

# Action: Climate Protection Program 2024

Environmental Quality Commission

November 21, 2024

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# Today's agenda

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Context and background refresher

Takeaways from 2022-2023 program implementation

Highlights from CPP 2024 rulemaking process

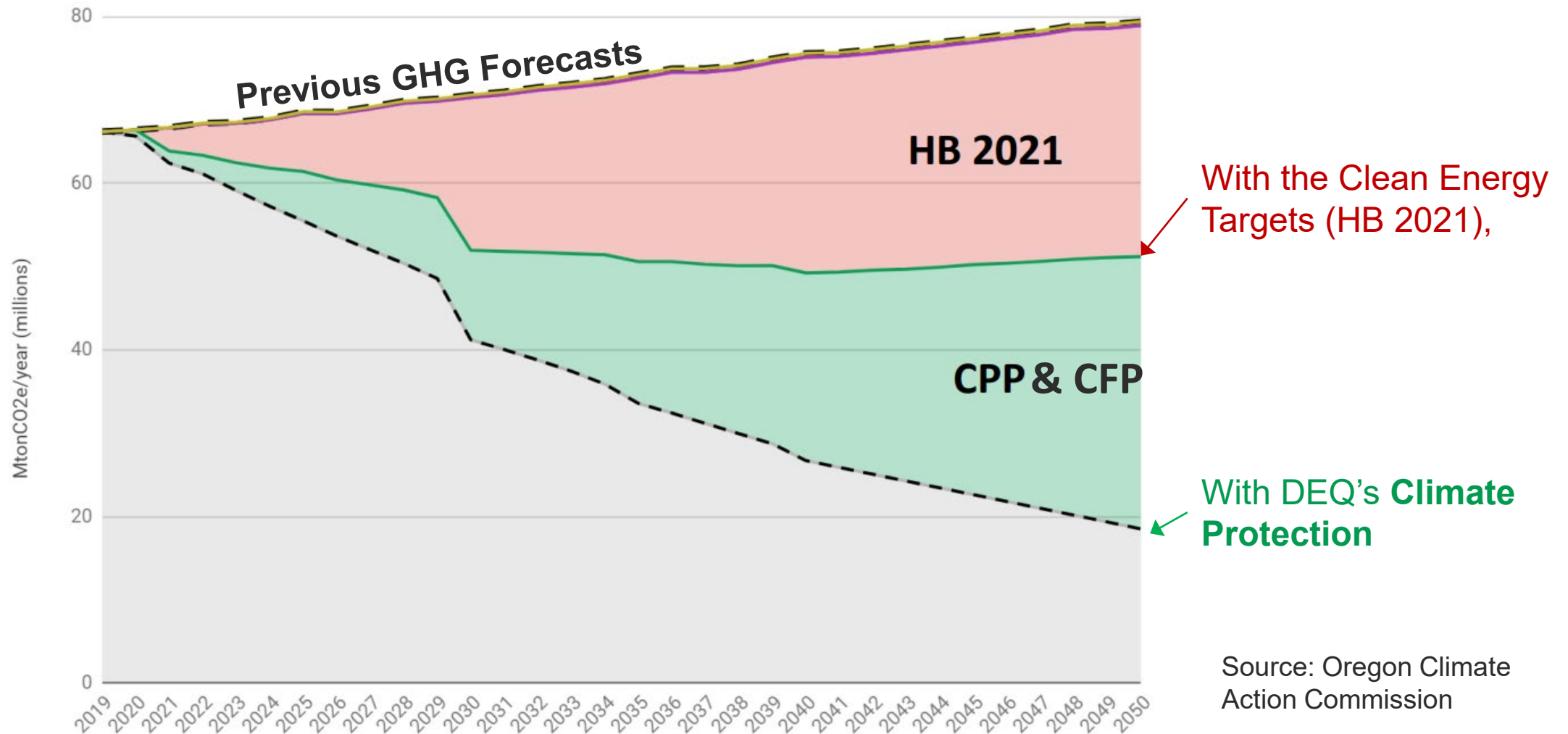
Key elements of proposed CPP 2024

# What is the Climate Protection Program?

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- A central policy at decarbonizing Oregon's economy
- Buttresses many other climate programs
  - Vehicle standards
  - Fuel standards
  - Building codes and efficiency programs
  - Heat pumps and other incentive programs
- Designed to hasten an equitable clean energy transition

# What to expect from the CPP

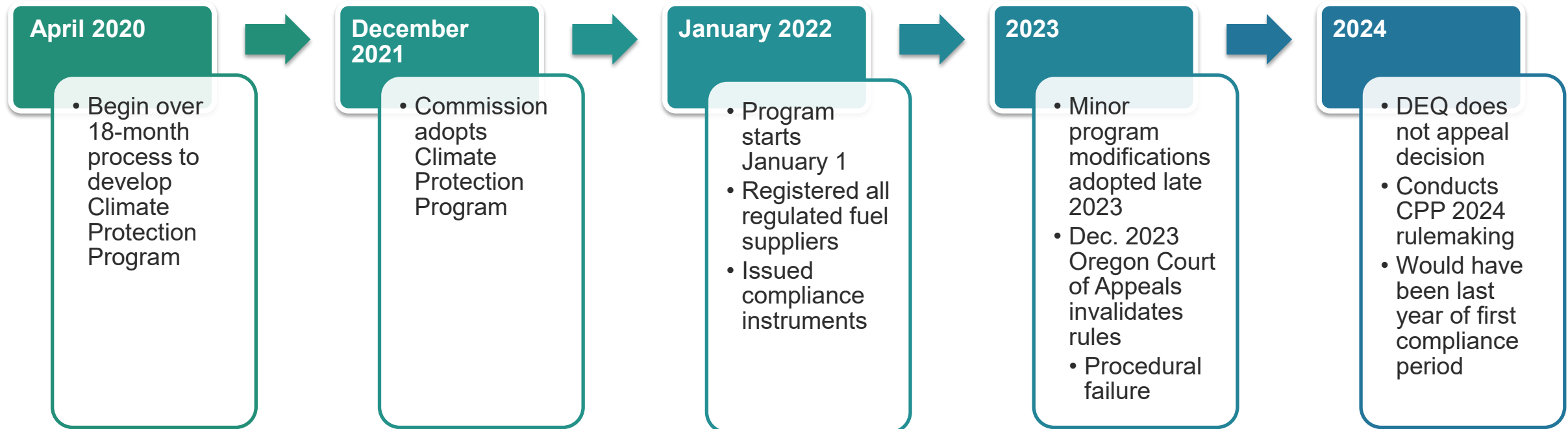


With the Clean Energy Targets (HB 2021),

With DEQ's Climate Protection

Source: Oregon Climate Action Commission

# Background for 2024 CPP rulemaking



# What were takeaways from 2022-2023?

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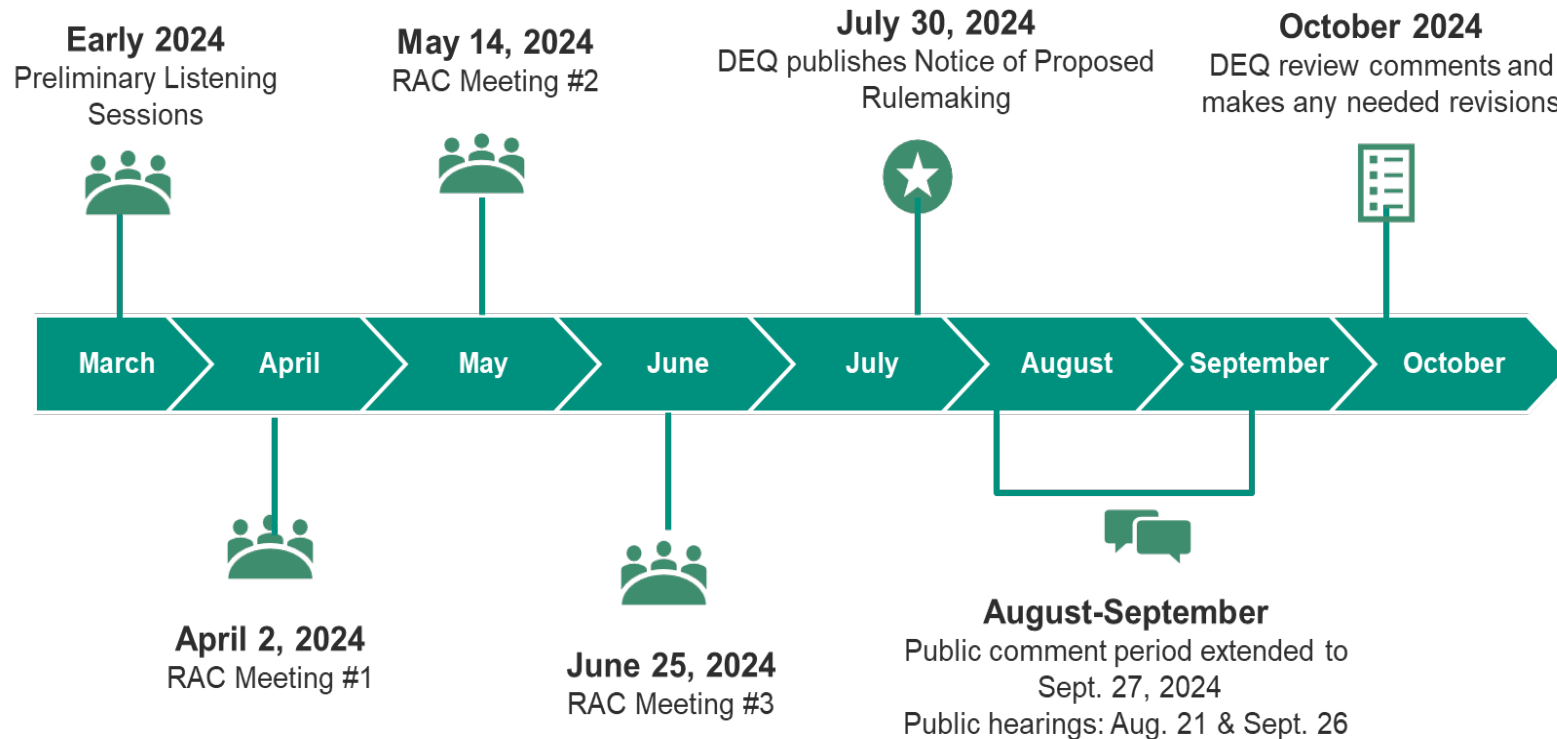
- In just two years, significant reductions in emissions from fossil fuels
- Biofuels and electricity were key replacements
- Program flexibilities were important to regulated companies
- Significant progress towards implementing Community Climate Investments
  - Takes time and resources
  - Monitoring, verification and reporting were going to be critical

# What were takeaways from 2022-2023?

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- Importance of continued focus on not leaving communities behind
  - Supporting those most vulnerable to pollution and energy costs
  - Same communities are least able to benefit without investments
- No program operates in a vacuum: complementary programs, policies, and actions are important
- Program review and evaluation key to continued success
- Be prepared to adapt program based on learnings

# What did we hear in 2024?



- We heard a lot
- Listening sessions with targeted interested parties
- Advisory committee meetings
- Hundreds of remote participants and comments
- Over 10,000 comments in public comment period



# What did we hear in 2024?



**Reinstate a climate protection program quickly with equivalent ambition**



**Provide more compliance options and flexibility for regulated companies to better contain costs**



**Concerns about impacts on natural gas rates and energy affordability for customers**



**Better incentivize reductions in industrial emissions while supporting competitiveness**

# What did we hear in 2024?



**Design better measures to prevent emissions and business leakage and maintain Oregon's manufacturing**



**Community Climate Investments central to program and should be maintained and/or strengthened**



**Improve accountability and transparency in Community Climate Investments implementation**



**DEQ should address delayed action and delayed program benefits for communities**

# CPP 2024 summary

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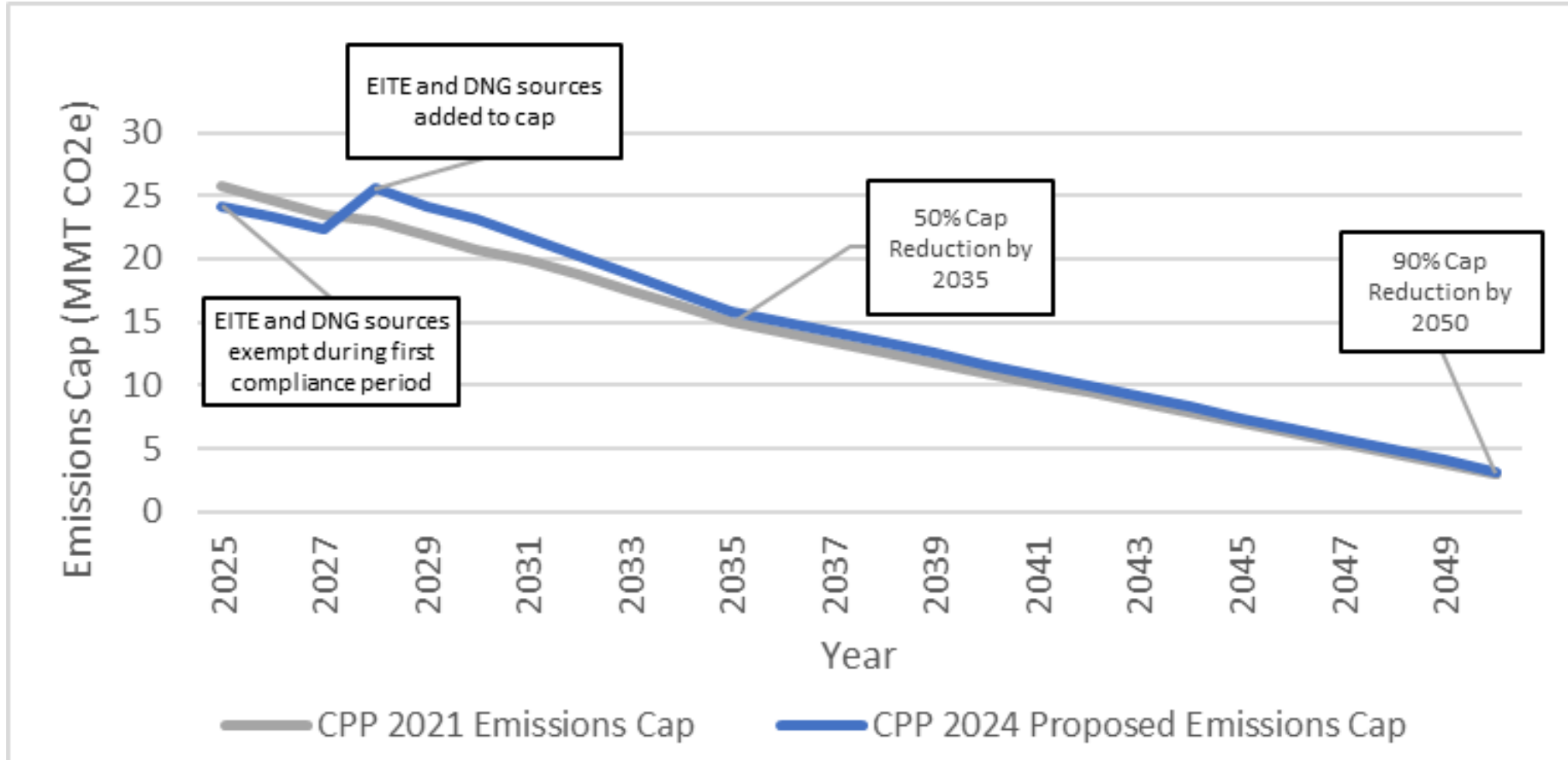
## Three key elements from CPP 2021

- Emissions reduction trajectory
- Community climate investments as flexibility mechanism
- Prioritizing benefits and reducing burdens for Oregon's environmental justice communities

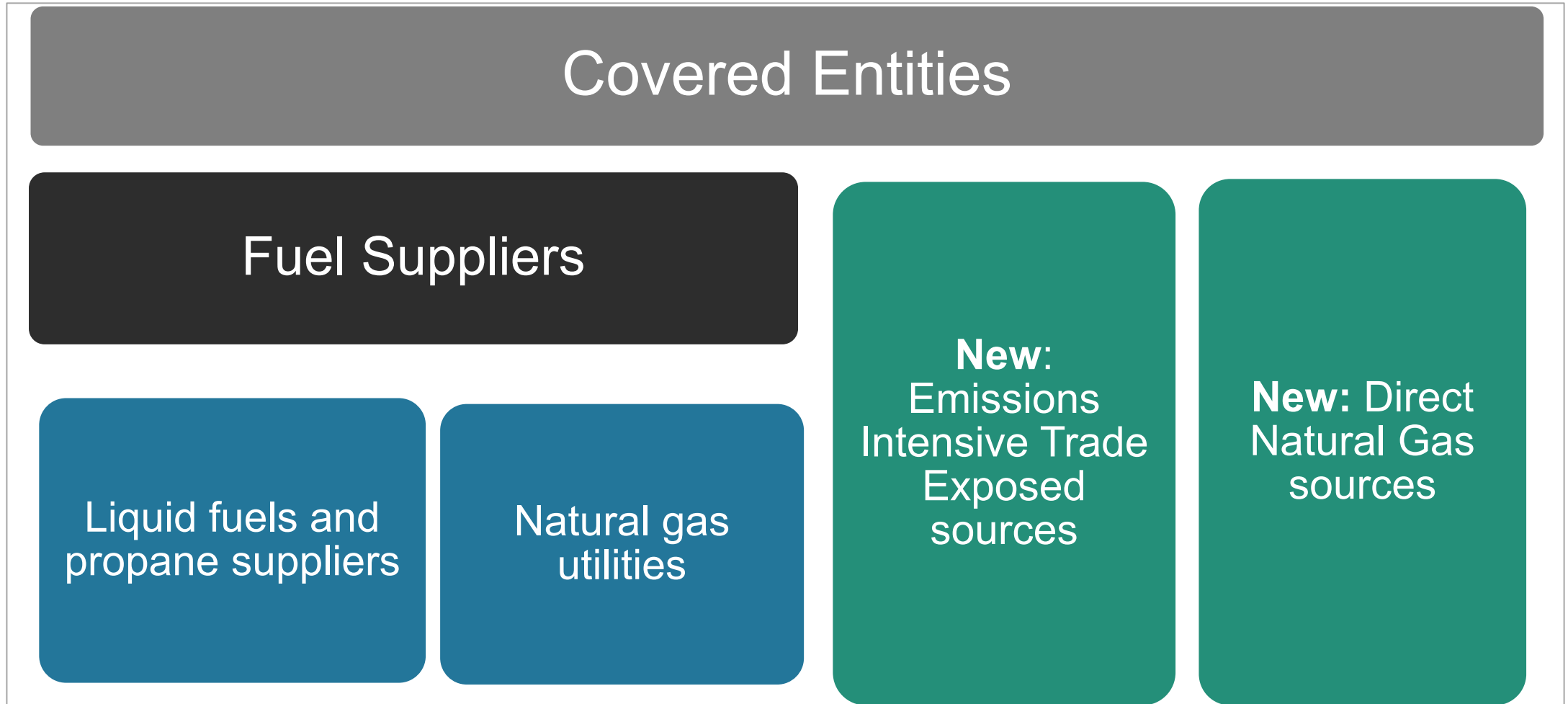
## Three key elements new for CPP 2024

- Regulation of EITE sources
- Removal of best available emission reduction (BAER) approach
- Coordination with PUC on tracking natural gas rates

# CPP 2024 emission cap



# CPP 2024 regulated entities



# Covered emissions or point of regulation

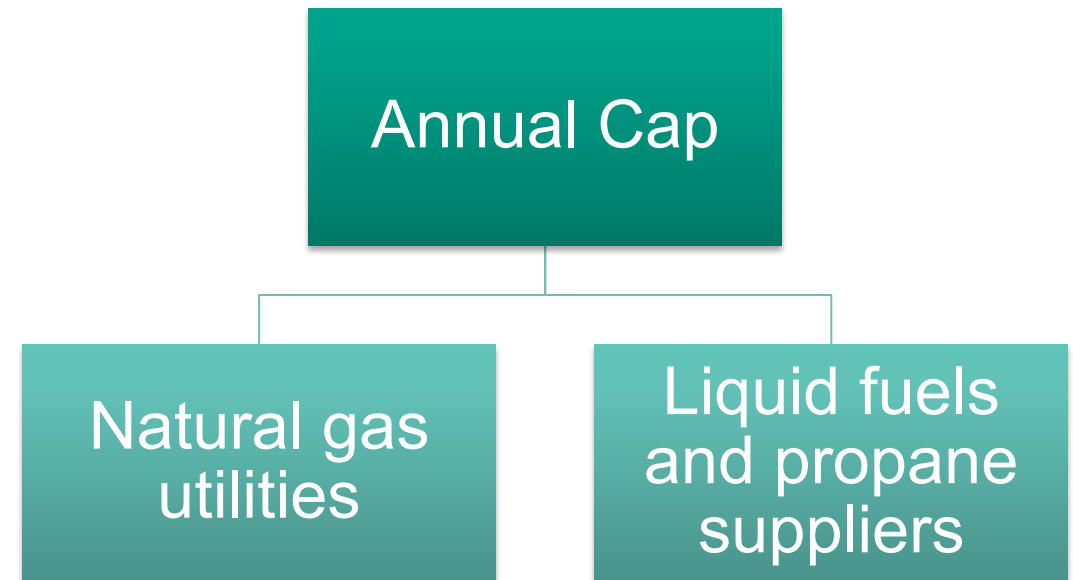
Covered entity	Covered emissions	Applicability
Natural gas utilities	Natural gas supplied, except to EITE sources  Excludes: <ul style="list-style-type: none"> <li>• Gas used at power plants</li> <li>• Biomass-derived fuels</li> </ul>	No emissions threshold
Liquid fuels and propane suppliers	Gasoline, diesel & propane  Excludes: <ul style="list-style-type: none"> <li>• Aviation fuels</li> <li>• Biomass-derived fuels</li> </ul>	Declining emissions threshold  Start at 100,000 tons Declines to 25,000 tons in 2030

# Covered emissions or point of regulation

Covered entity	Covered emissions	Applicability
EITE sources	<p>All uses of natural gas (utility or other), solid fuels, and industrial processes</p> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Biomass-derived fuels</li> <li>• Liquid fuels or propane</li> </ul>	<p>Emissions threshold 15,000 tons</p> <p>Industry NAICs code</p>
Direct Natural Gas sources	<p>Natural gas supplied by an entity other than a utility, solid fuels, and industrial processes</p> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Biomass-derived fuels</li> <li>• Liquid fuels or propane</li> </ul>	<p>Emissions threshold 15,000 tons</p> <p>Currently only one source</p>

# Compliance instrument distribution

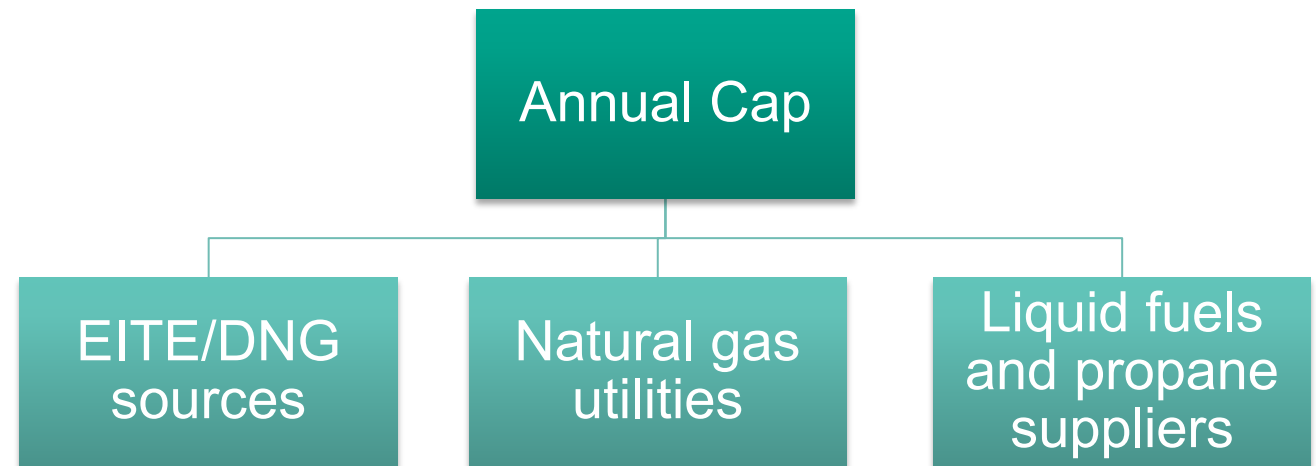
- 1 compliance instrument = 1 MT CO<sub>2</sub>e
- Distributed for free to regulated companies
- First compliance period
  - One time distribution of early reduction instruments in 2025





# EITE compliance instrument distribution

- EITE and Direct Natural Gas sources have compliance obligations beginning in second compliance period
- Proposing to develop intensity targets
- MT CO<sub>2</sub>e/per unit produced

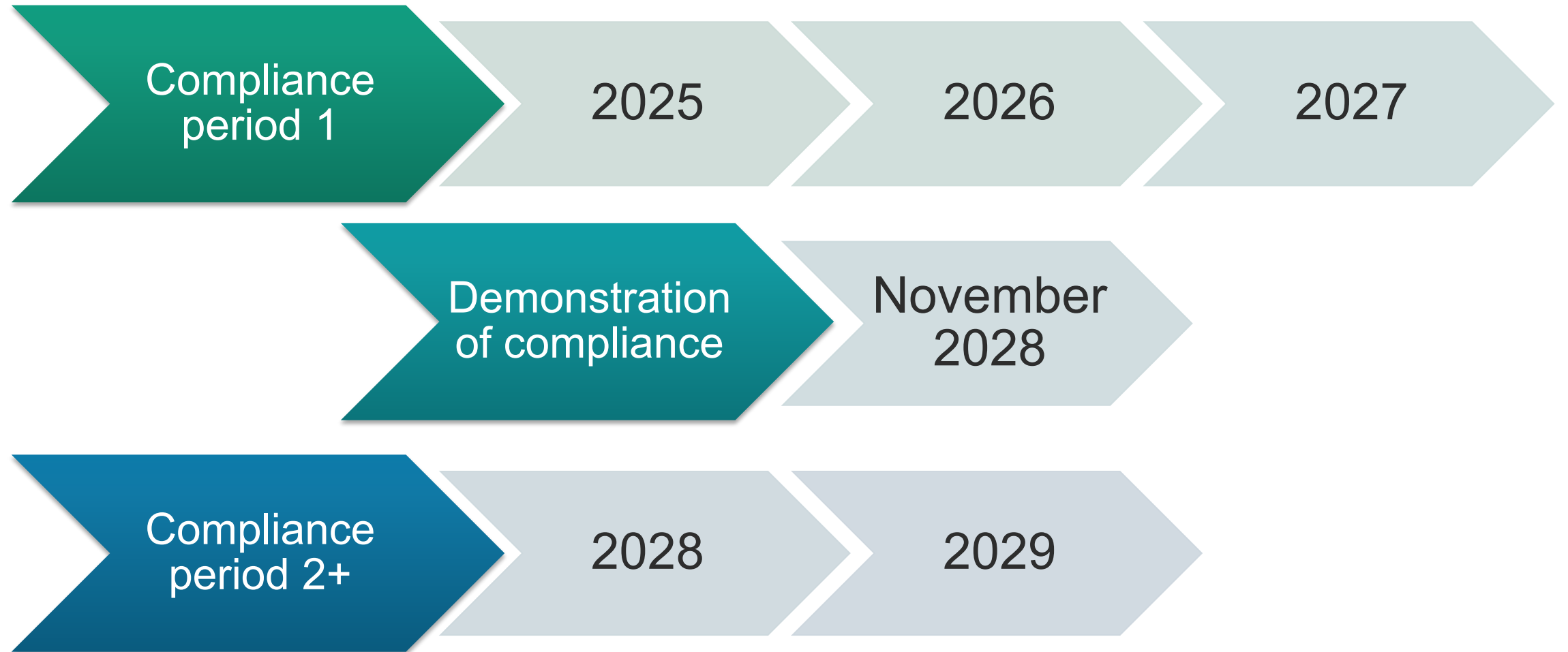


# EITE regulation

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- More resources and expected to have more options for reducing emissions when directly regulated
- DEQ can better develop options to prevent leakage
  - Slower emissions reduction trajectory for these sources
  - Intensity targets better able to accommodate production demand
  - Intensity targets specific to source's manufacturing processes and industry

# Compliance periods

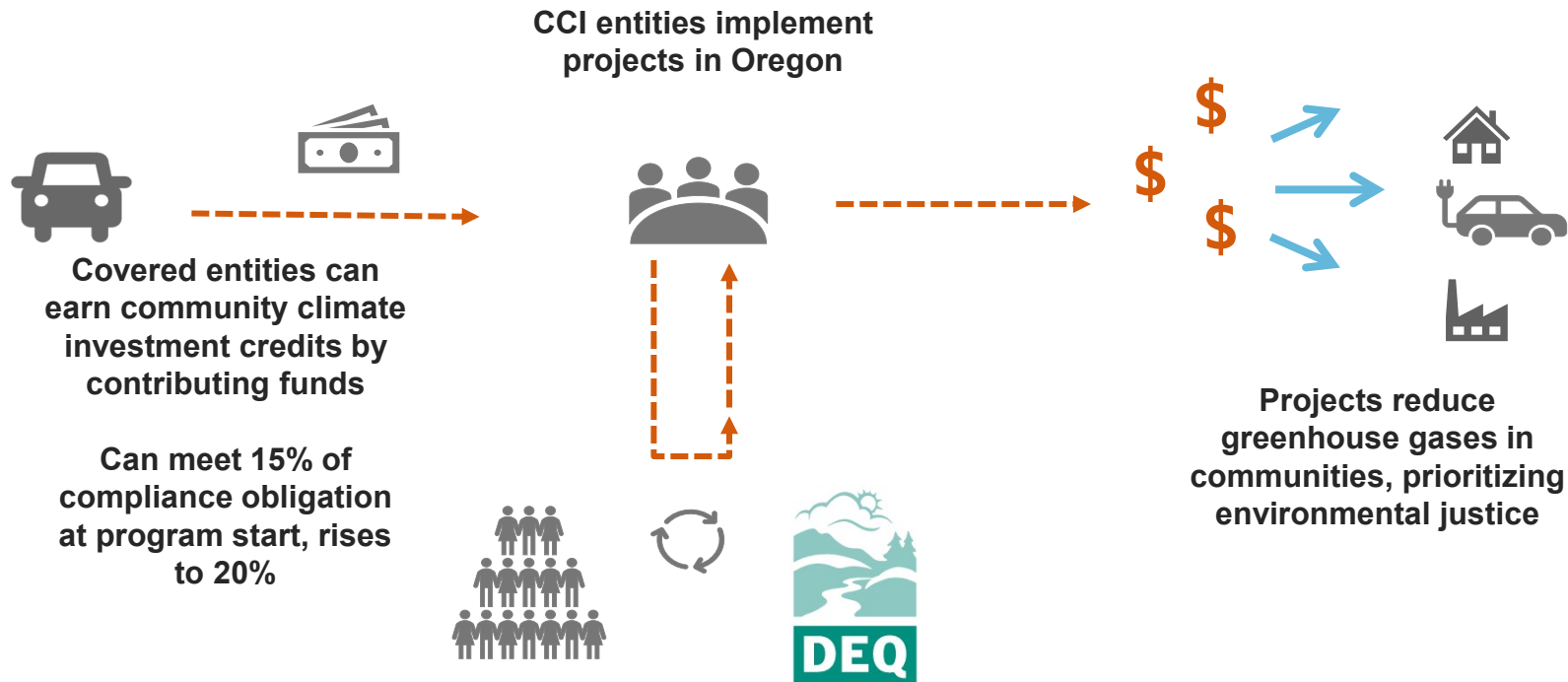


# Cost containment for natural gas

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- DEQ will request information from PUC to determine changes in utilities' rates that may be attributable projected or actual costs of compliance with CPP 2024
- Request information at least once per compliance period
- Compare rates to neighboring states to determine if customer rates have increased or will increase significantly due to CPP 2024
- If yes, DEQ will recommend changes to EQC to moderate cost impacts

# Community Climate Investments



Equity Advisory Committee works in partnership with DEQ to ensure CCI investments benefit Oregon's environmental justice communities

- Reduce anthropogenic greenhouse gas emissions
- Projects in residential, industrial, commercial transportation, sectors
- 15% of funds benefit tribes and tribal communities in Oregon

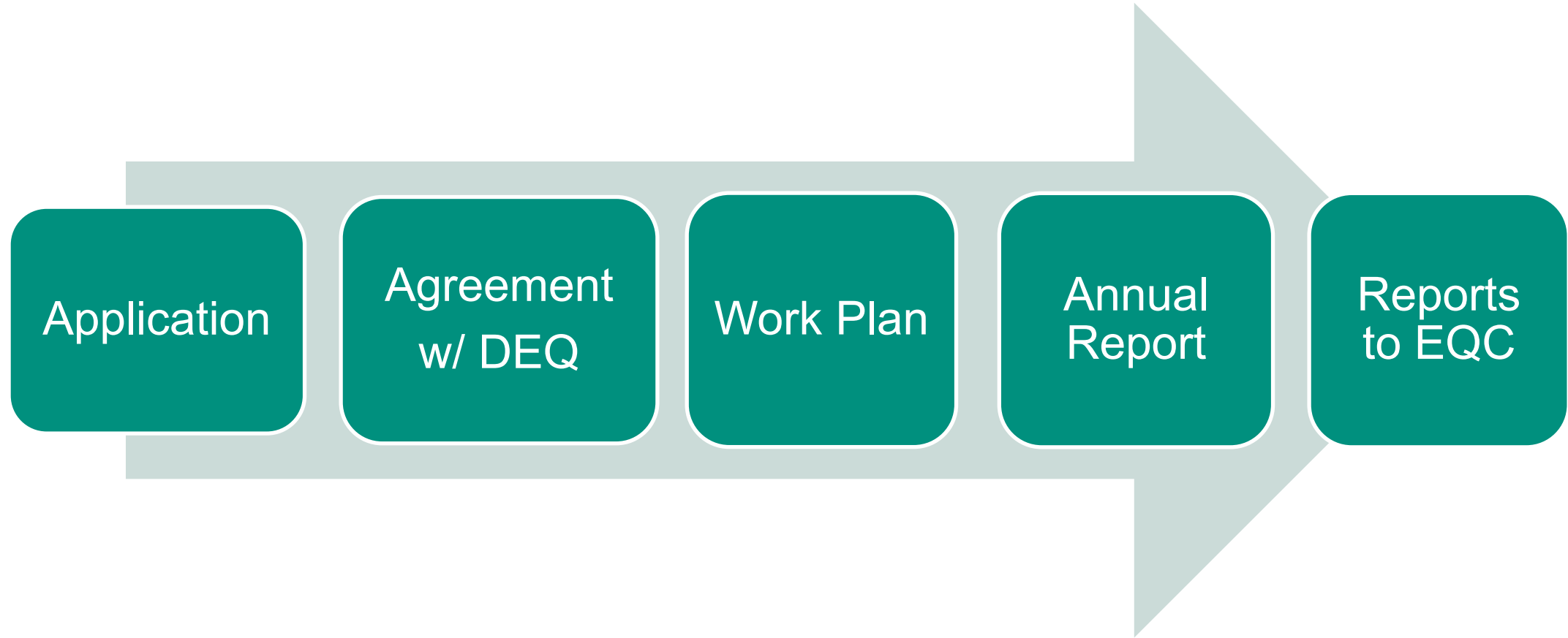
# CCI entity oversight and monitoring

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- Fee on CCI third-parties as directed by Legislature
- Ensure agency oversight, administration, implementation
- Allow for greater transparency on investments and impacts
- Funds internal and external audits

# CCI entity selection and implementation

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# Proposed motion language

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*“I move that the Environmental Quality Commission adopt the proposed rules and rule amendments in Attachments A1 and A2, as amended by Exhibit 1 to Attachment A1, as part of chapter 340 of the Oregon Administrative Rules.”*



# Title VI and alternative formats

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