus the number of compliance instruments identified in Table 4 in OAR 340-273-9000; and minus the number of compliance instruments held in the compliance instrument reserve;

(ii)(I) For the 2026 and all subsequent annual distributions, "covered fuel supplier covered emissions" means the sum of a covered fuel supplier's covered emissions for the prior calendar year;

(II) For the 2025 annual distribution of compliance instruments, each covered fuel supplier's "covered fuel supplier covered emissions" will be either the sum of the covered fuel supplier's verified covered emissions for the 2023 calendar year or the sum

of the covered fuel supplier's unverified covered emissions for the 2024 calendar year. The verified 2023 data will be used if the sum of a covered fuel supplier's verified 2023 covered emissions plus the verified emissions described in OAR 340-271-0110(3)(b)(B)(i) that result from the complete combustion or oxidation of all biomass-derived fuels that the covered fuel supplier imported, sold, or distributed for use in the state in 2023 is greater than the sum of a covered fuel supplier's unverified 2024 covered emissions plus the unverified emissions described in OAR 340-271-0110(3)(b)(B)(i) that result from the complete combustion or oxidation of all biomass-derived fuels that the covered fuel supplier imported, sold, or distributed for use in the state in 2024. The unverified 2024 data will be used if the sum of a covered fuel supplier's unverified 2024 covered emissions plus the unverified emissions described in OAR 340-271-0110(3)(b)(B)(i) that result from the complete combustion or oxidation of all biomass-derived fuels that the covered fuel supplier imported, sold, or distributed for use in the state in 2024 is greater than the sum of a covered fuel supplier's verified 2023 covered emissions plus the verified emissions described in OAR 340-271-0110(3)(b)(B)(i) that result from the complete combustion or oxidation of all biomass-derived fuels that the covered fuel supplier imported, sold, or distributed for use in the state in 2023;

(iii)(I) For the 2026 and all subsequent annual distributions, "covered fuel supplier biofuel emissions" means emissions described in OAR 340-273-0110(3)(b)(B)(i) that result from the complete combustion or oxidation of the annual quantity of biomass-derived fuels that the covered fuel supplier imported, sold, or distributed for use in the state for the prior calendar year;

(II) For the 2025 annual distribution of compliance instruments, if a covered fuel supplier's covered fuel supplier covered emissions, as determined under sub-subparagraph (ii)(II), are its verified 2023 calendar year emissions, then its "covered fuel supplier biofuel emissions" will be based on verified 2023 calendar year emissions data, but if a covered fuel supplier's covered fuel supplier covered emissions, as determined under sub-subparagraph (ii)(II), are its unverified 2024 calendar year emissions, then its "covered fuel supplier biofuel emissions" will be based on unverified 2024 calendar year emissions data;

(iv) "Total emissions" means the sum of "covered fuel supplier covered emissions" and "covered fuel supplier biofuel emissions" for the prior calendar year for all covered fuel suppliers whose compliance instrument distribution is calculated according to this section. For the 2025 annual distribution of compliance instruments, "Total emissions" means the sum of "covered fuel supplier covered emissions" and "covered fuel supplier biofuel emissions" used for that year's calculation, as described in subparagraphs (ii) and (iii); and

(v) "Verified emissions data correction factor" means a correction applied as a result of changes to reported data since the previous distribution of compliance instruments, as described in paragraph (A); and

(vi) "Compliance instrument holding limit reduction" means the number of compliance

instruments described in OAR 340-273-0430(2). If the compliance instrument holding limit reduction exceeds the number of compliance instruments that a covered fuel supplier would have received in the distribution before subtracting the compliance instrument holding limit reduction, then the covered fuel supplier will not receive any compliance instruments in the distribution, and a compliance instrument holding limit reduction equal to the amount by which it exceeded the number of compliance instruments that a covered fuel supplier would have received in the distribution before subtracting the compliance instrument holding limit will be applied in the following year.

(D) DEQ will distribute a number of compliance instruments to each covered fuel supplier using the formula in paragraph (B) and rounded down to the nearest whole number.

(E) Any remaining compliance instruments not distributed due to rounding as described in paragraph (D) will be held in the compliance instrument reserve.

(5) DEQ will distribute any additional 2025 compliance instruments generated as described in OAR 340-273-0400 no later than June 30, 2025 as follows:

(a) DEQ will use the following formula to calculate the number of additional 2025 compliance instruments to distribute to each covered fuel supplier:

Number of Additional Compliance Instruments = Total additional compliance instruments to distribute * (Sum of covered fuel supplier biofuel emissions / Total biofuel emissions)

(b) As used in subsection (5)(a):

(A) "Total additional compliance instruments to distribute" means the number of additional compliance instruments generated as described in OAR 340-273-0400, if any;

(B) "Sum of covered fuel supplier biofuel emissions" means the sum of a covered fuel supplier's emissions described in OAR 340-273-0110(3)(b)(B)(i) that result from the complete use of the quantity of biomass-derived fuels that the covered fuel supplier imported, sold, or distributed for use in the state in 2022, 2023, and 2024; and

(C) "Total biofuel emissions" means the sum of emissions described in OAR 340-273-0110(3)(b)(B)(i) that result from the complete use of the quantity of biomass-derived fuels that all covered fuel suppliers whose compliance instrument distribution is calculated according to this section imported, sold, or distributed for use in the state in 2022, 2023, and 2024.

(6) Distribution from compliance instrument reserve for new covered fuel suppliers that are not local distribution companies.

(a) A covered fuel supplier is eligible for a distribution from the compliance instrument reserve if it is not a local distribution company and if the person was not included in the distribution of compliance instruments for that year according to section (4).

(b) A covered fuel supplier meeting the requirements of subsection (a) is not eligible for a distribution of compliance instruments from the reserve if the person is a related entity

to a covered fuel supplier that received a distribution of compliance instruments under section (4).

(c) A covered fuel supplier identified according to subsection (a) and not ineligible under subsection (b) may request a distribution of compliance instruments from the reserve by submitting an application to DEQ, on a form approved by DEQ, that includes the information described in paragraphs (A) through (D), no later than June 1 of the year after the calendar year of the annual distribution of compliance instruments from which the covered fuel supplier was not included. The covered fuel supplier must submit a separate application for each year for which it is seeking distribution of compliance instruments from the reserve.

(A) Information about the covered fuel supplier, including:

(i) Name and full mailing address; and

(ii) Designated representative's contact information including name, title or position, phone number, and email address;

(B) The calendar year of covered emissions for which compliance instruments are requested;

(C) The reason for the request, including description of eligibility according to subsection (a); and

(D) The following attestation, signed by the designated representative of the covered fuel supplier:

I certify under penalty of perjury under the laws of the State of Oregon that I am a representative of [covered fuel supplier], am authorized to submit this application on its behalf, and that, to the best of my knowledge and belief, the information provided in this form is true, accurate, and complete. [Covered fuel supplier] is a covered fuel supplier in the year indicated in this application and requests compliance instruments from the reserve according to the information included in this application.

(d) DEQ will review an application submitted according to subsection (b) to ensure that it meets the requirements of this section. DEQ will inform the applicant either that the submitted application is complete or that additional specific information is required to make the application complete. If the application is incomplete, DEQ will not consider the application further until the applicant provides the additional information requested by DEQ.

(e) If DEQ approves an application, DEQ will distribute one or more compliance instruments to the covered fuel supplier from the reserve no later than June 15 of the year after the calendar year of the annual distribution of compliance instruments from which the covered fuel supplier was not included. DEQ will distribute compliance instruments from the reserve to the covered fuel supplier, as follows:

(A) A maximum distribution amount that will not exceed the covered fuel supplier's covered emissions in that calendar year using emissions data from the prior calendar

year as reported by each covered fuel supplier as required by OAR 340, division 215, and subject to DEQ's initial review for errors, but prior to completion of third-party verification as required by OAR 340, division 272; and

(B) If there are fewer compliance instruments in the reserve at the time of distribution than have been requested by all covered fuel suppliers who are approved for a reserve distribution for a calendar year, DEQ shall allocate compliance instruments in the reserve according to the ratio of each covered fuel supplier's covered emissions in that calendar year to the total covered emissions from all covered fuel suppliers in that calendar year.

(7) Each year, the sum of all compliance instruments that are not distributed to fuel suppliers in the distribution under section (4) as a result of compliance instrument holding limit reductions will be distributed to all covered fuel suppliers that did not have any compliance instrument holding limit reduction using the formula described in paragraph OAR 340-273-0420(4)(b)(B), except that, for purposes of such redistribution, "total compliance instruments to distribute" means the total number of compliance instruments that DEQ did not distribute to fuel suppliers in the general distribution under section (4) as a result of compliance instrument holding limit reductions. Such additional distribution of compliance instruments shall be made at the same time as the distribution described in section (4). Any remaining compliance instruments not distributed due to rounding will be held in the compliance instrument reserve.

(8) Upon distribution of compliance instruments according to sections (2), (4), (5), (6), and (7), DEQ will notify the designated representative of each covered fuel supplier in writing of the availability of compliance instruments.

(9) DEQ will track distributed compliance instruments.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0430

Holding Compliance Instruments

(1) A covered entity that is issued or acquires a compliance instrument under this division may continue to hold the compliance instrument until any of the following apply:

(a) The covered entity uses the compliance instrument toward its demonstration of compliance with a compliance obligation according to OAR 340-273-0450;

(b) The covered entity transfers the compliance instrument to another covered entity according to OAR 340-273-0500; or

(c) The covered entity has ceased being a covered entity according to OAR 340-273-0130. When this occurs, DEQ may, at its discretion:

(A) Retire the compliance instrument;

(B) Hold the compliance instrument in the compliance instrument reserve

described in OAR 340-273-0420(3); or

(C) Distribute the compliance instrument to covered fuel suppliers according to OAR 340-273-0420, by adding the compliance instrument to the total compliance instruments to be distributed to covered fuel suppliers during the next annual distribution of compliance instruments. DEQ will only distribute the compliance instrument if there are at least 10,000 compliance instruments to distribute.

(2) For each covered fuel supplier that is not a local distribution company, a compliance instrument holding limit reduction will be calculated on November 22 of the year following the end of each compliance period, or 25 days after DEQ's notification in OAR 340-273-0450(1), whichever is later. A covered fuel supplier's compliance instrument holding limit reduction is the number of compliance instruments from any prior year held by the covered fuel supplier on that date that exceeds one and a half times the sum of the covered fuel supplier's annual compliance obligation(s) and biofuel emissions for each year of the prior compliance period. In the year subsequent to the year after the end of a compliance period, if a fuel supplier did not receive any compliance instruments in the distribution under section OAR 340-273-0420(4) in the prior year because its compliance instrument holding limit reduction exceeded the number of compliance instruments that it otherwise would have been distributed, then the fuel supplier's compliance instrument holding limit reduction will be reduced as provided in subparagraph OAR 340-273-0420(4)(b)(B)(vi), and such reduced compliance instrument holding limit reduction will be used in the subsequent year's compliance instrument distribution calculation under section OAR 340-273-0420(4).

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0440

Compliance Periods

(1) The first compliance period is three consecutive calendar years. Each subsequent compliance period is two consecutive calendar years.

(2) The first compliance period begins with calendar year 2025 and includes calendar years 2026 and 2027.

(3) A new compliance period begins with the calendar year following the last calendar year of the preceding compliance period.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0450

Demonstration of Compliance

(1) DEQ will determine the total compliance obligation for a compliance period for each covered fuel supplier, each covered EITE source, and each covered DNG source as the

sum of the covered entity's annual compliance obligation(s) for each year of the compliance period. DEQ will base its determinations on emissions calculated according to OAR 340-273-0110(1). DEQ will notify each covered entity of DEQ's determination.

(2) A covered fuel supplier must demonstrate compliance according to this rule by December 9 of the year following the end of each compliance period, or 40 days after DEQ's notification described in section (1), whichever is later.

(3) A covered EITE source or covered DNG source must demonstrate compliance according to this rule by December 9 of the year following the end of the first compliance period in which they have a compliance obligation according to OAR 340-273-0410, or 40 days after DEQ's notification described in section (1), whichever is later.

(4) To demonstrate compliance for a compliance period, each covered entity required to demonstrate compliance must submit the following to DEQ:

(a) For each metric ton of CO₂e of the total compliance obligation, either a compliance instrument or a CCI credit, subject to the following limitations:

(A) A covered entity may only submit compliance instruments that DEQ distributed from the caps for the calendar years of the applicable compliance period or from caps for earlier compliance periods; and

(B) The quantity of CCI credits used to demonstrate compliance as a percentage of the total compliance obligation for the applicable compliance period may not exceed the allowable percentage specified in Table 5 in OAR 340-273-9000; and

(b) A demonstration of compliance form, approved by DEQ that includes:

(A) Name and full mailing address of the covered entity;

(B) Designated representative's contact information including name, title or position, phone number, and email address;

(C) Identification of the compliance period and calendar year(s) for which the covered entity is demonstrating compliance;

(D) The total compliance obligations in metric tons of CO₂e for the compliance period and listed separately for each calendar year in the compliance period;

(E) The total number of compliance instruments the covered entity is submitting to DEQ to demonstrate compliance, and separately the total number submitted from each calendar year's cap;

(F) The total number of CCI credits the covered entity is submitting to DEQ to demonstrate compliance; and

(G) The following attestation, signed by the designated representative of the covered entity:

I certify under penalty of perjury under the laws of the State of Oregon that I am a

representative of [covered entity name], am authorized to submit this report on its behalf, and that, to the best of my knowledge and belief, the information provided in this form is true, accurate, and complete. It is the intent of [covered entity] to use the quantity of compliance instruments and credits listed on this form and submitted to DEQ for the demonstration of compliance. I certify that [covered entity] has not exceeded the allowable use of CCI credits. If any portion of these compliance obligations remain unmet after this submission, I understand that [covered entity] must still demonstrate compliance with the remaining portion and may be subject to enforcement action.

(5) Each metric ton of CO₂e of a compliance obligation for which a covered entity does not demonstrate compliance according to this rule is a separate violation of this division.

(6) If a change in ownership of a covered entity occurs, the person that owns or operates the covered entity as of December 31 in the final year of a compliance period is responsible for demonstration of compliance according to this rule for each annual compliance obligation during the compliance period. Compliance obligations may not be split or subdivided based on ownership changes during the compliance period or during any year within the compliance period.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0490

Recordkeeping Requirements Related to Demonstration of Compliance

(1) A covered entity must retain the following records necessary for determining compliance obligations, in paper or electronic format, for a period of at least seven years beginning September 30 of the year following a year in which covered emissions occurred:

(a) Records according to the recordkeeping requirements of OAR chapter 340, divisions 215 and 272, as applicable;

(b) Copies of reports and forms submitted to DEQ related to determination of compliance obligations according this division and OAR chapter 340, divisions 215 and 272, including but not limited to:

(A) Applicable emissions data reports submitted according to OAR chapter 340, division 215; and

(B) Applicable verification statements submitted according to OAR chapter 340, division 272; and

(c) All other information and documentation used to calculate and report emissions and used to determine emissions and compliance obligations according to this division.

(2) A covered entity must retain the following records necessary for supporting demonstration of compliance, according to OAR 340-273-0450, in paper or electronic format for a period of at least seven years following the deadline for demonstration of

compliance in OAR 340-273-0450:

(a) Copies of reports and forms submitted to DEQ related to demonstration of compliance, including but not limited to demonstration of compliance forms; and

(b) All other information and documentation used to support demonstration of compliance.

(3) A covered entity must make available to DEQ upon request all of the records it is required to retain according to this rule. DEQ will specify the date by which the covered entity must fulfill a records request from DEQ.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0500

Trading of Compliance Instruments

(1) Covered entities may trade one or more compliance instruments only according to this rule. A covered entity may transfer one or more compliance instruments to another covered entity up to the amount that it has available and has not used to demonstrate compliance. A covered entity may acquire one or more compliance instruments from another covered entity.

(2) Covered entities may not trade fractions of a compliance instrument. All compliance instrument trades must be of whole compliance instruments.

(3) Covered entities may not engage in a trade of a compliance instrument involving, related to, in service of, or associated with any of the following:

(a) Fraud, or an attempt to defraud or deceive using any device, scheme or artifice;

(b) Use of any unconscionable tactic in connection with the transfer, by any person;

(c) Any false report, record, or untrue statement of material fact or omission of a material fact related to the transfer or conditions that would relate to the value of the compliance instrument being traded. A fact is material if it is reasonably likely to influence a decision by another person or by DEQ;

(d) Any activity intended to lessen competition or tend to create a monopoly, or to injure, destroy or prevent competition in the market for compliance instruments;

(e) A conspiracy in restraint of trade or commerce; or

(f) An attempt to monopolize holding of compliance instruments, or to combine, collude, or conspire with any other person or persons to monopolize.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0510

Compliance Instrument Trade Notifications and Process

(1) Covered entities that trade one or more compliance instruments as authorized by OAR 340-273-0500 must notify DEQ of the trade. The designated representatives of both the covered entity transferring the compliance instrument and the covered entity acquiring the compliance instrument must sign and submit a compliance instrument trade form that meets the requirements of this section, using a form approved by DEQ.

(a) The covered entity transferring one or more compliance instruments must sign first; and

(b) The covered entity acquiring the compliance instrument(s) must sign the same form and submit it to DEQ no later than one week after the transferring covered entity signs the form.

(c) All of the following must be included on a compliance instrument trade form:

(A) The agreed upon date of the trade.

(B) The total number of compliance instruments traded, and separately the total number traded from each calendar year's cap.

(C) The total value per compliance instrument (in US dollars), excluding any fees. If a specific dollar value is not paid for the compliance instrument, an estimate must be provided.

(D) As applicable, other information about the trade that DEQ determines is necessary to support DEQ's monitoring of trades and that DEQ includes on the form;

(E) The following information about the covered entity transferring the compliance instrument(s):

(i) Name and full mailing address of the covered entity.

(ii) Designated representative's contact information including name, title or position, phone number, and email address.

(iii) The following attestation, signed by the designated representative:

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief the information in this form is true, accurate, and complete. [Covered entity] is transferring these compliance instruments to [covered entity that is acquiring] for the price described in this form.

(F) The following information about the covered entity acquiring the compliance instrument(s):

(i) Name and full mailing address of the covered entity.

(ii) Designated representative's contact information including name, title or position, phone number, and email address.

(iii) The following attestation, signed by the designated representative:

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief the information in this form is true, accurate, and complete. [Covered entity] is acquiring compliance instruments from [covered entity that is transferring] for the price described in this form.

(2) After DEQ receives a compliance instrument trade form for one or more compliance instruments as described in section (1), DEQ will inform the applicant either that the submitted form is complete or that additional specific information is required to make the form complete. Upon receipt of a complete form signed by both parties involved in a trade, DEQ will track traded compliance instruments. DEQ will notify the designated representative of the covered entity acquiring compliance instrument(s) in writing of availability of these compliance instruments. DEQ will notify the designated representative of the covered entity transferring compliance instrument(s) in writing that the covered entity no longer holds the compliance instruments. If DEQ determines that the form is incomplete, DEQ will not track the requested trade unless and until the applicant provides the additional information requested by DEQ to make the form complete, and such instruments will not be available to the covered fuel supplier acquiring the instruments.

(3) A covered entity acquiring one or more compliance instrument(s) in a trade may not use the compliance instrument(s) in other trades or toward demonstration of compliance with any compliance obligation until the trade has been reported to DEQ and DEQ has tracked the traded compliance instrument(s).

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0590

Recordkeeping Requirements Related to Trading

(1) A covered entity that transfers one or more compliance instruments in a trade according to OAR 340-273-0510 must retain the following records related to each trade, in paper or electronic format for a period of at least seven years following the submission date of a complete compliance instrument trade form:

- (a) A copy of each compliance instrument trade form submitted to DEQ;
- (b) A copy of any invoice or documentation of monetary payment received related to the trade;
- (c) A statement from a financial institution showing receipt of any payment for the compliance instrument;
- (d) Documentation of any service or other qualitative compensation received related to the trade; and

- (e) A copy of all other data, reports, or other information related to the trade.
- (2) A covered entity that acquires one or more compliance instruments in a trade according to OAR 340-273-0510 must retain the following records related to each trade, in paper or electronic format for a period of at least seven years following the submission date of a complete compliance instrument trade form:
 - (a) A copy of each compliance instrument trade form submitted to DEQ;
 - (b) A copy of any invoice or documentation of monetary payment related to the trade;
 - (c) A statement from a financial institution showing any payment for the compliance instrument;
 - (d) Documentation of any service or other qualitative compensation provided related to the trade; and
 - (e) A copy of all other data, reports, or other information related to the trade.
- (3) Covered entities must make the records retained according to this rule available to DEQ upon request. DEQ will specify the date by which the covered entity must fulfill a records request from DEQ.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0810

Application for Community Climate Investment Credits

- (1) Covered entities are eligible to receive one or more CCI credits if they contribute CCI funds according to this rule. Covered EITE sources and covered DNG sources are ineligible to receive CCI credits for contributions made to a CCI entity prior to January 1, 2028.
 - (a) The covered entity may receive CCI credits only for contributions to a CCI entity that has been approved by DEQ according to OAR 340-273-0920(1) and that has entered into a written agreement with DEQ to accept and administer CCI funds according to OAR 340-273-0920(2).
 - (b) If more than one CCI entity is approved to accept funds according to subsection (a) the covered entity must contribute an equal amount of CCI funds to each CCI entity that may receive funds consistent with its agreement with DEQ according to OAR 340-273-0920(2). The contribution amount to each CCI entity may vary by up to one US dollar.
- (2) A covered entity must apply to receive CCI credits by submitting an application to DEQ, on a form approved by DEQ that includes the information described in section (3). A covered entity may not submit an application to request CCI credits on behalf of another person.
- (3) A covered entity that submits an application to DEQ to request CCI credits must submit a complete and accurate application. The application must include:

(a) Information about the covered entity, including:

(A) Name and full mailing address; and

(B) Designated representative's contact information including name, title or position, phone number, and email address;

(b) The name of each CCI entity that received CCI funds from the covered entity;

(c) A copy of the receipt(s) described in OAR 340-273-0930(1)(a) received from each CCI entity;

(d) The total CCI funds (in US dollars) contributed to each CCI entity, excluding any fees; and

(e) The following attestation, signed by the designated representative of the covered fuel supplier:

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief the information in this application is true, accurate, and complete. [Covered entity] contributed the community climate investment funds noted in this application to each community climate investment entity listed for the purposes of supporting eligible projects as described in OAR 340-273-0900.

(4)(a) A covered entity seeking to receive CCI credits in order to use them to demonstrate compliance for a particular compliance period must submit its application to DEQ no later than November 14 of the year it will demonstrate compliance according to OAR 340-273-0450, or 11 days after DEQ's notice described in OAR 340-273-0450(1), whichever is later.

(b) DEQ's determination of the quantity of CCI credits to generate and distribute is based on the amount of the covered entity's contribution to CCI entities, as documented in its application and the CCI credit contribution amount described in Table 6 in OAR 340-273-9000 that was in effect on the date the contribution was made, adjusted for inflation according to OAR 340-273-0820(3).

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0820

Generation and Distribution of Community Climate Investment Credits

(1) DEQ will review an application submitted according to OAR 340-273-0810 to ensure that it meets the requirements of that rule. DEQ will inform the applicant either that the submitted application is complete or that additional specific information is required to make the application complete. If DEQ determines that the application is incomplete or does not meet the requirements of OAR 340-273-0810, DEQ will not consider the application further until the applicant provides the additional information requested by DEQ.

(2) DEQ will approve an application for CCI credits submitted by a covered entity if DEQ determines that the application is accurate and complete according to the requirements of OAR 340-273-0810, and DEQ determines that the CCI funds have been provided to an approved CCI entity that is in good standing according to OAR 340-273-0910 through OAR 340-273-0990.

(3) Approval of an application for CCI credits.

(a) Upon approval of an application for CCI credits, DEQ will notify the applicant in writing that DEQ has approved the application and will generate and distribute to the covered entity the quantity of CCI credits approved according to subsection (b).

(b) The amount of CCI credits that DEQ will generate and distribute to the covered entity is one CCI credit for every verified contribution of the CCI credit contribution amount that a covered entity provides to a CCI entity, rounded down to the nearest whole number. The CCI credit contribution amount is the applicable amount in Table 6 in OAR 340-273-9000 for the date the contribution was made, with the CCI credit contribution amount adjusted for inflation and rounded to the nearest dollar using the inflation rate since January 2024, as provided by the United States Bureau of Labor and Statistics West Region Consumer Price Index for All Urban Consumers for all Items. DEQ will post the current, inflation adjusted CCI credit contribution amount on its website effective March 1 of each year. The formula for the adjustment is as follows:

*CCI Credit Contribution Amount = CCI Credit Contribution Amount in Table 6 in OAR 340-273-9000 * (CPI-U West for January of the calendar year for the price in Table 6 in OAR 340-273-9000 that is currently in effect / CPI-U West for January 2024)*

(4) A CCI credit is a regulatory instrument and does not constitute personal property, a security or any other form of property.

(5) DEQ will track distributed CCI credits.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0830

Holding Community Climate Investment Credits

(1) After DEQ distributes a CCI credit to a covered entity according to OAR 340-273-0820, the covered entity may continue to hold the CCI credit until any of the following apply:

(a) The covered entity uses the CCI credit toward its demonstration of compliance according to OAR 340-273-0450;

(b) Two demonstration of compliance deadlines described in OAR 340-273-0450(2) have passed since the date DEQ provided written notice of its approval of the CCI credit to the covered entity according to OAR 340-273-0820 and the covered entity has not used the CCI credit in its demonstration(s) of compliance. In such a case, DEQ will

cancel the CCI credit. A cancelled CCI credit may not be used toward demonstration of compliance; or

(c) The covered entity has ceased being a covered entity according to OAR 340-273-0130. When a covered entity ceases to be a covered entity, DEQ will cancel the CCI credit at the time of such cessation. A cancelled CCI credit may not be used toward any demonstration of compliance.

(2) Only the covered entity that receives a CCI credit from DEQ may hold the CCI credit. CCI credits may not be traded.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0890

Recordkeeping Requirements Related to Community Climate Investment Funds

(1) A covered entity that provides CCI funds to a CCI entity must retain the following records, in paper or electronic format, for a period of time that begins with the date it provides the CCI funds and lasts seven years after all resulting CCI credits are submitted to demonstrate compliance or are cancelled:

- (a) A copy of any invoice or documentation of monetary payment related to CCI funds;
- (b) A statement from a financial institution showing any payments related to CCI funds;
- (c) A copy of any receipt received from a CCI entity; and
- (d) All other information and documentation related to the CCI funds provided to a CCI entity.

(2) A covered entity must retain the following records, in paper or electronic format, for a period that begins the date it applies for a CCI credit and lasts seven years after the CCI credit is used to demonstrate compliance or is cancelled:

- (a) A copy of each application submitted to DEQ to request CCI credits; and
- (b) All other information and documentation related to CCI credit(s) received from DEQ.

(3) A covered entity must make available to DEQ upon request all of the records it is required to retain according to this rule. DEQ will specify the date by which the covered entity must fulfill a records request from DEQ.

Statutory/Other Authority: ORS 468.020, 468A.025, 468A.040 & 468A.050

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468A.050, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0900

Purposes of Community Climate Investments and Eligible Uses of CCI Funds

(1) The purposes of community climate investments are to:

- (a) Provide covered entities with an optional means of meeting part of their compliance obligation for one or more compliance periods;
- (b) Reduce anthropogenic greenhouse gas emissions in Oregon by an average of at least one MT CO₂e per CCI credit distributed by DEQ;
- (c) Reduce emissions of other air contaminants that are not greenhouse gases, particularly in or near environmental justice communities in Oregon;
- (d) Promote public health, environmental, and economic benefits for environmental justice communities throughout Oregon to mitigate impacts from climate change, air contamination, energy costs, or any combination of these; and
- (e) Accelerate the transition of residential, commercial, industrial and transportation-related uses of fossil fuels in or near environmental justice communities in Oregon to zero or to other lower greenhouse gas emissions sources of energy in order to protect people, communities and businesses from increases in the prices of fossil fuels.

(2) A CCI entity may use CCI funds only for:

(a) Implementing eligible projects in Oregon, which are actions that reduce anthropogenic greenhouse gas emissions that would otherwise occur in Oregon in the transportation, residential, industrial and commercial sectors. Eligible projects include, without limitation, actions that reduce emissions in Oregon resulting from:

- (A) Transportation of people, freight, or both;
- (B) An existing or new residential use or structure;
- (C) An existing or new industrial process or structure; and
- (D) An existing or new commercial use or structure.

(b) The costs of administering CCI funds and eligible projects, including costs of reporting and other requirements included in OAR 340-273-0930 and costs of capacity-building for implementation of eligible projects.

(3) A CCI entity must use a minimum of 15% of CCI funds that are used for implementing eligible projects for projects that benefit federally recognized tribes and tribal communities in Oregon.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0910

Application to DEQ for Approval as a Community Climate Investment Entity

(1) To be eligible for DEQ approval as a community climate investment entity, an entity must demonstrate that it:

- (a) Is authorized to do business in Oregon, and that it is exempt from federal taxation

according to Section 501(c)(3) of the U.S. Internal Revenue Code, 26 U.S.C. § 501(c)(3);

(b) Has the capacity to administer and spend CCI funds to carry out eligible projects as specified in OAR 340-273-0900(2);

(c) Has or will have staff capable of conducting work associated with being a CCI entity according to this division;

(d) Has or will have staff or subcontractors capable of implementing eligible projects throughout Oregon; and

(e) Is not a covered entity or a related entity of a covered entity.

(2) An eligible entity described in section (1) may apply to be approved as a CCI entity to implement eligible projects directly or by agreement with one or more subcontractors, or both. Subcontractors are not CCI entities, and do not need to meet the eligibility requirements of section (1). However, a CCI entity may not use CCI funds to pay a subcontractor that is a covered entity or a related entity of a covered entity.

(3) An entity that seeks approval as a CCI entity must submit an application to DEQ, in a format approved by DEQ that includes the following:

(a) Information about the entity, including:

(A) Name, full mailing address, and website address;

(B) Contact person's information including name, title or position, phone number, and email address;

(C) Information to describe how the entity meets the eligibility criteria in section (1);

(D) A copy of the entity's current articles of incorporation and bylaws, and a description of the mission of the entity and how being a CCI entity supports the mission;

(E) A description of the experience and expertise of key individuals, who would be working to implement eligible projects with CCI funds or assigned work associated with the requirements of a CCI entity described in OAR 340-273-0930;

(F) A description of experience implementing or supporting implementation of eligible projects or project types, including projects or project types that reduce anthropogenic greenhouse gas emissions in the transportation, residential, industrial and commercial sectors particularly in environmental justice communities in Oregon. This may include the experience of the key individuals described in paragraph (E) whether or not that prior experience occurred while working with the entity;

(G) Information regarding any violation by the entity related to federal or state laws, including labor laws, within the preceding five years;

(H) The entity's IRS Form 990 for each of the three most recent years, if available; and

(I) Proof that the IRS has certified the entity as qualifying as an exempt organization according to Section 501(c)(3) of the U.S. Internal Revenue Code, 26 U.S.C. §

501(c)(3);

(b) Information about each known or planned subcontractors, as available, including:

(A) Name, full mailing address, and website address;

(B) Contact person's contact information including name, title or position, phone number, and email address;

(C) Confirmation that the subcontractor is not a covered entity or any of its related entities;

(D) If applicable, a description of the mission of the subcontractor and how being a subcontractor of a CCI entity supports the mission;

(E) A description of the experience and expertise of key individuals who would be working to implement eligible projects with CCI funds;

(F) A description of the subcontractor's prior experience implementing or supporting implementation of eligible projects, including projects or project types that reduce anthropogenic greenhouse gas emissions in the transportation, residential, industrial, and commercial sectors, and a description of prior experience serving communities in Oregon. This may include the experience of the key individuals described in paragraph (E), whether or not that prior experience occurred while working with the subcontractor; and

(G) Information regarding any violation by the proposed subcontractor related to federal or state laws, including labor laws, within the preceding five years;

(c) Information about how any subcontractor(s) may be selected during project implementation if there are none listed in the application or if the entity expects to select one or more additional subcontractors during project implementation;

(d) If known, a general description of either or both of the following:

(A) Anticipated eligible project(s) or project type(s) that support the purposes of CCIs described in OAR 340-273-0900(1) and that are eligible projects as defined in OAR 340-273-0900(2) that the entity plans to implement if approved as a CCI entity; and

(B) The communities in Oregon that are anticipated to benefit if the entity is approved as a CCI entity;

(e) Description of the administrative processes and financial controls the entity will use to ensure all CCI funds are held separately from the entity's other funds. This must detail how the entity will manage and invest funds in a manner consistent with ORS 128.318(2), (3), and (5)(a) through (f); and

(f) The following attestation, signed by the entity's contact person:

I certify under penalty of perjury under the laws of the State of Oregon that to the best of my knowledge and belief the information in this application is true, accurate, and complete. [Entity] seeks to become a community climate investment entity and, if

approved, will comply with the applicable requirements in Oregon Administrative Rules chapter 340, division 273.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0920

DEQ Review and Approval of Community Climate Investment Entities and Agreements for Approved CCI Entities

(1) DEQ will review and may approve applications from entities proposing to be approved as CCI entities according to subsections (a) through (d).

(a) DEQ will review an application submitted according to OAR 340-273-0910 to ensure that it meets the requirements of that rule. DEQ will inform the entity either that the submitted application is complete or that additional specific information is required to make the application complete. If the application is incomplete, DEQ will not consider the application further until the entity provides the additional information requested by DEQ.

(b) When evaluating complete applications submitted according to OAR 340-273-0910, DEQ will consult with the equity advisory committee described in OAR 340-273-0950 and may consult with any other relevant experts selected by DEQ.

(c) DEQ will consider the following when evaluating a complete application:

(A) The content of the application;

(B) Whether the entity meets the eligibility criteria in OAR 340-273-0910(1);

(C) Whether each proposed subcontractor, if applicable, complies with the eligibility criteria in OAR 340-273-0910(1)(e);

(D) The overall ability of the entity and, if applicable, its subcontractor(s) to use CCI funds to complete eligible projects, including projects or project types that reduce anthropogenic greenhouse gas emissions in the transportation, residential, industrial, and commercial sectors, that advance the purposes set forth in OAR 340-273-0900(1) and that collectively reduce anthropogenic greenhouse gas emissions in Oregon by an average of at least one MT CO₂e per CCI credit distributed by DEQ based on CCI contributions to the entity;

(E) The overall ability of the entity and/or its subcontractor(s) to use CCI funds as described in paragraph (D) relative to the overall ability of other applicants and approved CCI entities; and

(F) Whether the applicant or any proposed subcontractors have violated any federal or state laws, including labor laws, in the preceding five years.

(d) DEQ will notify the applicant in writing whether provisional approval as a CCI entity

is granted or denied.

(2) If provisional approval as a CCI entity is granted, DEQ will then work with the CCI entity to complete a written agreement. The written agreement must be approved before an entity receives final approval as a CCI entity and is authorized to receive CCI funds. The written agreement will include, but is not limited to:

- (a) Agreement to use CCI funds only for the uses specified in OAR 340-273-0900(2);
- (b) The initial term of the agreement and approval, which may not exceed ten years;
- (c) Requirements for monitoring and reporting of project outcomes sufficient to document emissions reductions;
- (d) Provisions for, and limitations on, the payment of administrative expenses;
- (e) Provisions for extensions, amendments, or renewal of the agreement;
- (f) Other conditions that DEQ determines are necessary to include in the agreement in order to meet the requirements of this division, such as a limit on the amount of CCI funds that a CCI entity may accept.

(3) If DEQ finds that any of the events in subsections (a) through (c) occur, DEQ may suspend or revoke approval of a CCI entity completely or in part.

- (a) The CCI entity fraudulently obtained DEQ approval;
 - (b) The CCI entity is in violation of any applicable provisions of this division or any written agreement between the CCI entity and DEQ; or
 - (c) DEQ determines that the CCI entity is not in compliance with one or more of the eligibility criteria for approval in OAR 340-273-0910(1).
- (4) DEQ will maintain a current list of approved CCI entities on DEQ's website.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0930

Requirements for Community Climate Investment Entities

(1) Acceptance of CCI funds.

(a) Once approved by DEQ, unless otherwise specified in the agreement between a CCI entity and DEQ, a CCI entity must accept CCI funds from any covered entity that seeks to contribute CCI funds, except that a CCI entity may not accept funds from any covered EITE source or covered DNG source during calendar years 2025, 2026 and 2027.

(b) The CCI entity must provide a receipt to the covered fuel supplier upon receipt of CCI funds from the covered fuel supplier. The receipt must include:

- (A) The name of the covered fuel supplier;
- (B) The name of the CCI entity;
- (C) The US dollar amount of the CCI funds accepted;
- (D) The date the CCI entity accepted the CCI funds; and
- (E) The following attestation:

I verify that [CCI Entity] received the contribution from [Covered entity] as described on this receipt and I affirm that I am a representative of [CCI entity] authorized to sign this receipt.

(c) Unless otherwise specified in the agreement between the CCI entity and DEQ, a CCI entity must accept CCI funds transferred to it from another CCI entity according to section (8).

(2) Holding CCI funds.

(a) A CCI entity must hold all CCI funds in one or more accounts separate from any other funds. Additionally, prior to being spent in compliance with the provisions of this division and its agreement with DEQ, funds must be managed and invested in a manner consistent with ORS 128.318(2), (3), and (5)(a) through (f). A CCI entity may not encumber CCI funds or pledge CCI funds as a security for other purposes than completing one or more projects under a DEQ-approved work plan.

(b) A CCI entity must complete an independent financial audit of CCI funds for each year in which it holds CCI funds and review the auditor relationship every five years.

(3) Use of CCI funds. A CCI entity may only spend CCI funds for the uses specified in OAR 340-273-0900(2). The expenditures of CCI funds must conform to the CCI's work plan approved by DEQ under section (4) of this rule.

(4) Work Plan.

(a) A CCI entity must submit a proposed work plan to DEQ for review and approval. The period of the work plan will normally be a calendar year, unless otherwise specified in the agreement between DEQ and the CCI entity. A CCI entity must obtain DEQ approval of a work plan prior to committing or expending CCI funds for the period of the work plan. The first proposed work plan must be submitted within 90 days of the date on which the CCI entity has received at least \$5 million in CCI funds from covered entities. Each subsequent work plan must be submitted no later than 60 days prior to the end of the current work plan period.

(b) The work plan must include:

(A) A description of the project(s) or project type(s) the CCI entity expects to support with CCI funds during the period of the work plan, and how the project(s) or project type(s) support each of the purposes of CCIs described in OAR 340-273-0900(1)(b) through (e);

(B) A description of how the project(s) or project type(s) will benefit communities in Oregon, including description of the potential locations of communities or regions of Oregon in which projects may be implemented or a description of how locations may be selected;

(C) A description of how each project or project type would benefit environmental justice communities in Oregon;

(D) A description of the how project or project type would benefit federally recognized tribes and tribal communities, a description of how the CCI entity has engaged with federally recognized tribes and tribal communities on the work plan, or a description for how the CCI entity intends to engage with federally recognized tribes and tribal communities in the future, as investments benefitting federally recognized tribes and tribal communities is a priority.

(E) A description of the methodology that the CCI entity is using to estimate the reductions in anthropogenic greenhouse gas emissions that will result from the project(s) or project type(s) in the work plan, along with an estimate of the anticipated reductions during the period of the work plan. The methodology must be sufficient to allow DEQ to perform the necessary calculations in a program review according to OAR 340-273-8100(1)(a);

(F) A description of the methodology that the CCI entity is using to estimate the reductions in other air contaminant emissions that will result from the project(s) or project type(s) in the work plan, along with an estimate of the anticipated reductions during the period of the work plan;

(G) The name and contact person's contact information of subcontractors that will be involved in any project activities during the period of the work plan; and

(H) The estimated total budget for the period of the work plan. CCI funds must be listed separately from any other funds, as applicable. This must separately include the following:

(i) All costs related to project implementation, listed separately for groups of project(s) or project type(s), including but not limited to personnel costs and materials costs; and

(ii) Administrative costs related to the project implementation and meeting the requirements of this rule.

(c) A CCI entity may request DEQ approval of modifications to a DEQ-approved work plan by submitting modifications to the information described in subsection (b). The CCI entity must obtain DEQ approval of any modification to a work plan prior to beginning work according to a modified work plan.

(d) Prior to approving a work plan, DEQ will solicit input from the equity advisory committee and any other relevant experts selected by DEQ. DEQ will review each proposed work plan to ensure that it meets the requirements of this section. DEQ will inform the CCI entity if the proposed work plan is incomplete and the additional specific information required to make the work plan complete. If the work plan is

incomplete, DEQ will not consider the work plan further until the CCI entity provides the additional information requested by DEQ. DEQ will consider the following in its review and approval of a workplan:

- (A) The overall ability of the CCI entity to conduct work according to the work plan;
 - (B) Whether following the work plan is reasonably likely to reduce anthropogenic greenhouse gas emissions in Oregon by an average of at least one MT CO₂e per CCI credit distributed by DEQ based on CCI fund contributions to the CCI entity;
 - (C) Whether the work plan is consistent with the purposes of CCIs described in OAR 340-273-0900; and
 - (D) Input from the equity advisory committee described in OAR 340-273-0950 and from any other relevant experts selected by DEQ.
- (5) Annual report. Date of submission of annual report to be determined in written agreement as described in OAR 340-273-0920 (2). A CCI entity must submit to DEQ an annual report each year that describes its CCI-related activities and finances for the preceding year. The information provided must be sufficient to allow DEQ to perform the necessary calculations in a program review according to OAR 340-273-8100(1)(a), and must include:
- (a) The following information related to CCI funds received, held, or spent during the year:
 - (A) Each financial statement for the account(s) where CCI funds were held and the results of the CCI entity's most recent independent financial audit;
 - (B) The date, amount of CCI funds accepted, and as applicable, the name of the covered fuel supplier for each separate contribution received;
 - (C) Total CCI fund interest accrual;
 - (D) Total CCI funds spent, including separate totals of:
 - (i) CCI funds spent on each project, including but not limited to personnel costs and materials costs; and
 - (ii) Administrative costs related to the project, including project development, and implementation and meeting the requirements of this rule;
 - (E) Total CCI funds the CCI entity holds that remain unspent as of the end of the year; and
 - (F) Total non-CCI funds spent on implementation of each project or project type, as applicable;
 - (b) The following information related to implementation progress of project(s) or project type(s) during the year:
 - (A) Documentation of work completed or progress made on each project or project type,

including the number of projects completed of each project type, as applicable;

(B) A summary of project outcomes. This must include estimated annual greenhouse gas emissions reductions in metric tons of CO₂e and non-greenhouse gas air contaminant emissions reductions in metric tons of the applicable air contaminant that are anticipated to be achieved from any project(s) completed during the year. Emissions reductions must be estimated using the methodology included in the applicable work plan. Emissions reductions may be reported by individual project or may be grouped by project type, if the CCI entity can provide sufficient information to demonstrate that the emissions reductions of multiple projects of the same type are comparable; and

(C) A description of work that occurred compared to the most recently approved work plan or modified work plan. If projects were not implemented as planned, the CCI entity must describe the reason for delay and must describe any steps that may be taken to work to remedy the delay or prevent similar delays in subsequent years; and

(c) A copy of the CCI entity's most recent IRS form 990.

(6) Establishing and maintaining efforts to engage and involve environmental justice communities in the design, administration, and implementation of the funds.

(7) Maintaining CCI entity eligibility.

(a) A CCI entity must notify DEQ in writing as soon as possible, and not later than 15 days after it no longer meets any of the eligibility criteria for approval in OAR 340-273-0910(1), or if it is in violation of any of the requirements of this rule.

(b) A CCI entity must notify DEQ in writing as soon as possible and not later than 15 days after any changes are made to the administrative processes or financial controls that keep CCI funds separate from other funds;

(c) A CCI entity must notify DEQ in writing as soon as possible and not later than 15 days after any changes related to key individuals or their assigned work associated with being a CCI entity.

(d) A CCI entity must notify DEQ in writing as soon as possible and not later than 15 days after any finding of a violation related to federal or state labor laws by the CCI entity or by an approved subcontractor;

(e) Upon written request by DEQ, a CCI entity must provide to DEQ in a reasonably timely manner any and all information that DEQ reasonably requires for evaluating the CCI entity's continued compliance with the requirements of this division, including the criteria for approval as a CCI entity and eligible projects.

(8) Voluntary withdrawal from DEQ approval. An approved CCI entity may request to withdraw voluntarily its approval by providing a written notice to DEQ requesting such withdrawal.

(9) Rollover of CCI funds. If DEQ approval is suspended, revoked, or voluntarily withdrawn, DEQ may require the entity to transfer any uncommitted CCI funds to another CCI entity and provide proof to DEQ that the transfer has been made. If a

transfer of funds is required, DEQ will determine allowable expenses for the transition of projects and the remaining funds.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0950

Fee for Community Climate Investment Entities

(1) Each approved Community Climate Investment Entity must pay a fee to DEQ equal to 4.5% of all CCI contributions that the entity receives from covered fuel suppliers and:

(a) The fee is due biannually. No later than February 1 of each year, DEQ will send a fee invoice to each Climate Community Investment Entity. Each CCI Entity must pay a fee of 4.5% for all CCI contributions that the entity received from covered fuel suppliers between July 1 and December 31 of the previous calendar year. No later than August 1 of each year each DEQ will send a fee invoice to each Community Climate Investment Entity. Each CCI Entity must pay a fee of 4.5% for all CCI contributions that the entity received from covered fuel suppliers from January 1 through June 30 of that calendar year. Each CCI Entity must pay the fee within 30 calendar days of DEQ sending the fee invoice.

(b) DEQ may reduce the fee for any given fee period if a lesser amount is adequate to cover the costs of administering and overseeing the CCI program. The fee percentage for the fee period will be included in the fee invoice to each CCI entity.

(c) A report of all CCI contributions and date of contributions made during the previous fee period must accompany the fee payment.

(d) If no CCI contributions were received during the previous fee period, the CCI Entity must provide notification to DEQ that no contributions were received, and no fee to be paid.

(e) If a CCI Entity has not paid the CCI fee within the 30 calendar days of DEQ sending the fee invoice, a late fee will be assessed. The late fee may not be paid for using CCI funds. CCI Entity will be subject to late fees as follows:

(A) One hundred dollars per day for payments received between one and seven days late;

(B) Two hundred dollars per day for payments received between eight and thirty days late; and

(C) Five hundred dollars per day for payments received on or after thirty days late.

(2) Reporting. Each fiscal year DEQ will report, post online, and present to the equity advisory committee its program expenditures and revenue related to the CCI fee.

Statutory/Other Authority: ORS 468.020, 468A.295

Statutes/Other Implemented: ORS 468.020, 468A.295

340-273-0960

Equity Advisory Committee and Environmental Justice Community Engagement

(1) DEQ will appoint and convene an equity advisory committee to assist DEQ with:

(a) Review of:

(A) Applications to become a CCI entity;

(B) Requests for DEQ approval of work plans; and

(C) Other submittals by CCI entities that require DEQ review; and

(b) Outreach to environmental justice communities.

(2) Advisory committee member selection.

(a) DEQ may solicit applications from residents of the state of Oregon to be appointed to serve as members of the equity advisory committee and may select the committee from those applications.

(b) DEQ will prioritize convening an advisory committee that represents multiple areas of expertise, interest, or lived experience in the following areas:

(A) Environmental justice;

(B) Impacts of climate change on communities in Oregon;

(C) Impacts of air contamination on communities in Oregon; and

(D) Greenhouse gas emissions reductions, including in the transportation, residential, industrial and commercial sectors, and climate change.

(c) DEQ will prioritize convening an advisory committee that represents multiple regions across Oregon.

(d) DEQ may appoint each committee member to a term of up to three years.

(e) DEQ will appoint at least one committee member that represents a federally recognized tribe or tribal interests.

(3) In addition to outreach conducted by CCI third party entities to environmental justice communities throughout Oregon, DEQ will conduct outreach to these communities to seek input on projects that may be of interest to those communities. The equity advisory committee will consider this input when assisting DEQ as described in section (1). DEQ will consider this input when making approval decisions regarding CCI entities, projects and project types, and work plans.

(4) DEQ will offer guidance and conduct outreach to support the equity advisory committee and environmental justice communities in Oregon in understanding the provisions related to CCIs.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-0990

Recordkeeping Requirements for Community Climate Investment Entities

(1) A CCI entity must retain the following records, in paper or electronic format, for a period of at least seven years following the date of transaction or submission to DEQ:

- (a) A copy of each application submitted to DEQ for approval as a CCI entity;
- (b) A copy of any invoice or documentation of monetary payment related to CCI funds;
- (c) A statement from a financial institution showing any payments related to CCI funds;
- (d) A copy of any receipt provided to a covered entity that makes a CCI payment to the CCI entity;
- (e) A copy of any work plan submitted to DEQ by the CCI entity;
- (f) A copy of any report or written request for approval submitted to DEQ by the CCI entity;
- (g) All other information and documentation related to CCI funds;
- (h) All records related to any implemented projects; and
- (i) All records and information supporting estimates of greenhouse gas emissions reductions and other air contaminant emissions reductions achieved from implemented projects or project types.

(2) CCI entities must make records required to be retained in this rule available to DEQ upon request. DEQ will specify the date by which the CCI entity must fulfill a records request from DEQ.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-8100

Program Review

(1) DEQ will report to the EQC on community climate investments and request that the EQC provide input on community climate investment implementation and future improvements. DEQ will submit the first report to the EQC by August 30, 2027 and every two years thereafter. DEQ will share each report with current members of the equity advisory committee after submission to the EQC. Each community climate investment report will include:

- (a) A review of community climate investments, including:
 - (A) CCI credits distributed to covered entities;
 - (B) CCI credits used by covered entities to demonstrate compliance;
 - (C) Estimates of greenhouse gas emissions reductions that are anticipated to be achieved by completed projects that CCI entities have reported to DEQ by March 31 of the year DEQ is reporting to the EQC;
 - (D) Estimates of non-greenhouse gas air contaminant emissions reductions that are anticipated to be achieved by completed projects that CCI entities have reported to DEQ by March 31 of the year DEQ is reporting to the EQC;
 - (E) Calculation of the average anthropogenic greenhouse gas emissions reductions achieved per CCI credit distributed based on (A) and (C) and whether reductions of approximately one MT CO₂e or more of anthropogenic greenhouse gas emissions for the average CCI credit distributed by DEQ was achieved; and
 - (F) Description of community benefits achieved; and
- (b) DEQ's recommendations regarding any necessary or desirable changes to the CPP provisions relating to CCIs, including, without limitation, recommendations on changes to the CCI credit contribution amounts described in Table 6 in OAR 340-273-9000 necessary to assure that the use of CCI funds is reducing anthropogenic greenhouse gas emissions in Oregon by an average of at least one MT CO₂e per CCI credit distributed by DEQ, as well as recommendations on how to best achieve the purposes of CCIs described in OAR 340-273-0900, if applicable.
- (2) DEQ will engage internal and external auditors as necessary to conduct independent audits of CCI contributions and greenhouse gas emission reductions of completed projects.
- (3) DEQ will report to the EQC on implementation of the Climate Protection Program. DEQ will submit the first report to the EQC five years after the date of adoption of this division and at least once every five years thereafter. Each program review report will include:
 - (a) A review of the Climate Protection Program, including:
 - (A) Summary of covered fuel suppliers', covered EITE sources', and covered DNG sources' demonstrations of compliance for compliance periods that have occurred since program start, including:
 - (i) Caps for each year and compliance period;
 - (ii) Compliance obligations for each year and compliance period;
 - (iii) Compliance instruments submitted for each compliance period; and
 - (iv) CCI credits submitted for each compliance period;
 - (B) Summary of the distribution of compliance instruments, including the size of the

compliance instrument reserve at the start and end of each program year that has occurred and compared to Table 3 in OAR 340-273-9000;

(C) Summary of activity relating to trading of compliance instruments for each program year that has occurred;

(D) A current list of covered entities by name and whether each is a covered fuel supplier, covered EITE source, or covered DNG source; and

(E) Description of any enforcement actions taken that involved civil penalties, if applicable; and

(b) DEQ's recommendations regarding any potential changes to the CPP including, for example and without limitation, recommendations regarding potential changes to best achieve the goals described in OAR 340-273-0010(3).

(4) If the average annual statewide retail cost of gasoline, diesel, or propane in Oregon increases year-over-year by an amount that is more than 20 percent higher than the average change in cost for the same fuel over the same period in Washington, Idaho, and Nevada, DEQ will investigate the cause(s) of the increase and report to the EQC regarding whether changes to the rules in this division should be made that would ameliorate a relative increase in costs in Oregon. If necessary, in addition to deferrals, DEQ will consider recommending rule changes, such as changes to caps and distribution of additional compliance instruments, changes to the compliance instrument reserve, or changes to the allowable usage of CCI credits.

(5) DEQ will regularly, and at a minimum at least once per compliance period, request information from the Oregon Public Utility Commission to determine what changes in each local distribution company's proposed or current rates for different customer classes may be attributable to a local distribution company's projected or actual costs of compliance with this division of rules. If DEQ determines that the rates will significantly increase, when compared over a similar timeframe to neighboring states with enforceable and declining limits on greenhouse gas emissions from natural gas, due to local distribution companies' actual costs to comply with this rule, in addition to compliance deadline extensions specified in OAR 340-273-8110, DEQ will recommend to the EQC changes to this division of rules intended to moderate impacts to the affordability of local distribution company rates. These changes could include, but are not limited to, adjustment to future years' caps, changes to the CCI amount, or changes to the allowable usage of CCI credits.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-8110

Deferrals

DEQ may extend reporting or demonstration of compliance deadlines as DEQ deems

necessary or appropriate and will issue written notice of any extensions.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-8120

Severability

Each requirement of this division is severable, and if any requirement of this division is held invalid, the remainder of the requirements of this division will continue in full force and effect.

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045

340-273-9000

Tables

(1) Table 1. Thresholds for applicability described in OAR 340-273-0110(3).

(2) Table 2. Oregon Climate Protection Program caps.

(3) Table 3. Compliance instrument reserve size.

(4) Table 4. Compliance instrument percentage distribution to covered fuel suppliers that are local distribution companies.

(5) Table 5. Covered entity allowable usage of community climate investment credits to demonstrate compliance as described in OAR 340-273-0450(3).

(6) Table 6. CCI credit contribution amount.

(7) Table 7. EITE source classifications.

(8) Table 8. Emission reduction targets for second and subsequent periods for covered EITE and covered DNG sources.

[ED. NOTE: To view attachments referenced in rule text, click here to view rule.]

Statutory/Other Authority: ORS 468.020, 468A.025 & 468A.040

Statutes/Other Implemented: ORS 468.020, 468A.025, 468A.040, 468.035, 468A.010, 468A.015 & 468A.045



OAR 340-273-9000

Tables

Table 1 Thresholds for applicability described in OAR 340-273-0110(3)		
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 2020 through 2025	100,000 MT CO ₂ e	2025
2026	100,000 MT CO ₂ e	2026
2027	100,000 MT CO ₂ e	2027
Any year from 2025 through 2028	50,000 MT CO ₂ e	2028
2029	50,000 MT CO ₂ e	2029
Any year from 2028 through 2030	25,000 MT CO ₂ e	2030
2031	25,000 MT CO ₂ e	2031
Each subsequent year	25,000 MT CO ₂ e	Each subsequent year

Table 2 Oregon Climate Protection Program caps	
Calendar year	Cap
2025	24,157,161
2026	23,280,253
2027	22,403,346
2028	25,533,741
2029	24,129,251
2030	23,135,118
2031	21,689,592
2032	20,244,066
2033	18,798,540
2034	17,353,013
2035	15,907,487

2036	15,059,088
2037	14,210,689
2038	13,362,289
2039	12,513,890
2040	11,665,491
2041	10,817,091
2042	9,968,692
2043	9,120,293
2044	8,271,893
2045	7,423,494
2046	6,575,095
2047	5,726,695
2048	4,878,296
2049	4,029,897
2050 and each calendar year thereafter	3,181,497

Table 3 Compliance instrument reserve size	
Calendar year(s) of the cap	Reserve size
2025 through 2028	800,000 compliance instruments
2029 through 2034	500,000 compliance instruments
2035 and each calendar year thereafter	250,000 compliance instruments

Table 4 Compliance instrument distribution percentages to covered fuel suppliers that are local distribution companies			
	Compliance instruments to distribute to Avista Utilities	Compliance instruments to distribute to Cascade Natural Gas Corporation	Compliance instruments to distribute to Northwest Natural Gas Company
2025	2.76%	2.25%	19.74%
2026	2.76%	2.25%	19.74%
2027	2.76%	2.25%	19.74%
2028	2.69%	2.20%	19.25%
2029	2.69%	2.20%	19.25%

2030 and each calendar year thereafter	2.68%	2.18%	19.13%
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Table 5 Covered entity allowable usage of community climate investment credits to demonstrate compliance as described in OAR 340-273-0450(3)	
Compliance period	Allowable percentage of total compliance obligation(s) for which compliance may be demonstrated with CCI credits
Compliance period 1 (2025 through 2027)	15%
Compliance period 2 (2028 through 2029), and for each compliance period thereafter	20%

Table 6 CCI credit contribution amount	
Effective date	CCI credit contribution amount in 2024 dollars, to be adjusted according to OAR 340-273-0820(3)
March 1, 2025	\$129
March 1, 2026	\$129
March 1, 2027	\$130
March 1, 2028	\$131
March 1, 2029	\$132
March 1, 2030	\$133
March 1, 2031	\$134
March 1, 2032	\$135
March 1, 2033	\$136
March 1, 2034	\$137
March 1, 2035	\$138
March 1, 2036	\$139
March 1, 2037	\$140
March 1, 2038	\$141
March 1, 2039	\$142
March 1, 2040	\$143

March 1, 2041	\$144
March 1, 2042	\$145
March 1, 2043	\$146
March 1, 2044	\$147
March 1, 2045	\$148
March 1, 2046	\$149
March 1, 2047	\$150
March 1, 2048	\$151
March 1, 2049	\$152
March 1, 2050	\$153

Table 7
EITE source classifications

NAICS Code	Sector Definition
3364	Aerospace Product and Parts Manufacturing
3251	Basic Chemical Manufacturing
3273	Cement and Concrete Product Manufacturing
3315	Foundries
3114	Fruit and Vegetable Preserving and Specialty Food Manufacturing
3272	Glass and Glass Product Manufacturing
3311	Iron and Steel Mills and Ferroalloy Manufacturing
3274	Lime and Gypsum Product Manufacturing
3314	Nonferrous Metal (except Aluminum) Production and Processing
2123	Nonmetallic Mineral Mining and Quarrying
3329	Other Fabricated Metal Product Manufacturing
3279	Other Nonmetallic Mineral Product Manufacturing
3253	Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing
3261	Plastics Product Manufacturing
3221	Pulp, Paper, and Paperboard Mills
3211	Sawmills and Wood Preservation
3344	Semiconductor and Other Electronic Component Manufacturing
3212	Veneer, Plywood, and Engineered Wood Product Manufacturing

Table 8
Emissions reduction targets for covered EITE sources and covered DNG sources for compliance period 2 and subsequent periods

Compliance period	Emissions reduction target
Compliance period 2 (2028 through 2029)	1
Compliance period 3 (2030 through 2031)	0.95
Compliance period 4 (2032 through 2033)	0.90
Compliance period 5 (2034 through 2035)	0.85
Compliance period 6 (2036 through 2037)	0.80
Compliance period 7 (2038 through 2039)	0.75
Compliance period 8 (2040 through 2041)	0.70
Compliance period 9 (2042 through 2043)	0.65
Compliance Period 10 (2044 through 2045)	0.60
Compliance Period 11 (2046 through 2047)	0.55
Compliance Period 12 (2048 through 2049)	0.50
Compliance Period 13 (2049 through 2051) and thereafter	0.45

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