

# Climate Protection Program

## Summary

### Rulemaking Advisory Committee Meeting #5

May 25, 2021, 9 a.m. to 4:30 p.m.

Zoom Meeting

#### List of attendees

##### Committee Members in Attendance (for all or part of meeting):

- Allie Rosenbluth, Rogue Climate
- Alyn Spector, Cascade Natural Gas
- Amy Schlusser, Green Energy Institute
- Bob Jenks, Citizen's Utility Board
- Brendon Haggerty, Multnomah County Health Department
- Casey Kulla, Yamhill County
- Dan Kirschner, Northwest Gas Association
- Darren Engle, Blue Star Gas
- Don Sampson, Affiliated Tribes of Northwest Indians
- Dylan Kruse, Sustainable Northwest
- Ellen Porter, Roseburg Forest Products
- Erin Hansell-Heideman, Blown Away Ranch
- Haley Case-Scott, Beyond Toxics & NAACP Eugene/Springfield
- Jana Jarvis, Oregon Trucking Association
- Jeff Stone, Association of Nurseries
- John Hillock, Wallowa County
- Kathryn VanNatta, NW Pulp & Paper Association
- Keith Wilson, Titan Freight
- Martha Moore, EVRAZ
- Mike Freese, Oregon Fuels Association
- Nels Johnson, Northwest Natural
- Nora Apter, Climate Solutions
- Oriana Magnera, Verde
- Pam Barrow, Food Northwest
- Paul Snyder, Tillamook Creamery Association
- Peter Brandom, City of Hillsboro
- Ranfis Villatoro, BlueGreen Alliance
- Sharla Moffett, Oregon Business & Industry
- Steve Smith, Phillips 66
- Taren Evans, Coalition of Communities of Color
- Tim Miller, Oregon Business for Climate

##### Staff in Attendance (for all or part of meeting):

DEQ

- Matt Davis, Senior Policy Analyst
- Matthew Espie, Climate Policy Analyst
- Colin McConnaha, Manager, Office of GHG Programs



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Department of  
Environmental  
Quality

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*DEQ is a leader in  
restoring, maintaining and  
enhancing the quality of  
Oregon's air, land and  
water.*

- Nicole Singh, Senior Climate Policy Advisor
- Lauren Slawsky, Climate Policy Analyst
- Richard Whitman, Director

Kearns & West

- Sylvia Ciborowski, Facilitator
- Kirsten Hauge, Facilitation Team
- Bianca Valdez, Facilitation Team

## **Summary of Advisory Committee input**

The Oregon Department of Environmental Quality (DEQ) thanks the participants in the meeting for their attention throughout the day. The dialogue continues to be constructive and will help DEQ plan for future meetings and develop program recommendations. Overall, members:

- Offered specific suggestions to the draft rule language.
- Sought clarification on parts of the draft rule language.
- Expressed concern over not including the electric sector in the program.
- Provided varying ideas and explanation on what the emissions cap baseline and draft emissions thresholds for inclusion in the program should be.
- Requested more focus on impacted communities in the draft rule language.
- Offered input on the modeling used to inform the program’s development.
- Provided varying thoughts on the draft rules for demonstration of compliance, trading, and banking.

## **Agenda Item: Welcome, meeting ground rules and public comment opportunities**

Sylvia Ciborowski, facilitator, opened the fifth rulemaking advisory committee (RAC) meeting and thanked the participants for the RAC’s ongoing participation. She then reviewed the agenda, participation tips, and public participation protocols. Additionally, she offered committee discussion guidelines to ensure the RAC operates in a collaborative fashion. Colin McConnaha welcomed and thanked advisory committee members for their continued participation, engagement and commitment to working towards a new rulemaking to establish Oregon’s Climate Protection Program (CPP). He provided brief introductions for the DEQ Office of Greenhouse Gas Programs staff involved in the development of the CPP, noted the shift in the meeting agenda to draft rules, and shared excitement towards advancing progress of the draft rules.

## **Agenda Item: Remarks by Director Richard Whitman**

DEQ Director Richard Whitman welcomed the RAC and shared his appreciation for all the RAC’s and public verbal and written comments. He noted that the comments received have made a difference and resulted in changes to DEQ’s proposals in the draft rules. Director Whitman shared that the Environmental Quality Commission (EQC) are aware of the comments and the program proposal may continue to change after it moves to the EQC. He emphasized there would be further opportunities for input and engagement in the coming months. He thanked the RAC for their continued time and attention in providing input to help shape the CPP.

## **Agenda Item: Review committee work plan and upcoming meetings**

Nicole Singh shared that the focus of the fifth meeting is shifting from program design concepts to draft rule language. Nicole reviewed the CPP RAC and rulemaking timeline. She noted that at the next RAC meeting,

DEQ plans to present a complete draft of the program rules, including language on the best available emissions reduction approach for stationary sources and community climate investments (CCIs). Nicole noted discussion about DEQ's fiscal impact analysis and proposed changes to the rules are expected for the last RAC meeting in July. DEQ expects to issue a proposed rule public notice in August and hold public hearings and a public comment period in September and October. DEQ will then update the proposed rule as needed as informed by comments and then submit a staff report and proposed rules to the EQC in November 2021. The EQC plans to make a decision by the end of 2021 and the program is expected to begin in 2022.

### **Agenda Item: Update on related public engagement activities**

Nicole Singh provided an update on DEQ's related public engagement activities to date. Nicole shared that DEQ is working with Unite Oregon to support community engagement activities around climate change and climate justice issues. Unite Oregon is engaging with communities, including BIPOC (Black, Indigenous, and People of Color), low-income, and impacted communities about the CPP and the engagement/public input opportunities of the rulemaking process. DEQ and Unite Oregon recently held a workshop where the different communities learned about the DEQ and EQC the rulemaking process, and the CPP. Colin McConnaha provided an update on government-to-government consultation with Tribal representatives. Director Whitman sent letters to each of the nine Tribal Councils and DEQ has met with the Confederated Tribes of Coos, Low Umpqua and Siuslaw Tribal Council as well as the Board of Trustees for the Confederated Tribes of the Umatilla Indian Reservation. Director Whitman shared they have been having substantive conversations and will continue these conversations through the rulemaking process.

#### **Questions/Comments:**

- A RAC member asked if participants had the opportunity to provide feedback in the workshop. The member requested access to any written feedback or notes available from the workshop.
- A RAC member commented the workshop appeared to provide an informative space but questioned if DEQ sought feedback on elements of the rulemaking development process of the CPP.
- One member asked which Oregon counties and communities attended the workshop.
- Another RAC member observed that DEQ has only met with 2 of the 9 federally recognized Tribes of Oregon. They asked if the process should be delayed to ensure substantive conversations have occurred prior to drafting rules and presenting a proposal to the EQC.

**Response:** DEQ explained that the initial workshop's purpose was to provide information on the general rulemaking process and for DEQ to learn of the experiences shared by communities around climate justice issues. While DEQ shared information on the Climate Protection Program, since this was an introductory workshop, the meeting provided an overview of DEQ, the Climate Protection Program, the rulemaking timeline and opportunities for engagements. The meeting also had an open dialogue so attendees could share experiences or concerns around climate change issues. DEQ can provide a meeting summary of the workshop to the RAC. DEQ shared that Clackamas County, Rogue Valley, Washington, and Multnomah County individuals attended the workshop. DEQ intends to have ongoing conversations with the nine Tribes of Oregon and there will be opportunities for the Tribes to provide meaningful input.

### **Agenda Item: Review initial draft rule language**

Nicole Singh provided a high-level outline of the draft program rules for the new Oregon Administrative Rules chapter 340, division 271 that is being created to establish the Climate Protection Program. Nicole also reviewed key draft rule topics for the remaining RAC meetings and presented on Purpose and Scope (Rule 0010). Lauren Slawsky walked through Applicability (Rule 0110) for covered fuel suppliers and covered

stationary sources. Version 1 of the draft rules are available and details may also be found on presentation slides 15-23. Sylvia Ciborowski opened the meeting for clarifying questions.

### Questions/Comments:

- A few RAC members expressed concern on the exemption of the electricity sector. Conversely, another member commented that electricity is being dealt with in a responsible manner under authority of the Public Utility Commission and through new proposed legislation.
- Several members had clarifying questions on the draft rule language. Some included:
  - A member asked if DEQ could explain section 6 of the draft Rule 0110 language stating emissions from air contaminant sources that are owned or operated by interstate pipelines would be excluded.
  - A RAC member sought clarification regarding purpose and scope on the hierarchy of the three program goals.
  - A RAC member sought clarification on the “complete combustion” draft rule language and noted that it sounds as if DEQ is only regulating something if someone properly and completely burns the gas.

**Response:** DEQ explained that the specific language in Rule 0110 regarding interstate pipelines means that the program as currently drafted would not include natural gas compressor stations which are located on the interstate pipeline.

DEQ noted that at its core, the program is meant to reduce emissions and through the process it will look for ways to promote equitable outcomes and contain costs. All three are important and work together.

- Another member sought clarification on whether the utility covered emissions is calculated based on all of the natural gas distributed from utilities throughout the state.

**Response:** DEQ explained all-natural gas used in homes or at stationary sources, if delivered by utility, is covered under the program through regulation of the utility. The only exclusion would be any gas delivered by a utility to a large electricity generating power plant.

- A RAC member noted stationary source emissions will be covered under the program but not under the cap and asked if those sources will be subject to mandatory emissions limits and reduction requirements that are consistent with the cap or only be directed to achieve less prescriptive best available emission reductions.

**Response:** DEQ commented there is a separate site-specific process, called best available emissions reduction approach, that would cover industrial process emissions but potentially cover some other fuel combustion emissions depending on if they are not otherwise regulated under the cap. The approach for how to achieve this would be further defined in a future version of the draft rules.

- A RAC member commented that since elements of the rules were not yet drafted, DEQ should expect that the RAC’s feedback may change as more information becomes available later.
- Another RAC member asked how thresholds would be determined for fuel suppliers and stationary sources. Specifically, they wondered if it would cover a parent company and subsidiaries or only an individual company.

**Response:** DEQ noted that this threshold concern is addressed in draft applicability, and the intention, especially for fuel suppliers would be to have companies under the same parent company combine their emissions to determine applicability so they couldn’t split up into smaller entities to try and avoid regulation.

The proposed approach aligns with the applicability guidelines for the Clean Fuels Program. For stationary sources, the applicability would be determined on a permit basis.

- A RAC member requested that verbal and written comments receive equal weighting when DEQ presents information before the EQC.
- Another member commented that the proposed rule would require gas utilities to acquire a lot more renewable natural gas than the proposed legislation requires and suggested looking at best practices from peers. They added that it was difficult to offer comments without seeing the entire draft rules.
- A member sought clarification on modeling issues around electrical peak load because if more demand is placed on the electric system, it would be good to know of the assumptions made to ensure there is resource adequacy.

**Response:** DEQ explained the electricity sector demand forecast assumptions did not include peak impacts.

Sylvia Ciborowski shared that the group would be breaking out in groups to discuss these draft rule topics in further detail. She reviewed the following key questions for RAC members to discuss in the breakout rooms:

1. Is the reader's guide a helpful resource?
2. Any considerations or suggestion for purpose and scope (Rule 0010)?
3. Any questions about how the drafted applicability (Rule 0110) section would work in practice? Any questions or comments on covered emissions (Rule 0110)?
4. What are your thoughts on DEQ's leanings relating to covered entity thresholds (Rule 0110)?
  - a. No threshold for covered emissions natural gas utilities; all are covered
  - b. 200,000 MTCO<sub>2e</sub> of covered emissions for non-natural gas fuel suppliers
  - c. 25,000 MTCO<sub>2e</sub> of covered emissions for stationary sources

The RAC members were divided into three breakout groups. Following the breakout session, DEQ staff and a few RAC volunteers provided summary reports.

#### **Room 1 report out:**

- Several shared that the reader's guide was helpful and served its purpose to provide a brief overview of the intention of rule language.
- Some noted the Purpose and Scope rule was clear and agreed to the language. Others felt the language was not clear nor properly captured details around co-benefits, co-pollutants, and public welfare.
- Varied comments on draft thresholds. Comments included that the proposed approach would minimize the number of entities subject to regulation while trying to maximize the emissions covered in the program, proposed fuel sector thresholds would help capture the largest fuel importers and sources of emissions, and proposed thresholds were too high and lowering them would include more entities and more emissions.
- Some members expressed interest in regulating emissions from natural gas closer to the user, rather than at the utility.
- A general comment raised on the applicability rule related to the exemption of the electricity sector.
- General support for some of the emissions not covered under the program, such as biofuel emissions.

#### **Room 2 report out:**

- General support for Purpose and Scope. Some advocated for the language to better connect emissions and co-pollutants reduction.

- Suggestion to strengthen language in Purpose and Scope on the disproportionate impacts from air contaminants and climate change on communities.
- Some support for a threshold of 300,000 metric tons of carbon dioxide equivalent (MTCO<sub>2e</sub>) of emissions. Some felt it is the right number of entities, aligns with other programs, and might make implementation easier. Others support a lower threshold, around 200,000 MTCO<sub>2e</sub>.
- Suggestion to consider a declining threshold.
- Concern shared over not including emissions associated with in-state electricity generation, biomass and fugitive emissions.
- General support a 25,000 MTCO<sub>2e</sub> stationary sources threshold.

### **Room 3 report out:**

- Some shared the reader's guide was helpful. Suggestion for DEQ to use more clear language and more information on how DEQ made certain decisions about applicability and covered emissions.
- On Purpose and Scope, some RAC members expressed support over the inclusion of language on air contaminants other than greenhouse gas emissions, while others expressed concern about how these would be addressed under the program.
- Request for more focus on impacted communities in the Purpose Scope and suggestion to provide definitions and provide clarity on who would be included in the groups and how to address their needs.
- Ensure the continuation to spur innovation in the best available emission reduction approach for stationary sources.
- Some shared support for lower thresholds in the non-natural gas fuel supplier sector. Others shared concern on setting the threshold too low.
- There was a suggestion to reduce the threshold over time.
- Request for clarification about how threshold relates to overall program targets.

### **Agenda Item: Discuss approaches for determining base emissions cap**

Nicole Singh provided an overview of the approach for determining an initial emissions cap for the CPP and consideration when determining an initial cap. Lauren Slawsky reviewed examples for determining the initial or baseline emissions cap within the context of the program. Details are on slides 28-33. Sylvia Ciborowski reviewed the discussion questions and opened the meeting to discussion.

1. Any clarification questions on how the base cap will be used to calculate annual emission caps?
2. What data is best suited to determine the base cap? How many years of data should be used to determine the base cap?
3. What other considerations might there be for determining the base cap?

### **Questions/Comments:**

- Several RAC members requested DEQ use recent and realistic reported data.
- There were varying opinions on whether a 1990, 2010, or even a more recent emission baseline should be used for determining the baseline.
- Some RAC members expressed DEQ should set the overall goal based in 1990 or 2010 levels and do the math accordingly with actual data. Others advocated for DEQ to use more recent data due to varying historical factors such as fuel switching, which has occurred in the last decade or so.

**Response:** DEQ explained that historic numbers would be based on sets of assumptions where reported data is not available. The reporting program goes back to 2010 and some of most robust data is from fuel combustion. Reported data for industrial process emissions is less reliable in earlier years due to changes in methodology.

- A RAC member suggested to not include 2020-2021 in future calculations due to COVID-19 impacts on operations.
- There was some support for DEQ to lower the threshold to 25,000 MTCO<sub>2</sub>e.
- A RAC member sought clarification on the statewide inventory and reported covered emissions bar graph on slide 31. They wondered if the reported data from entities represent all reported emissions or a subset of the report emissions.

**Response:** DEQ explained it is a subset of the reported emissions, which aligns with applicability as proposed in version 1 of the draft rules and are covered fuel suppliers.

- One member explained that without a good sense of what is not being covered, it was difficult to understand the impacts to environmental justice communities and they supported weighting emissions in communities with significant impacts.
- Some RAC members supported setting the threshold low to cover a vast majority of emissions.
- Another member shared support for a threshold set at 300,000 MTCO<sub>2</sub>e. The RAC member emphasized that by setting a threshold, businesses will not suddenly change their business practice where fuel will flow into the state unregulated.
- A RAC member suggested rather than writing a threshold into rules, DEQ should put in a fuel level every 3 or 5 years and set the threshold level such that 90 to 95 percent of the non-natural gas fuel emissions are covered by said thresholds. Several RAC members supported this approach to set the threshold in a way to adjust it as needed.
- Another member shared when setting cap, the opportunities for reduction must align with regulated facilities' ability to reduce.

## **Agenda Item: Public Comment Period**

There was a total of 4 comments in the public comment period. Public comments included the following:

- Support for a 25,000 MTCO<sub>2</sub>e threshold for fuel suppliers. Regarding the baseline emissions cap, it is only relevant to the calculation of any interim and final targets for the program. They supported using data over assumptions, and the determination of base cap needs to be based on most recent data available.
- Include aviation under the covered entities. Concern was shared over excluding fugitive emissions, and setting too high of a threshold at 200,000 MTCO<sub>2</sub>e.
- Ensure the alternative compliance mechanisms, such as CCIs, will provide comparable community health benefits to the reduction of emissions by including draft rule language that states the mechanism shall be used on the basis of reducing emissions and co-pollutants.
- From a logging industry perspective, recognize supply chain and workforce issues that exist. Increased regulation reduces the ability for small family businesses to stay in business when margins continue to shrink; this will lead to equity issues in small businesses, rural communities etc.

## **Agenda Item: Discussion of covered entities and compliance instrument distribution**

Matthew Espie reviewed options for covered entities and compliance instrument distribution. Mathew presented in detail the method for determining which non-natural gas fuel suppliers are above the program

threshold and determining how DEQ would distribute the compliance instruments. Details are found on slides 37-42. Sylvia Ciborowski then reviewed the key discussion questions and opened the meeting for discussion.

1. What are the advantages and disadvantages of distributing compliance instruments based on each entity's proportional share of emissions during a three-year period?
2. What are the advantages and disadvantages of creating a reserve of compliance instruments for new entrants?
3. Should DEQ limit the number of compliance instruments a new entrant could receive from the reserve, and if so, how?

#### **Questions/Comments:**

- A RAC member sought clarification on how DEQ will handle entities leaving the market and entities that experience buyouts, name changes, or other considerations for changes in business status. Additionally, there was a suggestion to include additional language on what to do when an entity leaves the market or leaves coverage especially regarding the concept of unlimited banking.

**Response:** DEQ shared the current proposal is that if a covered fuel supplier exits the market after its emissions fall below the threshold for six consecutive years and it has remaining compliance instruments, DEQ could retire the instruments, distribute them to other covered fuel suppliers still in the program, or place them into a reserve. Even if a change occurs in business ownership, the entity would still be covered. DEQ noted they are working on addressing change in ownership and what happens to compliance instruments for the next version of draft rule language.

- A member asked if the same cap would be applied to both the natural gas and the non-natural gas suppliers in combination or a separate cap for each.

**Response:** DEQ shared questions remain about annual variability specific to non-natural gas fuel suppliers, however the program is currently still proposed to be a single cap program. DEQ could potentially group entities by sector or other characteristics and factor that into the compliance instrument distribution methodology.

- A RAC member emphasized that in any scenario where banking is occurring, it would be important to be clear and transparent for workers and ensure a just transition for workers. Avoid manipulations to the market and negatively impacts on workers.
- A few members supported DEQ thinking about how to promote and support entities that are more proactive in reducing their emissions.
- Another member agreed with the approach to have compliance instruments reserved for new market entrants, especially for transportation fuels as there is variability from year to year. They noted the reserve will have to be large if the applicability threshold is 200,000 metric tons per year. They also noted that any limit on the distribution from the reserve should take into consideration the threshold (e.g. if the threshold is 200,000 metric tons then a distribution of 50,000 compliance instruments is likely too low)
- A member agreed with the approach to limit the number of compliance instruments to new entrants. For those that leave the market, it is not a great idea to send unused instruments back into the market.
- Another member shared it makes sense to apply conditions on the distribution of compliance instruments to ensure benefits and reductions and suggested DEQ to require entities to have a plan in place to reduce emissions or demonstrate emissions reductions or best available technology to receive compliance instruments.



## **Agenda Item: Modeling next steps and additional feedback**

Nicole Singh provided an update on the next steps for the modeling scenarios. She noted that DEQ would present final modeling results at the next RAC #6 in June, including findings for the fourth policy scenario. Sylvia Ciborowski reviewed the following key discussion questions and opened the meeting for RAC members to provide their written responses using Jamboard, an online comment tool.

### **Summary from Jamboard exercise:**

- *What, if anything have you learned from the modeling or found instructive for program development so far?*
  - Varying thoughts on the success of the modeling. Some felt results were too high-level and vague.
  - Detailed inputs make a difference in the results.
  - Several observed all scenarios have significant health and economic benefits.
  - CCIs are likely to be heavily utilized.
- *In addition to reviewing modeling results by type (emissions, equity, economic, and health for all three scenarios) would you also find it helpful to see all results by scenario?*
  - Several answered that it would be helpful.
  - Ensure transparent modeling assumptions.
  - Suggestion for a scorecard approach to compare different scenario outcomes.
  - Model the cost/price/impacts of the scenarios and the cost/price of status quo.
- *What additional results information, if available, would be most helpful in program development?*
  - Analysis of program impacts on directly regulated facilities and indirectly regulated entities.
  - Cost of inaction.
  - CCI metrics
  - The costs and benefits of CPP linking with similar programs across the country.
  - How leakage is addressed.
  - More details and transparency in results.
  - Detailed breakdown of banking, trading, and CCIs by year.
  - Health related data on impacts to specific environmental justice communities.
- *Any additional resources you might suggest to supplement the modeling?*
  - Several offered specific resources for DEQ to use.
  - Suggestion to compare CPP with other programs in the country and world.
  - Suggestion to use specific and granular data in the modeling.
  - Suggestion to provide a narrative describing potential CCIs.

## **Agenda Item: Review initial draft rule language**

Matthew Espie reviewed initial language in the available version 1 of the draft rules on provisions relating to the cap program including group banking (Rule 0430), trading (Rules 0600,0610, and 0690), and demonstration of compliance (Rules 0500, 0510, and 0590). Details may be found on slides 48-50. Sylvia Ciborowski reviewed the following key discussion questions and opened the meeting for clarifying questions and then for RAC members to provide their written responses using Jamboard, an online comment tool.

## Questions/Comments:

- A RAC member asked how establishing an annual compliance obligation would account for weather variations in year-to-year demand. It was suggested to go with normal weather patterns that accommodates changes in long-range trends.

**Response:** DEQ explained they are proposing three-year compliance periods in part to account for weather and other variability.

- Suggestions for the draft rule language include:
  - Use serial numbers to track instruments, and if not ensure good tracking is occurring.
  - Add in language around a reserve for price management.
  - The word “unconscionable” is broad for market activities.
  - Figure out how to have ‘unlimited banking’ tail off to avoid entities manipulating the program.
  - Price instruments in the language to avoid bartering of instruments.
- A RAC member noted that the language states a covered entity needs to trade with a covered entity. This could potentially lead to market manipulation to try and decide who has best deal and best price. A couple of members supported allowing for intermediaries.
- A RAC member asked if a new business moves into the state and produces emissions from natural gas combustion and processing emission above 25,000 metric tons, how the program would address this entity. They raised a concern if the natural gas supplier would have to account or the increase in natural gas for a business wanting to relocate to Oregon. Additionally, the member asked if there is adequate coverage for economic development within Oregon for facilities that use natural gas.

**Response:** DEQ replied that the natural gas from the new user would be obligated to comply at the utility level. Some of the flexibility allows for a regular entity to accommodate that increase in load and over time, but the program is designed to transition away from use of fossil fuels.

- Concern was shared that the three-year compliance periods information would not be released until September of the fourth year.
- Several RAC members asked for more information about the enforcement timeline and if it would be specified in the rules.

**Response:** DEQ explained that the rule language for enforcement would be drafted with DEQ’s Office of Compliance and Enforcement. Program enforcement language is found in Oregon Administrative Rules chapter 340, division 12 and DEQ is planning to discuss how these rules may be updated to account for CPP enforcement. There will be a number of places and ways in which enforcement would come into play such as emissions reporting and demonstration of compliance.

## Summary from Jamboard exercise:

- *What are your thoughts on the draft rules for demonstration of compliance and use of three-year compliance period?*
  - Varying ideas on the length of the compliance period. Suggestions range from less than, equal, or more than three years.
  - A long compliance period may better normalize year-to-year weather variation, allow facilities to have adequate time to engage in larger and more meaningful projects, ensure the quality of effectiveness of program.
  - Clarity is needed on where opportunities for enforcement exist in the period as well as details on the penalties.

- Clarity is needed on whether the social cost of carbon has been incorporated into the distribution of compliance instruments.
- *What are your thoughts on the draft rules for trading compliance instruments, including the process for reporting trades to DEQ?*
  - Make the process simple.
  - Rules need limits on trading and banking and entities must prove they are reducing emissions before trading and/or buying CCIs.
  - Suggestion to split the CCIs by regulated sector, ensuring that entities must comply with the cap not only to get emission reduction benefits, but that CCIs are targeted at reducing emissions in particular sector.
  - Confidentiality of trade party is critical.
  - Suggestion for reporting to include an entity tax ID, number, audit provision, and claw back provision.
  - Support for intermediaries.
- *What are your thoughts on the draft rules for banking compliance instruments?*
  - Varying thoughts on whether banking should be freely allowed or not and for an indefinite or definite period of time.
  - Suggestion to include a mechanism to limit banking if allocations are too high due to unforeseen circumstances.
  - Others felt banking should only be reserved for responsible entities making good faith efforts to reduce emission and are compliant with federal and state laws.

## **Agenda Item: Next steps**

Sylvia provided closing comments, reminding attendees to submit written comments and feedback to DEQ by June 4 and the sixth RAC meeting scheduled for June 17. Colin McConnaha offered his final thoughts on the fifth RAC meeting and thanked RAC members for their comments.

## **Agenda Item: Public Comment Period**

There were 8 additional comments during this time. The public comment included the following:

- Support for using a percentage of emissions rather than an absolute threshold value for non-natural gas fuels. Additionally, simplify market entry and exits as it may decrease leakage. There was a suggestion to limit compliance instrument banking to avoid entities making reductions early and minimizing further reductions.
- Concern that the modeling focused only on combustion emissions; greenhouse gas emissions need to be assessed on a full lifecycle basis and failing to undertake this creates a false impression.
- Compliance instruments for fuel suppliers and gas utilities would provide them the right to sell a decreasing amount of a product. Suppliers should be allowed to allocate that fuel to all customers equitably. Clarity was requested on what the program would look like and if DEQ will provide guidance on how to set up an allocation program.
- Suggestion for more explicit focus on prioritizing benefits to environmental justice and impacted communities in the Purpose and Scope. Support for a lower threshold was offered and more clarification was needed on 'DEQ-approved' CCI projects.
- Concern was shared on the exclusion of the electric sector. Rural, low-income, and minority communities have been and will continue to be the most negatively impacted.

- Support to reduce threshold limit on fuel suppliers to 25,000 metric tons and to utilize existing programs to help facilitate trading and linkage with other partners and programs.
- Concern that the conversation at the meeting was focused on efficiency and cost saving measures, including letting entities exit the program entirely. This could risk setting up a program that people won't buy into and if the burden of the program falls on smaller voices, it will be a disservice to Oregon.

Meeting adjourned at approximately 4:15 p.m.

### **Alternative formats**

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