



**Oregon Physicians for Social Responsibility
Position Paper on House Bill 2020 - Carbon “Cap and Invest” in Oregon
June 14th, 2019**

For years, state lawmakers have been debating a carbon cap-and-trade program to put a limit on Oregon’s greenhouse gas emissions and create a market-based mechanism to incentivize emissions reductions and generate money for clean energy technology and job training. In the 2019 legislative session, this program has been placed into House Bill 2020, which would establish the Oregon Climate Action Program and direct a newly established Carbon Policy Office to implement this cap-and-trade system with specific parameters.

This bill will have wide-reaching policy impacts and has required the attention and hard work of many. HB 2020 would link Oregon to California’s cap and trade program, which has drawn strong criticism from our sister chapter, PSR-Los Angeles, for its negative impacts on environmental justice communities. We have been engaged throughout the session in trying to strengthen the bill and reduce any potential harm. The bill has undergone major amendments processes with some changes for the better and some for the worse.

Because there are both positive and negative aspects to this cap and trade program, and because many Oregon PSR priorities have not been addressed or otherwise incorporated into the bill, we have decided not to advocate for or against the passage of HB 2020.

Below is a list of some of the issues our Board of Directors considered in coming to this decision:



1. The bill puts a cap on all anthropogenic carbon emissions: 45% below Oregon’s 1990 carbon levels by 2035 and 80% by 2050. Biomass, waste incineration, and any other entity that can label some or all of its emissions as “biogenic” would avoid the cap. Forestry and agriculture emissions are not covered.



2. The bill is a sweeping piece of legislation that will impact many existing state agencies and programs, including the Department of Energy and the Department of Environmental Quality. It could disrupt beneficial existing programs and institutional memory.



3. Despite consistent lobbying from Oregon PSR and partners, polluters will still be able to use carbon offsets for 8% of their emissions and large manufacturers will still receive 95% of their “carbon allowances” for free so long as they demonstrate use of “best available technology.” This gives the largest polluters permission to continue polluting. The offset program, when connected to a global market, will be highly difficult for Oregonians to monitor for fraudulent practices.



4. Over time, utilities have gotten *more* of their allowances assigned to them for free. In the latest version of the bill, gas utilities can have up to 75% of their allowances consigned to them for free. Electric utilities will receive 100% free allowances until 2030.



5. Governance over the program is largely in the hands of a Governor-appointed Director for the Carbon Policy Office. The latest amendments put into place a Climate Board and several other advisory bodies with some guaranteed Environmental Justice voices (and industry voices). Each body has little authority and can generally only make recommendations to the leadership of the Carbon Policy Office.



6. Thanks to advocacy from public health supporters and partners, the bill has improved regarding exemptions: it no longer exempts emissions from fluorinated gases in semiconductor manufacturing or incineration of waste. We are disappointed that railroad, aviation, and marine fuels are still exempt, as are landfill emissions and cogeneration facilities at major universities.



7. A majority of the funds raised by the program will likely be locked into funding for projects under the Highway Trust Fund (e.g. mostly building roads and bridges).



8. Reports from California's cap and trade program have shown that unlimited banking of carbon allowances can lead to an oversupply of carbon allowances, crashing the "price on carbon" and rendering the program ineffective. HB 2020 imposes no limit on banking and instructs the Director of the Carbon Policy Office to put an allowance price ceiling into place, which further erodes market incentives to stop polluting.



9. Most of the rest of the bill proceeds will be put in the Climate Investments Fund, which is estimated to raise \$150 million each year. 10% of the Climate Investments Fund would go to Tribes, 40% to communities most impacted by climate change, and 20% to natural and working lands. These investments are sound and rightly prioritized, but we need far more revenue than this to achieve Oregon's greenhouse gas reduction goals and an equitable transition to a clean energy economy.



10. Definitions of how investments should be spent on "clean energy projects" are loose enough that money could conceivably be put towards "clean energy impostors" including nuclear power research & development and forest biomass facilities.

There are policy wins and losses in HB 2020. Trusted partners have lined up on all sides, to support, oppose, and remain neutral on the bill. Based on these considerations, **Oregon PSR will remain neutral on the bill, meaning that we will not advocate for or against the passage of HB 2020** and will continue to aggressively advocate for improvements to the bill now and through implementation and rulemaking, assuming it becomes law.