


State of Oregon  
Department of Environmental Quality

Memorandum

**Date:** Jan. 12, 2017

**To:** Environmental Quality Commission

**From:** Richard Whitman, Director 

**Subject:** Agenda item F, Informational item: Market mechanisms for reducing greenhouse gases  
Jan. 17-19, 2017, EQC meeting

**Purpose of item** DEQ will present about its report to the 2017 Oregon Legislature regarding a market-based strategy for reducing greenhouse gases.

**Background information** In March 2016, the Oregon Legislature requested that DEQ conduct a study on how a market-based approach to reducing greenhouse gas emissions would work in Oregon.

To conduct this study, DEQ evaluated several considerations related to the development and implementation of a market-based program, including:

- Program design elements, such as the scope and stringency of the emission limit, allocation of allowances to emit greenhouse gases, cost containment measures, and market functionality
- The scope and design of the greenhouse gas emissions cap necessary to link with other jurisdictions and to meet Oregon's greenhouse gas reduction goals
- Interaction between a market-based program and existing state programs
- How existing market-based programs in other jurisdictions control impacts to different types of businesses
- The impact and benefit of existing market-based programs on disadvantaged populations and rural communities.

**Outreach and engagement** DEQ, in collaboration with the Oregon Department of Energy, met with project partners in summer and fall 2016 to discuss the elements of the report and solicit feedback on the partial draft. DEQ held a formal comment period in late 2016, and is integrating those comments into the draft to be presented to the 2017 Legislature. A public workshop on the economic modeling supporting this study is scheduled on Wednesday, January 25.

**Draft study**            The draft study is available online on the project's webpage:  
<http://www.deq.state.or.us/aq/climate/docs/ghgMarketD.pdf>

**EQC  
involvement and  
next steps**            There is no commission action at this time. DEQ will submit its final  
report to the Oregon Legislature in 2017. Future agency responses to  
Legislative direction may involve rules or other policy changes, and  
DEQ will provide updates and may request commission action at a later  
time.

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