



Oregon Department of Environmental Quality

Draft Rules – Division 273

Climate Protection Program 2024 Rulemaking

Exhibit 1: Amend proposed rule 340-273-8100 by adding a new section (4) as follows:

Department of Environmental Quality

Oregon Administrative Rules Chapter 340 Division 273 OREGON CLIMATE PROTECTION PROGRAM

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) In addition to making the written reports required under sections (1) and (3) DEQ will report to the EQC on the ongoing implementation of the Climate Protection Program, so the EQC can better evaluate progress on achieving program goals as described in OAR 340-273-0010 and assess whether any changes to the program rules or program implementation are warranted. DEQ will provide the first update to the EQC no later than by December 1, 2026, and will report no less frequently than annually thereafter.

(5) ~~(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.

(6) ~~(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

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