



Memorandum

Date: Jan. 14, 2026

To: Environmental Quality Commission

From: Leah Feldon, Director

Subject: Agenda item F, informational item: Director's Report
Jan. 15-16, 2026, EQC meeting

1.0 Director's Office

1.1 Leadership Transitions

Assistant Director Brian Boling left DEQ for a position with the State Treasury. As Assistant Director, Brian provided leadership to a wide variety of agency support functions and teams, including Human Resources, Budget, Accounting, Health and Safety, Procurement, and Information Technology. Brian served in various roles at DEQ over the course of the last 19 years, including as the Laboratory and Environmental Assessment Division Administrator, Central Services Division Administrator and Assistant Director. Wade Sadler, the Vehicle Inspection Program Manager, will serve as interim Assistant Director while the agency prepares for a recruitment process.

1.2 Community Climate Investment Entity – Request for Applications

DEQ recently published a Request for Applications (RFA) for Community Climate Investments Entities. This solicitation seeks applications from nonprofit organizations with extensive experience receiving, managing and investing funds in order for them to take on the role of a CCI entity. The Climate Protection Program rules the EQC adopted in late 2024 establish a Community Climate Investments program that offers entities regulated by the CPP a compliance option to provide funds to a DEQ-designated third party or parties. Those funds are then to be reinvested in Oregon to reduce greenhouse gas emissions. This RFA is a key step towards DEQ getting under contract with one or more entities to provide that role – taking receipt of any funds our regulated companies opt to provide, and managing and investing those funds in a transparent manner that aligns with the work planning DEQ will be conducting with our Equity Advisory Committee.

The RFA was published on Jan. 7 and will close on March 20. DEQ encourages all eligible organizations to consider applying. Information sessions for potentially interested applicants are scheduled for January and February 2026. Following the application period, DEQ will be evaluating applications received with the intent to issue notice to award in June 2026. That will be followed by an extensive contracting period before the CCI program will become fully operational.

1.3 Climate Equity and Resilience Through Action

DEQ continues to make significant progress implementing the Climate Equity and Resilience Through Action program that staff briefed the commission on in late 2025. In fact, in our first year (of five) we have expended over \$26.5 million, or 10% of the \$197 million funds we are receiving from the U.S. EPA. These are funds to invest across Oregon in 12 distinct funding streams, all of which are reducing greenhouse gas emissions and improving Oregonians' access to clean and efficient energy.

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State agency partners are making excellent progress in distributing funds, including:

- Oregon Department of Energy has:
 - Issued 1,337 heat pump rebates and has spent \$2.76 million;
 - Completed rulemaking for the Building Performance Standards program and expects to launch in 2026; and
 - Identified implementing partners for residential weatherization.
- DEQ has:
 - Issued 3,718 electric vehicle rebates and has spent \$22.8 million for this measure;
 - Launched a medium- and heavy-duty zero emission vehicles rebate program and received applications in December 2025;
 - Approved applications for medium- and heavy-duty zero-emission vehicle grants and charging stations (agreements are in progress);
 - Launched a Request for Proposals for landfill methane capture projects; and
 - Issued an Intent to Award to a grant manager to manage subgrants for composting projects.
- Energy Trust of Oregon has spent \$628,750 to issue 550 rebates for the construction of energy efficient housing and has spent \$325,749 to issue 147 rebates for residential weatherization.
- Oregon Department of Transportation launched the electric vehicle charging station rebate program in November 2025.
- Oregon Health Authority is finalizing agreements with implementation partners for residential weatherization.

1.4 Governor Kotek's Oregon Prosperity Roadmap

In early December 2025, Governor Kotek announced a new initiative focused on bolstering the state's economic development efforts. Coined "Oregon's Prosperity Initiative", the effort includes six strategies:

1. Recruit additional leadership and expertise to execute and further develop initiatives: The Governor announced a new role within the Governor's Office, the Chief Prosperity Officer (CPO), and an Oregon Prosperity Council to further support this work.
2. Take legislative action in 2026: The Governor's legislative framework includes creating a program to fast-track projects and modernize current economic development tools.
3. Cut down barriers to business investment and growth: In addition to legislative action, the Governor will boost investment and growth by leveraging state agencies, prioritizing investments in critical infrastructure, and supporting local economic development efforts.
4. Explore targeted tax relief for job creation and increased GDP: The CPO and Prosperity Council will develop recommendations for possible legislative action in 2027.
5. Modernize and strengthen Oregon's economic development systems: The Governor directed Business Oregon to complete a state economic development strategy.
6. Strengthen partnerships with business community: A new Global Trade Desk at Business Oregon will grow opportunities for global commerce, strengthen long-term trade partnership, and promote Oregon as a destination for foreign investment. The Governor will also enhance business outreach and direct agencies to prioritize economic development in their work.

Certain strategies will involve identifying opportunities to fast-track projects that present significant economic development opportunities and accelerate permitting processes more generally. DEQ will engage actively in this work.

1.5 2026 Legislative Session

The 2026 Legislative Session will open on Monday, Feb. 2. Even-year sessions are constitutionally limited to 35 days, meaning the session will adjourn no later than Sunday, March 8. Short sessions are notable for the speed at which measures must meet key milestones in order to remain under consideration. The Feb. 4 General Fund forecast will set the tone for legislative budgeting conversations during session. Key issues the

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legislature is expected to focus on include impacts from federal budget and policy shifts, economic development, and transportation funding.

DEQ will actively engage in the process by providing information and analysis to the legislature, evaluating proposed measures for potential fiscal impacts, and working to represent DEQ's budget interests as legislative leadership works to rebalance the current biennium budget.

2.0 Air Quality

2.1 Vehicle Inspection Program

There was significant media interest in an effort to refer the recent transportation funding bill to voters, with several stories, such as [this one from KGW](#), appearing on statewide outlets. The referral effort had indirect impacts on DEQ's Vehicle Inspection Program. In response to the referral effort, the Driver and Motor Vehicles division of the Oregon Department of Transportation temporarily paused mailing vehicle registration renewal notices to registered owners. The pause was due to an increase in registration fees as part of the referral effort, and the DMV would have had to refund excess fees, which would have been logistically challenging. It could also have exposed the DMV and ODOT to litigation.

Vehicle registration renewal is the program's sole enforcement mechanism, as the registration cannot be renewed without a certificate of emissions compliance. As a result, the pause in renewal forms led to significantly lower testing volumes at stations, because the renewal form reminds owners to get the emissions test.

The DMV notified DEQ that they resumed renewal notices with the 'rolled back' fees beginning Dec. 19, 2025. They have since worked through a backlog of approximately 200,000 renewal notices, issued at a rate of about 20,000 per day. The full backlog was statewide and not limited to DEQ's testing boundaries, although due to population centers, the majority were within DEQ's testing boundaries.

While testing stations were abnormally slow due to the pause, traffic is and will continue to pick up in the coming weeks, resulting in an unusually busy period. Stations are staffed adequately to accommodate the increased volume; however, wait times may be temporarily longer due to the anticipated higher volume. Revenue should not be affected in the long run, and the program can continue to operate using reserve funding until testing volume normalizes.

2.2 ZERO Fleets Program

The Zero-Emission Rebates for Oregon (ZERO) Fleets Program was established following the 2023 Legislature's passage of House Bill 3409, which directed the Environmental Quality Commission to create a new incentive program for medium- and heavy-duty zero-emission vehicles. The program aims to support fleet transition, reduce diesel pollution and address disproportionate air quality impacts in communities most affected by freight and truck traffic.

The program opened on Dec. 17, 2025, and early uptake has been strong. There are currently 14 participating dealers enrolled in the program to work with fleets. As of Jan. 7, 2026, DEQ has received 17 rebate applications, covering a range of Class 2b-8 trucks, including 17 Class 8 zero emission garbage trucks, with approximately \$4.5 million in rebate funds requested.

2.3 Proposed NHTSA Reduction to Federal Fuel Economy Standards

The National Highway Traffic Safety Administration (NHTSA) administers the Corporate Average Fuel Economy (CAFE) standards, which regulate how far vehicles must travel per gallon of fuel. The NHTSA sets

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these fuel consumption standards for passenger cars, light trucks, and medium- and heavy-duty trucks and engines.

On Dec. 3, 2025, the NHTSA proposed rules to reduce the stringency of these standards. These changes would allow automakers to produce less efficient vehicles, leading to higher driving costs and increased pollution in the coming years. The proposal slows the required rate of fuel-economy improvement, excludes electric vehicles from specific baseline calculations, and reclassifies some sport utility vehicles in ways that lower average fleet fuel economy.

While this proposal will not affect the current fleet of vehicles on Oregon's roads, enacting it will increase tailpipe emissions from cars and trucks. As a result, Oregon's mid- and long-range transportation emissions estimates will rise, and our state agencies, counties, and cities will need to find other ways to reduce those emissions to achieve Oregon's climate pollution reduction targets.

DEQ is drafting formal public comments, due on Jan. 20, 2026, opposing this proposal. Less efficient vehicles will cost Oregonians more money to operate while increasing emissions of harmful pollutants and greenhouse gases. According to data from the U.S. EPA and Oak Ridge National Laboratory, strong vehicle standards have increased efficiency, resulting in annual fuel savings of \$458 for a vehicle bought in 2021 and driven an average distance of 11,200 miles compared with one purchased in 2006, if gas is priced at \$4 a gallon.

3.0 Water Quality Division

3.1 Federal Waters of the United States Proposed Rule

On Nov. 20, 2025, the U.S. EPA and the U.S. Army Corps of Engineers issued a public notice requesting comments on proposed updates to the federal Waters of the U.S. rule. The proposed rule has significant implications for how Oregon's water agencies collectively safeguard water quality and aquatic resources. Comments on the proposed rule were due on Jan. 5, 2026.

DEQ coordinated a multi-agency comment letter in collaboration with the Governor's Office and other water agencies including the Department of Land Conservation and Development, Department of Fish and Wildlife, and the Department of State Lands. The comment letter recommends that the proposed rule be withdrawn as additional changes are unnecessary and risk creating confusion and regulatory uncertainty.

The current Waters of the U.S. rule was revised in 2023 to reflect the Supreme Court's [Sackett v. EPA](#) decision and provides a clear, stable framework for protecting water resources. Oregon's comments note the proposed rule goes beyond the Supreme Court's decision by further narrowing federal jurisdiction compared to the current rule. In addition, Oregon raised the following concerns and implications for this proposed rule:

- This approach would strip protections from many Oregon wetlands and streams that are vital for water quality, fish and wildlife habitat, and flood mitigation – creating risks for communities and ecosystems across the state.
- A consistent federal baseline for Clean Water Act protections is essential to avoid regulatory gaps between states, Tribes, and federal agencies. Without it, migratory species like salmon, steelhead, and waterfowl will face a patchwork of protections across their ranges, threatening ecological health and cultural resources. This lack of uniformity also creates uncertainty for the regulated community.
- The rule purports that changes in federal jurisdiction can be addressed within state laws. Shifting responsibility to states and tribes without evaluating the administrative and economic burdens on their programs is not a viable long-term strategy for safeguarding the nation's waters.

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4.0 Western Region

4.1 J.H. Baxter

Since the U.S. EPA added the J.H. Baxter Superfund Site in west Eugene to the Superfund National Priorities List in July 2025, the project has achieved several significant milestones. On Oct. 31, 2025, the U.S. EPA awarded a Remedial Investigation contract and began the remedial investigation at the site. At the end of December 2025, the U.S. EPA granted the Site Assessment Cooperative Agreement for J.H. Baxter, providing funds for DEQ to participate in the Remedial Investigation/Feasibility Study process. This action will reduce, but not eliminate, the industrial orphan funding DEQ spends on the J.H. Baxter project over the next few years. The U.S. EPA expects to conclude the Time Critical Removal Action at J.H. Baxter in January 2026 and plans to demobilize that month.

4.2 Coffin Butte Landfill

On Dec. 17, 2025, the Benton County Board of Commissioners withdrew its previous approval to expand the landfill, which was noted at the December 2025 EQC meeting, after opponents appealed the decision to the Oregon Land Use Board of Appeals. This land use process is separate from DEQ's permit and enforcement actions; however, future expansion may require a permit modification from DEQ.

Non-discrimination statement

DEQ does not discriminate on the basis of race, color, national origin, disability, age, sex, religion, sexual orientation, gender identity, or marital status in the administration of its programs and activities. Visit DEQ's [Civil Rights and Environmental Justice page](#).