

Executive Order 20-04 Directive for a Cap and Reduce Program

Overview of May 15 Preliminary Report

Spring 2020

Executive Order 20-04: Cap and Reduce

Directives to EQC and DEQ:

Sector-Specific Cap and Reduce Program

- Take **actions** necessary to cap and reduce GHG emissions consistent with science-based emissions reduction goals from sectors including:
 - Large stationary sources
 - Transportation fuels, including gasoline and diesel
 - All other liquid and gaseous fuels including natural gas

Reports to Governor

- Submit a **preliminary report** to the Governor by May 15, 2020, regarding program options to cap and reduce emissions from the above sectors that can commence no later than January 1, 2022
- Submit a **final report** to the Governor by June 30, 2020

Preliminary Report Delivered May 15, 2020

Preliminary Report submitted May 15, 2020:

www.oregon.gov/deq/FilterDocs/CapandReducereport.pdf

DEQ included the following sections in the May 15 preliminary report delivered to the Governor:

1. Initial legal analysis of EQC authority for a cap and reduce program consistent with the Executive Order directives
2. Proposed program development process, including opportunities for public and stakeholder engagement and tentative rulemaking timeline
3. DEQ policy considerations and key program design options
4. Next steps on how public may provide comment on the proposed program development process as input for the Final Report

DEQ did not recommend any particular program design in the preliminary report to the Governor

Agenda and Reminders

Today's Agenda

- [30 min] DEQ overview of the preliminary report
- [60 min] Q&A on preliminary report and today's overview

How to Comment on the Preliminary Report

- See Section 4 of the report for more information on specific areas where DEQ is especially seeking comment
- Submit written comment to CapandReduce@deq.state.or.us

For More Information

- DEQ's Cap and Reduce webpage:
www.oregon.gov/deq/ghgp/Pages/ghg-cap-and-reduce.aspx

DEQ Legal and Policy Considerations

- The Environmental Quality Commission has different bounds than the legislature and must make its own decisions, applying existing legislative authorities and the direction provided by the executive order
- Tentative agreements negotiated in prior legislative efforts may not be possible or advisable for the EQC under this “cap and reduce” regulatory approach
- DEQ will work to fairly represent prior information and analyses, but parties should not assume that the EQC will reach the same conclusions

Initial Legal Authority Review

- EQC's authority and resources for cap and reduce programs are constrained in important ways
- EQC may have existing authority to:
 - Regulate GHG emissions as air contaminants and require permits that set limits on GHG emissions
 - Regulate stationary sources
 - Regulate indirect sources of emissions, such as fuel suppliers
 - Allow for trading and use of alternative compliance instruments
- EQC may not have existing authority to:
 - Charge a price for compliance instruments (e.g. an auction)
 - Regulate emissions outside of Oregon

Key Policy and Program Design Elements

- GHG Emissions Reduction Goals and Program Cap
- Point of Regulation
 - GHG emissions threshold for inclusion
 - Regulated entities and sectors
- Distribution of Compliance Instruments
 - Direct allocation? Based on product output, historical data, other?
 - Allow trading across or within sectors?
- Cost Effectiveness and Cost Containment
 - To agency, regulated entities, public
 - Allow flexibility with alternative compliance instruments?
- Considerations for impacted communities

Process Timeline



Engagement on Process (1/3)

Purpose

- Engage early on
- Provide information on opportunities to engage in the program development process
- Identify interested parties and affected groups
- Solicit input on Preliminary Report
- Finalize June 30 report informed by public input

Goals

- Provide opportunities for stakeholders and the public to inform the process
- Identify effective and meaningful engagement opportunities, especially for inclusion of impacted communities
- Shared understanding of DEQ's approach for scoping issues and developing program options

Engagement on Process (2/3)

Strategies

- Preliminary Report posted:
www.oregon.gov/deq/FilterDocs/CapandReducereport.pdf
- Accepting input on the Preliminary Report:
CapandReduce@deq.state.or.us
- 3 Q&A webinars describing the preliminary report
 - May 26
 - June 1
 - June 8
- DEQ requesting opportunity to brief Environmental Justice Task Force
- DEQ will notify Oregon's nine federally recognized tribes

Engagement on Process (3/3)

DEQ Seeking Comment on these Key Questions:

- How might DEQ best coordinate the public engagement aspects described in this report during development of cap and reduce program or programs?
- How should DEQ engage with communities or individuals with limited or no internet access?

Policy and Program Scoping (1/4)

Purpose

- Continued engagement before opening and formal rulemaking (Phase 3)
- Discuss program design features and issues
- Identify areas for attention during the rulemaking
- Receive input on perspectives and representation need during the rulemaking

Goals

- Common understanding of priority issues, concerns, legal constraints, potential policy mechanisms
- Appropriate consideration of equity issues
- Allow opportunity to inform design and direction of formal rulemaking (Phase 3)

Policy and Program Scoping (2/4)

Strategies

Public Outreach

- 3 to 5 public meetings/listening sessions on key concepts, gaining feedback, hearing concerns
- Times and venues will be set to encourage broad participation

Stakeholder Engagement

- Topic-specific workshops for input on key outcomes that should be achieved and how. Topic areas may include:
 - Program scope
 - Program design options
 - Cost containment
 - Impacted communities

EQC and Legislative Communications

- Provide regular updates

Policy and Program Scoping (3/4)

Strategies

Engaging Impacted Communities

- Engage the EJ Task Force and other representatives from underrepresented and impacted communities
- Gain insights from experts from those communities on potential policy effects and ways to avoid/mitigate negative effects
- Ensure participation by representatives of impacted communities in the topic-specific stakeholder workshops

Tribal Consultation

- Engage the Natural Resources, and Economic Development and Community Services Tribal Clusters of the Legislative Commission on Indian Services
- Consult with Oregon's nine federally recognized tribes

Policy and Program Scoping (4/4)

DEQ Seeking Comment on these Key Questions:

- Are the policy issues identified under “Stakeholder Engagement” appropriately inclusive of issues, concerns and considerations needing discussion?
 - What other issue areas should the agency convene stakeholder meetings for?
 - What other approaches to organizing stakeholder conversations should the agency consider?

EQC Formal Rulemaking (1/3)

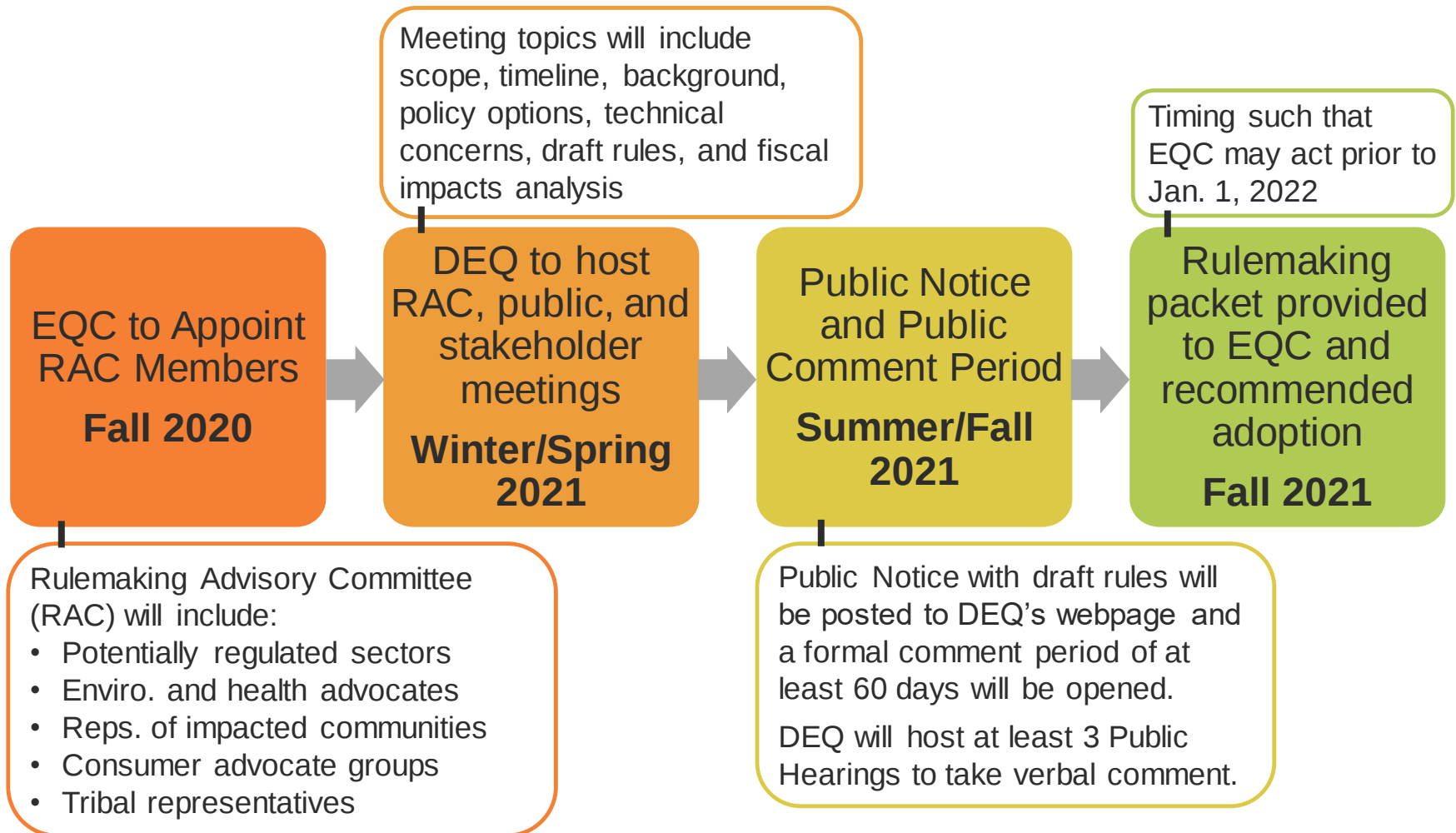
Purpose

- Consider program design options and develop recommendations for EQC
- Provide enhanced opportunities for public engagement
- Develop a fiscal impacts statement that considers:
 - Affected entities and communities
 - Oregon's economy
 - Expected environmental and public health effects

Goals

- Robust and transparent process with debate and consideration of key issues
- Impacted communities are represented
- Stakeholder input informs recommendations to EQC
- Shared understanding of rationale behind decisions
- Recommendations help Oregon achieve the state's emissions reduction goals

EQC Formal Rulemaking (2/3)



EQC Formal Rulemaking (3/3)

DEQ Seeking Comment on these Key Questions:

- How should the agency approach identifying and selecting interested parties to serve on the Rules Advisory Committee?
- What perspectives and expertise are critical for Rulemaking Advisory Committee member participation?
- Given the broad scope of the proposed rules, how should the agency organize the Rulemaking Advisory Committee process to ensure critical issues receive adequate attention and discussion?

Additional Questions for Broad Input

DEQ also seeking comment on these broad questions:

- Does the proposed stakeholder and public engagement processes outlined in Section 2 meet our objective of establishing a transparent, inclusive, and robust process?
- How should the key policy questions and options introduced in Section 3 be framed during the next phase in this process over the summer and fall?

To provide input for the Final Report, please submit written comment to CapandReduce@deq.state.or.us by June 15, 2020

Questions?

- Chat function is disabled, please click “**raise hand**”
 - Phone participants dial “ ***9** ” to raise hand
- Participants will be called upon and will then be able to unmute individually in order to ask a question
 - Phone participants dial “ ***6** ” for unmute when called upon
- 2 minutes per question
- Please state your name and if you would like, your organization before asking your question

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Visit www.oregon.gov/deq/ghgp/Pages/ghg-cap-and-reduce.aspx for more information