

Kate Brown
Governor



Briefing Memo

Subject: Update on Cap & Invest (SB 1070) Interim Plan

Date: August 2, 2017

CC: Nik Blosser, Berri Leslie, Jason Lewis-Berry, Jason Miner, Karmen Fore, Serena Stoudamire, Ivo Trummer, Kate Sinner, Elana Pirtle-Guiney, Bryan Hockaday, Chris Pair

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Thank you for your interest in the Cap & Invest bill concept. The bill would cap greenhouse gas emissions in the state from electricity, natural gas, and transportation fuel sectors and allow for compliance with the cap through “offset projects” to reduce emissions in the forestry and agriculture sectors. The other key compliance pathway would raise revenue through the sale of “allowances” that would be used to invest in projects across the state, including clean transportation projects, clean energy workforce training, and clean energy projects to “de-carbonize” Oregon’s economy, as well as investing in programs that prepare communities for the effects of a changing climate.

A cap & invest concept has been introduced in the legislature for the past several years with similar basic tenants described above. SB 1070 was introduced in the last week of the 2017 session. It has reached a point where there is strong interest in pursuing its passage in the 2018 short session. At an event with advocates in July, you expressed support of Cap & Invest in the 2018 short session. As a result, several members of your staff have been meeting with advocates and legislators to develop a workgroup process for the interim. I am continuing to meet with advocates and legislators this week to refine the draft timeline, workgroups, and staffing described below. This memo provides a summary of the draft workgroup process for your feedback.

There are two key goals of this interim workgroup process:

- (1) Use SB 1070 as a starting point and improve the legislation by mitigating stakeholder concerns that are raised in workgroups.
- (2) This is a complex policy, so this is a forum for education prior to 2018 for legislators and stakeholders because there are many program design elements that could mitigate concerns.

DRAFT TIMELINE

September Legislative Days (September 18 – 21):

- Joint meeting of the House Energy and Environment Committee and the Senate Natural Resources and Environment Committee to set up and explain the interim goals and process.
- “Taskforce Day” on September 21 – first meetings of the five work groups

October (TBD) – second meeting of the five work groups

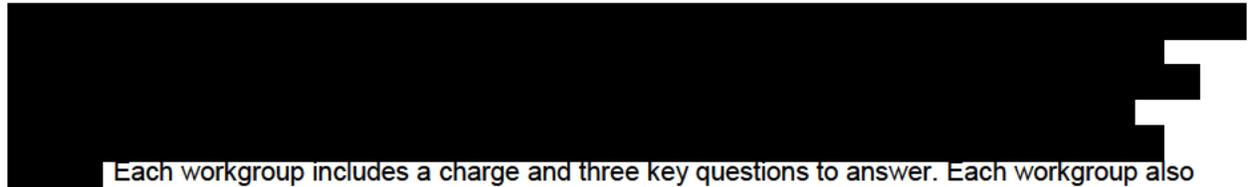
November (TBD) – third meeting of the five work groups

November Legislative Days (November 13 – 16):

- Joint meeting of the House Energy and Environment Committee and the Senate Natural Resources and Environment Committee to get report-outs from each workgroup and conclude the interim process.

November 21 – Submit changes to the bill to LC by November 21.

DRAFT WORKGROUP DESCRIPTION AND STAFFING



Each workgroup includes a charge and three key questions to answer. Each workgroup also identifies key legislators that will lead the discussion in those workgroups and as a result will help develop expertise in the caucus. Speaker Kotek and Rep. Williamson met with advocates last week to refine this list, there are a few legislators they are still thinking through (e.g. Rep Holvey). The legislators identified below have not been fully briefed on this plan yet, but will be briefed by House Leadership later this month. All meetings will be open to all legislators and stakeholders and there will be efforts to schedule meetings outside of the Willamette Valley.

❖ **Joint House and Senate Committee Meetings** – Determine Governance structure for how/where the cap & invest program will live in state government.

1. What state agency will take lead on implementing this policy?
2. What resources do agencies need to implement this policy and how should it be paid for?
3. How should committees and funds be structured and overseen by different state agencies?

-**Legislators**: all members of the House Energy & Environmental Committee, Senate Natural Resources and Environment Committee, and any other interested legislators.

-**GKB Staff**: Jason Miner and Ruchi

❖ **Environmental Justice and Just Transition Workgroup** – Identify the opportunities for investment to support communities that are within the side-boards of the funds.

1. Benefits and concerns with Cap and Invest model?
2. Committee and funds structure to ensure representation and transparency?
3. Investment opportunities using proceeds for a just transition and in impacted communities?

-**Legislators**: Nosse, Manning, Herdandez, Gelser

-**GKB Staff**: Elana, Serena, Jason Lewis-Berry (supported by DEQ, Business Oregon, and others)

❖ **Ag/Forestry/Rural Economic Development/Tribes Workgroup** – Identify opportunities for agriculture and forestry industries and what are important design elements for offset projects to be successful.

1. How cap and invest affects these industries?
2. Benefits and concerns of offsets and limitations of offset use?
3. What opportunities exist in Oregon for agriculture and forestry sectors, and who would benefit?

-**Legislators**: Helm, Roblan, Alonso-Leon, Marsh, McKeown, Clem

-**GKB Staff**: Jason Miner (supported by ODF, ODA, and other natural resource agencies)

❖ **Regulated Industry Workgroup** – Discuss compliance with cap & invest, flexibility, and cost-containment for manufacturing or other industries that emit greenhouse gases in their processes.

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1. How cap and invest will interact with these industries?
2. How Energy-Intensive, Trade Exposed (EITE) status and treatment is determined?
3. Policy drivers to ensure cost containment and flexibility?

-Legislators: Dembrow, Power, Sanchez, Prozanski, Witt

-GKB Staff: new carbon pricing policy advisor (Ruchi will fill in until hired), (supported by DEQ, PUC)

❖ **Utilities Workgroup** – Discuss compliance with cap & invest, flexibility, and cost-containment.

1. How cap and invest and existing policies interact with different power suppliers?
2. Considerations for consignment and allocation?
3. Policy drivers to ensure cost containment, flexibility, and stable energy prices?

-Legislators: Beyer, Williamson, Frederick, Reardon

-GKB Staff: Ruchi (supported by PUC, ODOE)

❖ **Transportation Workgroup** - Discuss compliance with cap & invest, flexibility, and cost-containment.

1. How cap and invest and existing policies interact with different fuel suppliers?
2. Policy drivers to ensure cost containment and flexibility?
3. Committee and funds structure, and investment opportunities using proceeds in Highway Trust Fund?

-Legislators: Smith-Warner, Taylor, Barnhart, Lively

-GKB Staff: Karmen (supported by ODOT, ODOE)