





Climate Protection Program
EITE Rulemaking

Advisory Committee Meeting #3





Sept. 15, 2026
DEQ Headquarters and Virtual

State of Oregon
DEQ Department of Environmental Quality

Welcome

- **Thank you for joining us today!**
- The meeting is being recorded
- Please join audio by either phone or computer, not both
- Committee members have audio and video enabled
  - Raise hand or press *9 to speak for discussion or questions
- Members of the public are in listening mode but will have audio enabled if giving public comment
- For immediate questions or technical support, please email cpp.eite@deq.oregon.gov

Meeting objectives

- Discuss and receive committee input on draft rules
- Discuss and receive committee input on draft fiscal impact statement
- Discuss and receive committee input on racial equity and environmental justice considerations

Meeting agreements

- Honor the agenda and strive to stay on topic
- Provide a balance of speaking time
- Bring concerns and ideas up for discussion at the earliest point in the process
- Address issues and questions – focus on substance and avoid personal attacks
- Seek to learn and understand each other's perspective
- Listen and speak with respect

Time	Topic
10 a.m.	**Welcome, meeting logistics and agenda overview**
10:15 a.m.	Review and discuss draft rules: benchmarks, reduction schedule, compliance instrument distribution
12 p.m.	Lunch break
1 p.m.	Public comment
1:15 p.m.	Review and discuss draft rules: adjustments to reduction schedule
1:45 p.m.	Review and discuss draft rules: adjustments for significant production downturns
2:05 p.m.	Review draft rules: usage of community climate investment credits, cessation, applicability
2:20 p.m.	Break
2:30 p.m.	Discuss draft fiscal impact statement
3:20 p.m.	Discuss racial equity statement and environmental justice considerations
3:50 p.m.	Wrap up and next steps

DEQ Climate Protection Program Team

Nicole Singh
Climate Protection & Policy Manager

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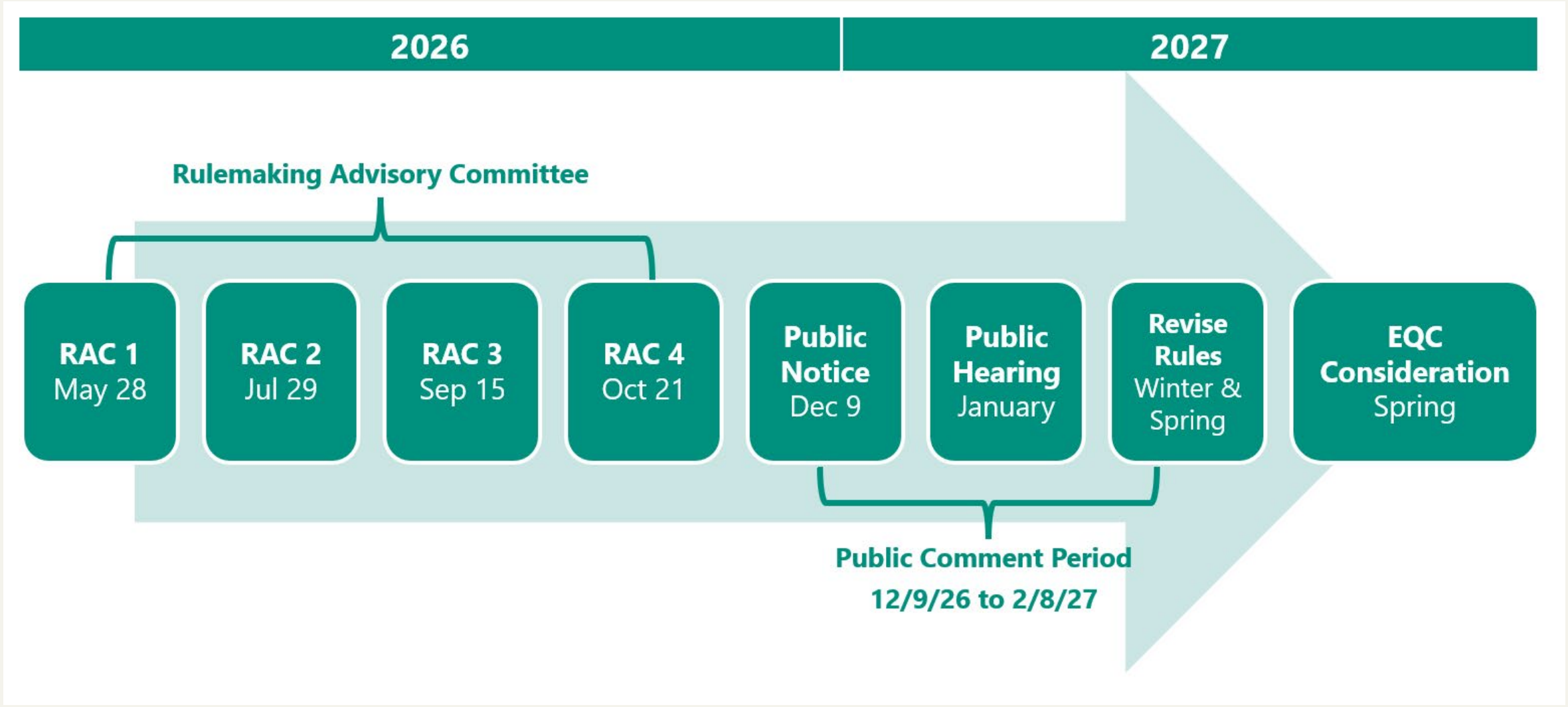
Matt Steele
Climate Policy Analyst

Whitney Dorer
Climate Policy Community Engagement Coordinator

Rishi Khanna
Intern

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Rulemaking timeline



Workplan

Meeting	Topics	Date	Comments
RAC 4	Draft rules, fiscal impact statement, racial equity impact, environmental justice considerations, any complementary rulemaking materials	Oct. 21, 2026	Nov. 3, 2026

Understanding agency rule notations

Oregon Administrative Rules 340-273-0130

- 340 is the **chapter** under which DEQ works
- 273 is the **division** for the Climate Protection Program
- 0130 is an individual **rule** within the Climate Protection Program
  - Under each rule are sections and subsections

In materials OAR 340-273-0130 is abbreviated to rule 0130

Greenhouse gas emissions intensity benchmarks (rule 0320)

- Draft rules language continues staff leanings from the second rulemaking advisory committee meeting
- DEQ staff are currently working with sources to develop source-specific greenhouse gas emissions intensity benchmarks for each EITE and DNG source
- Benchmarks would be generally static and used in the allocation formula for compliance instruments

Product-differentiated benchmarks

- Sources may request unique benchmarks for different products
- Example: one benchmark for ⅜-inch plywood and another for particle board
- Benchmarks are developed through the program's permitting process

Benchmark data years and adjustment process

- Draft rules state benchmarks would be based on average covered emissions and production from 2023–2025
- Sources may request DEQ use alternate data if these years include periods of abnormal operation
  - Shutdown, severe curtailment of operations, major process or production changes
- Alternate data must be from 2021 or later and be third-party verified

Discussion – benchmarks

1. Do the proposed benchmarking provisions provide the right balance of accuracy, flexibility, and administrative feasibility while incentivizing emissions reductions at EITE and DNG sources?

2. If not, what specific adjustments would better support both reliable emissions-intensity benchmarking and practical implementation for your facility?

New products, processes, sources (rule 0320)

- Draft rules describe how new products, production processes and sources enter the program

- DEQ aims to ensure emissions intensity is accurately represented and continues to decrease while allowing innovation and growth

Reporting requirements and program integration

- Benchmarks follow the same emissions-intensity structure as for existing EITE and DNG sources
- All emissions data must be reported under OAR 340-215, the greenhouse gas reporting program
- DEQ staff are evaluating how production data for existing and new sources and products should be submitted
- Staff support a straightforward process ensuring benchmarks remain representative, transparent, and adaptable

Benchmarks for new products, processes and new sources

- Products introduced in 2026 or later incur obligations beginning the first year of the next compliance period
- Benchmarks use up to two years of recent production and emissions data
- If insufficient history exists, DEQ may use modeling, engineering estimates, comparable data, or partial-year information to set temporary benchmarks
- Benchmarks are revisited once adequate operational data exist

Discussion – new products, processes and sources

1. What considerations or challenges do you foresee with the proposed process for incorporating new products or new production processes?

Reduction schedules (rules 0330 and 9000)

- Draft rules include reduction schedules that decrease free compliance instruments per unit of production
- Uniform schedules apply across sources, with an adjustment process available
- Reductions start for EITE sources in 2030 and continue annually
- Schedule: 0% per year in 2028–2029, then 1.5% per year beginning in 2030

Comparison with other programs

- 1.5% yearly reductions are faster than Washington's 0.75%, but slower than California's 3% and Quebec's 2.3%
- Oregon reductions begin later — Washington starts in 2027, Oregon in 2030
- Programs differ in benchmarks, years, markets, and constraints, limiting direct comparisons
- The schedule is slower than existing placeholder reductions for EITEs and slower than reductions for other regulated entities

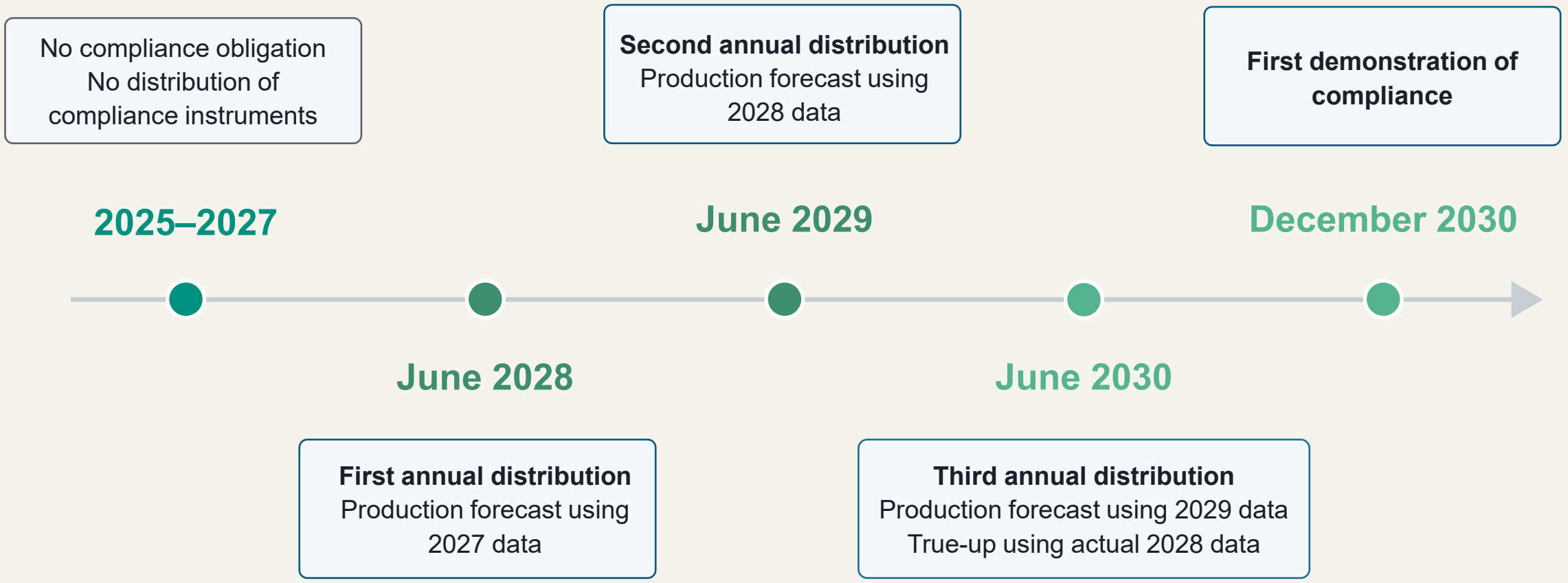
Reasoning, adjustments and review

- Schedule aims to balance reductions across Climate Protection Program source categories
- Sources may request adjustments to the schedule, including for the 2030–31 compliance period
- Supports emissions reduction while supporting EITE and DNG sources

Discussion – reduction schedules

1. What thoughts do you have about the proposed 0% reduction for two years, then 1.5% per year thereafter?

EITE compliance timeline



Compliance instrument distribution (rule 0420)

B × **R** × **P**

BENCHMARK

Greenhouse gas intensity value assigned per product or process

§ 340-273-0320

REDUCTION SCHEDULE

Declining annual target from Table 8 (or an approved alternate)

§ 340-273-0330

PRODUCTION

Reported facility output from the prior year (t−1)

§ 340-273-0410

benchmark × reduction schedule × production = compliance instruments distributed

Verified production data correction factor

True-up → Realigns compliance instrument distribution to actual production levels

Year t−2

Original distribution using forecast production data

Year t−1

Actual production data from Year t-2 are reported and verified

Year t

Correction applied during distribution

t-2 forecast → t-2 actual data

True-up recalculation, applied in year t

$$\text{recalculation}_{t-2} = \text{benchmark} \times \text{reduction schedule}_{t-2} \times \text{verified production}_{t-2}$$

If the recalculation differs from the original year t−2 distribution,
DEQ adjusts the current distribution (year t) by the difference

Hypothetical example

2028 Initial distribution

Benchmark	**0.85 MT CO2e / unit**
Reduction schedule	**1.00**
Reported production (2027)	**100,000 units**

0.85 × 1.00 × 100,000

85,000 instruments distributed

2030 True-up for 2028

Verified production (2028, actual)	**92,000 units**
Recalculated value (0.85 × 1.00 × 92,000)	**78,200**
Original 2028 distribution	**85,000**

78,200 - 85,000 = - 6,800

2030 distribution reduced by 6,800

Preliminary projected production exceeded verified actual production for 2028.
DEQ reduces the 2030 distribution to correct the difference.

Discussion – compliance instruments

1. Do you have any input on the proposed method for distributing and trueing up compliance instruments?

2. Are there other ways to use preliminary or forecasted production data to allow for timely, accurate distribution of compliance instruments?

Lunch break

Return at 1 p.m.

Questions: cpp.eite@deq.oregon.gov

Time	Topic
1 p.m.	Public comment
1:15 p.m.	Review and discuss draft rules: adjustments to reduction schedule
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2:05 p.m.	Review draft rules: usage of community climate investment credits, cessation, applicability
2:20 p.m.	Break
2:30 p.m.	Discuss draft fiscal impact statement
3:20 p.m.	Discuss racial equity and environmental justice considerations
3:50 p.m.	Wrap up and next steps

Public comment (15 min)

We are taking public comments at this time.

Raise your hand 

to join the queue

Or, if joining by phone, *9 to raise hand (and *6 to unmute)

Please say your name and affiliation before speaking
and respect any time limits and ground rules.

You may also send written comment on today's discussion topics by **Sept. 30, 2026,** to cpp.eite@deq.oregon.gov

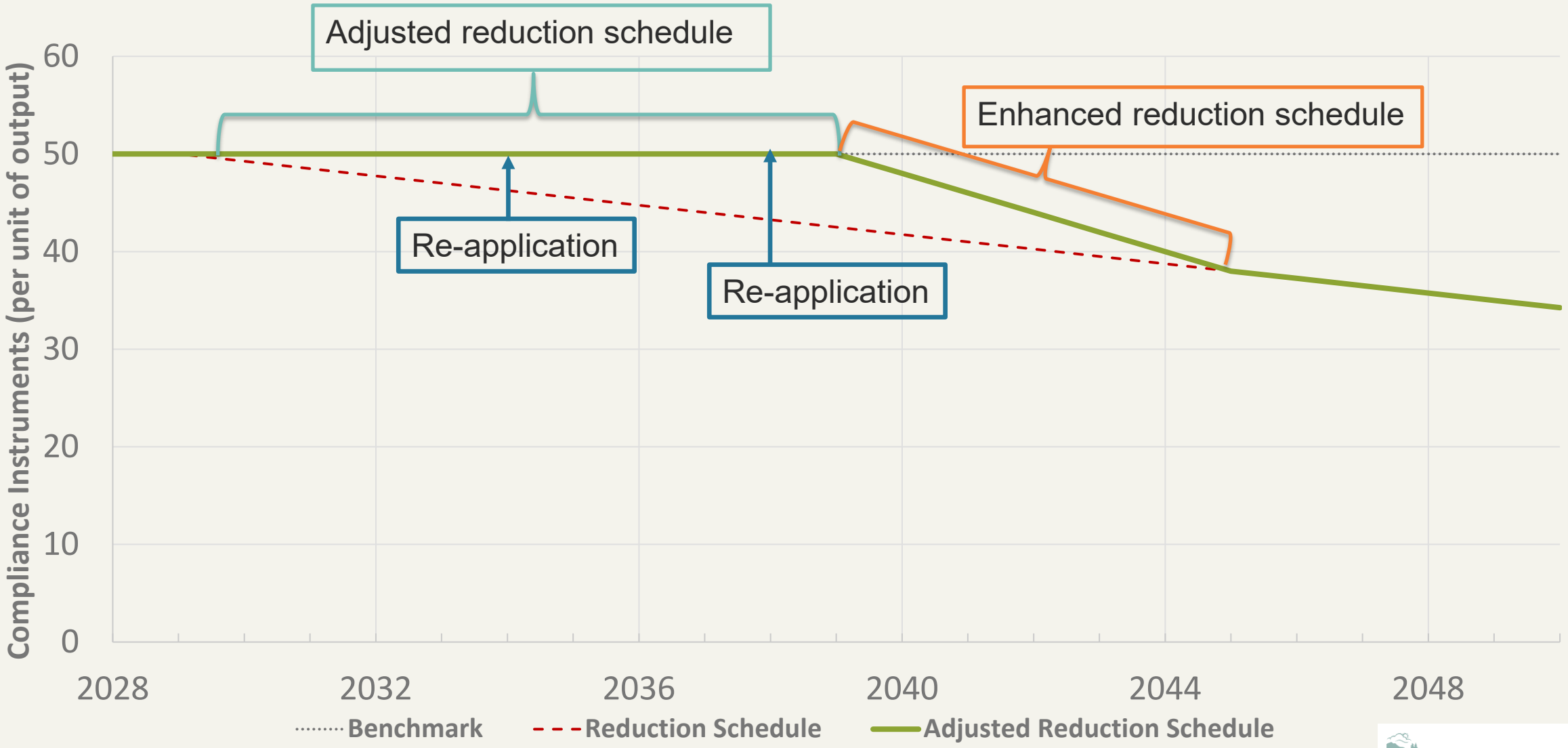
Adjustments to reduction schedule (rule 0330)

- When further reductions are not *economically* or *technologically* feasible
  - Economic feasibility may include double CCI contribution amount for CO2e reductions
  - Require certification from Professional Engineer
- Adjustments available starting 2030-2031
- Applications submitted at least 18 months before upcoming compliance period
- Adjustments allowed maximum of 2 compliance periods (4 years); DEQ decides duration
  - Potential for streamlined re-application process

Limitations on adjustments (rule 0330)

- Enhanced reduction requirements after adjustment period, where possible
- No transferring or trading compliance instruments during an adjustment period

Hypothetical adjustment



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Reduction adjustment analysis

Potential emission reduction measures

- Reduction strategies at similar facilities
- Rationale for measures considered infeasible
- Require certification from Professional Engineer

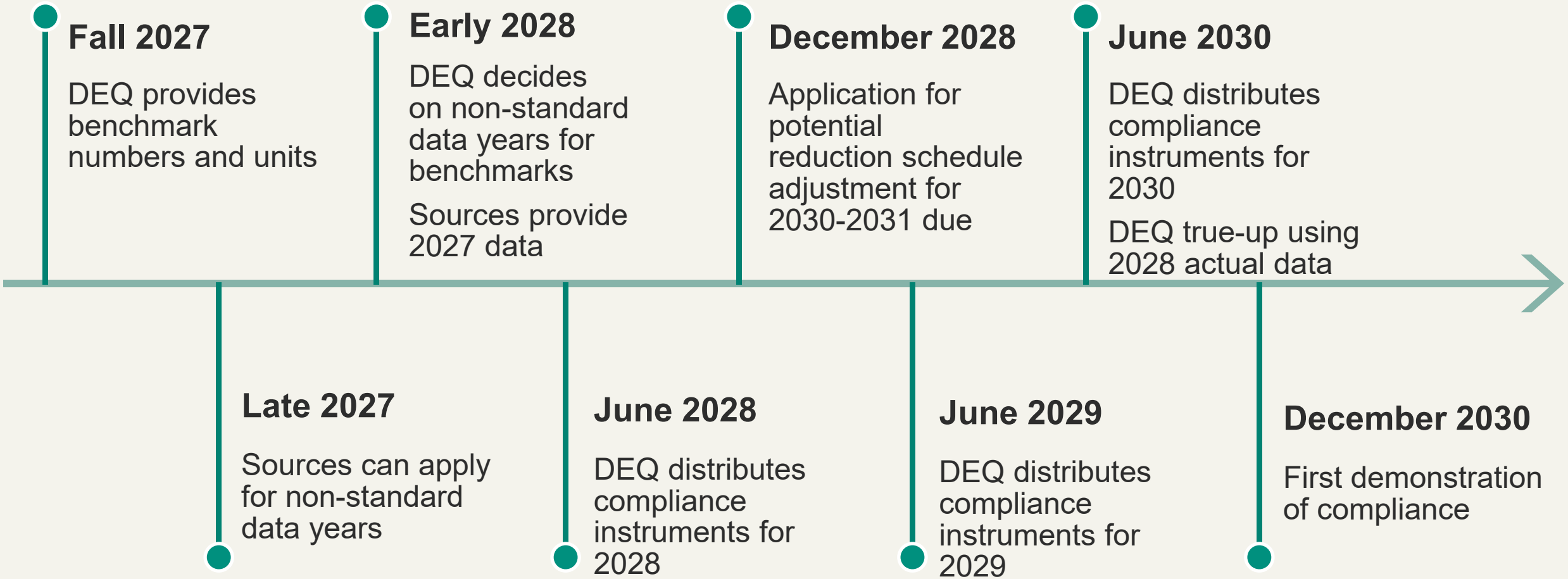
Technological assessment

- Ability to meet process requirements
- CO2e emissions reductions
- Availability/maturation
- Implementation timeline
- Constraints
- Impacts to other air emissions

Economic assessment

- Capital expenses, operating expenses, financial incentives, net present value
- Comparison of cost/CO2e reduction to CCI contribution amount

Potential EITE implementation timeline



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Discussion – adjustments to reduction schedule

1. Would the proposed adjustments to reduction schedules allow for facility flexibility while promoting reductions in greenhouse gas emissions?
2. What are your comments on the type of information that sources would have to provide to request an adjustment? Is the list comprehensive or is there additional or alternative information that should be provided?
3. What are your thoughts on the parameters that DEQ would use to determine economic feasibility or technological feasibilities?

Significant production downturns (rule 0330)

Applicability

- Unplanned catastrophic event 340-273-0330(3)(a)
- At least a 10% increase in greenhouse gas emissions intensity

Eligibility

- Apply during the compliance period in which the event occurred
- Remains until end of compliance period

Expected emissions

- Compliance instruments distributed would be based on a baseline production scenario
- Unique to this adjustment

Baseline production scenario

Compliance instrument distribution calculated with baseline average production value used to assign a benchmark

2038 Production downturn

Actual emissions intensity	**8 MT CO2e / unit**
Reduction schedule	**86.5%**
2038 production	**1,800 units**

6 × 0.865 × 1,800

9,300 instruments distributed

2038 Baseline production adjustment

Benchmark emissions intensity	**6 MT CO2e / unit**
Reduction schedule	**86.5%**
Baseline production	**3,000 units**

6 x 0.865 x 3,000

15,600 instruments distributed

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Baseline production scenario example



Provisions included so source cannot bank excess compliance instruments for compliance

*Conceptual graphic only; illustrates baseline production scenario

Discussion questions

1. What are your comments on the proposed approach for providing an additional reduction schedule option for these unplanned catastrophic events?
2. Are there other more streamlined options for sources or DEQ that would meet the same need?
3. Does 10% increase in emissions intensity represent a significant increase? If not, should be used instead?
4. Is the provision that excess compliance instruments distributed during the adjustment cannot be banked and used for compliance appropriate and adequate? Should this apply to any adjustments to reductions schedules?

Community climate investment credits (rule 0450)

- EITE and DNG sources may meet up 30% of compliance obligation with CCI credits
  - If the source has also used all the source's compliance instruments
- Can apply to meet up to 100% of obligation with CCI credits
- DEQ may approve if determines:
  - Source has a demonstrated community benefit agreement and over the past five years
    - Source has no more than two state or federal labor law violations
    - Source is paying prevailing wage rates
    - Source has no more than two DEQ violations

Applicability and cessation (rules 0110 and 0130)

- Source must exceed 15,000 MTCO2e emissions/year for two years instead of one to become a designated EITE or DNG source
- Cessation period reduced from six years to four years
  - Cessation can occur if emissions are zero each year
  - Cessation can occur if emissions are below 15,000 MTCO2e emissions each
    - Currently source may apply to stop being an EITE or DNG source
    - Proposing that DEQ may also determine source is no longer an EITE or DNG source

Discussion questions - CCI credits

1. Do the draft CCI credit rules balance providing an additional compliance option for sources while reducing emissions and supporting equitable community outcomes?
2. Should sources be required to use all banked compliance instruments before being able to use a higher percentage of CCIs for their compliance obligation?
3. What are your thoughts on the additional requirements for sources if they want to apply to meet their compliance obligations with more than 30% CCIs?

10-minute break

- Be back 2:30 pm

Time	Topic
2:30 p.m.	Discuss draft fiscal impact statement
3:20 p.m.	Discuss racial equity and environmental justice considerations
3:50 p.m.	Wrap up and next steps

Review of fiscal impact statement

- Committee reviews statement and provides recommendations on:
  - Draft rules fiscal impact
  - Extent of that impact
  - Any significant adverse effect on small businesses
  - How DEQ can mitigate impacts

- DEQ:
  - Documents and considers committee input
  - DEQ may revise based on committee input and public comments

Fiscal impact statement-regulated entities

- Compares the fiscal impact of the proposed EITE rules and rule amendments to the current program rules for EITE and DNG sources
- DEQ believes there will be a fiscal impact to proposed EITE rules and rule amendments
  - Likely cost savings for EITE and DNG source, especially those growing
  - Potential cost increases for fuel suppliers (natural gas utilities and liquid fuels and propane suppliers)

Fiscal impact statement-EITE and DNG sources

- Rules would move *from* straight emissions reduction (mass-based) approach with 2.5% per year reduction *to* emissions-intensity approach with 1.5%* per year reduction
  * Ability to apply for adjustments to reduction schedules
  * Ability to apply for relief during significant downturns

- Change from 2022-23 base years to 2023-2025* benchmarks
  * Ability to apply for different years if those are not representative years

Fiscal impact statement-mitigating impacts to EITE and DNG sources

- Move to emissions-intensity approach
- Slower reduction schedule
- Ability to apply for different years for benchmark
- Ability to apply for adjustments to reduction schedule
- Increased option to use CCI credits to 30%; up to 100%

Fiscal impact statement-EITE and DNG sources hypothetical scenario

2022-2029: 100,000 MTCO2e emissions/year: 100,000 units produced
2030: 110,000 MTCO2e emissions/year: 120,000 units produced (emitting more but becoming more efficient)

	Current rules (2030)	Draft rules (2030)
Compliance instruments received from DEQ	**97,500**	**118,200**
Formula	100,000 MT avg emissions 2022-23 x 97.5% reduction schedule	benchmark 1.0 emissions/unit x 120,000 units produced x 98.5% reduction schedule
Compliance instruments required	**110,000** one per MTC02e emitted	**110,000** one per MTC02e emitted
Balance	**- 12,500** at $129+ inflation per CCI (2024$) $1,612,500 plus inflation	**8,200** excess compliance instruments

Fiscal impact statement-EITE and DNG sources impacts

Estimated increased administration, permitting, reporting, and recordkeeping costs				
Activity	**Estimated unit cost ($/hour)**	**Estimated units (hours)**	**Estimated cost**	**Cost recurrence**
Production recordkeeping and reporting	$100	1-10	$100-$1,000	Per year
Emissions intensity benchmark adoption/request for adjustment	$200	25-150	$5,000-$30,000	One time or if product or process benchmarks change
Reduction schedule adjustment request	$250	150-300	$37,500-$75,000	As needed

Fiscal impact statement-Fuel suppliers

- Moving from a mass-based compliance instrument distribution approach to an intensity approach for EITE sources:
  - Less certainty about the number of compliance instruments available for fuel suppliers
  - Significant increases in EITE production over historic levels could mean fuel suppliers receive fewer compliance instruments even as EITE source meet proposed reduction schedules
  - Proposed slower reduction schedule for EITE source and adjustments could decrease the number of compliance instruments available for fuel suppliers, particularly in the longer term

Fiscal impact statement-Fuel suppliers (cont.)

- Though flexibility mechanisms exist in program
  - Additional emission reductions may be needed for compliance
  - Increased usage of CCI credits for compliance

- DEQ is not able fully determine and quantity these potential impacts

Impact to large businesses – more than 50 employees

- Estimate 38 large businesses may be directly impacted
- 37 EITEs and 1 DNG source
- Other sources not defined as EITEs or DNGs may be impacted, including fuel suppliers
- Impacts generally covered in other discussions

Impacts to small businesses
(fewer than 51 employees)

- Estimate: zero small businesses directly impacted
- Estimate: five small business liquid fuel/propane providers indirectly impacted
- Potential impacts to costs of goods and fuel

Program approaches to mitigating these impacts

- Can bank or save unused compliance instruments
- Ability to trade compliance instruments
- Can earn CCI credits

Discussion – fiscal impact statement

1. What are your comments on the draft fiscal impact and the extent of the impacts as presented by DEQ?
2. What are you comments and input on any significant adverse effect on small businesses and how DEQ mitigate any effects on small businesses?

Review of racial equity statement and environmental justice considerations

- Requesting committee input on how these proposed rules and amendments would affect racial equity
- Requesting committee input on how environmental justice considerations might be impacted by these proposed rules and amendments
- DEQ will document and considers committee input
- DEQ may revise based on committee input and public comment

Racial equity statement and environmental justice considerations

- Unclear impact of draft rules on racial equity and environmental justice
- Ability to use more CCIs credits may mean *fewer* emission reductions at sources, but *more* investments in projects that benefit environmental justice communities
  - Incentives to develop community benefit agreements and other potential workforce improvements
- Greater ability to mitigate potential leakage could result in *more* localized air pollution; but *retained* local jobs and investments

Possible community climate investment project benefits

- Reduced energy burden and improved living conditions from weatherization projects
- Increased access to clean, affordable transportation through electric car share or e-bikes
- Improved indoor air quality and access to heating and cooling through heat pumps

Discussion – racial equity and environmental justice considerations

1. What are your comments on the DEQ's assessment of draft rules impacts on racial equity? What impacts or considerations might DEQ have overlooked?
2. Are there ways DEQ can improve the assessment of impacts on environmental justice communities?

Next steps

- Send comments by **Sept. 30**, 2026, to cpp.eite@deq.oregon.gov

- Next meeting: **Oct. 21**, 2026
  - ➢ Committee in person Portland (location TBD)
  - ➢ Virtual option for public



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Rulemaking resources

EITE rulemaking web page

Department of Environmental Quality : Climate Protection Program EITE : Rulemaking at DEQ : State of Oregon

Rulemaking contact Evan Manvel at cpp.eite@deq.oregon.gov

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