

# State Legislature treads carefully on carbon tax

Lawmakers respond to climate change

By CASSANDRA PROFITA

Oregon Public Broadcasting

This week, lawmakers are introducing a bill that would make Oregon the second state after California to adopt an economywide cap-and-trade system to regulate greenhouse gas emissions.

The bill has support from Gov. Kate Brown and the statehouse's other top Democrats, but even its champions are treading carefully to protect the state's economy as they aim to address climate change.

Oregon has been inching toward this major environmental policy shift for years, as it has become increasingly clear that the state can't meet its 2020 goal for reducing greenhouse gas emissions.

House Bill 2020 builds on an earlier version of cap-and-trade legislation known as the Clean Energy Jobs bill that lawmakers considered but failed to pass during the last session.

State House Speaker Tina Kotek, D-Portland, and Senate President Peter Courtney, D-Salem, revived the controversial bill by creating a Joint Committee on Carbon Reduction that has been working on the new version since last summer.

Now, both leaders and the governor say they're committed to getting the bill passed this session.

## Debating the costs

Oregon's cap on carbon emissions would directly apply to about a hundred companies — including fuel suppliers, utilities and manufacturers.

But opponents say its indirect effects would be much broader. A new group called the Partnership for Oregon Communities, made up of various farming, logging and manufacturing industry groups, has taken a vocal role in opposing the new bill.

Their website features videos of farmers around the state warning that cap and trade will drive up prices for fuel and electricity.

Jenny Dresler, with the Oregon Farm Bureau, said her group estimates the program could drive up fuel costs for farmers between \$1,000 and \$3,000 a year initially.

"Farmers are price takers, which means they typically can't increase the price of the goods they produce in order to account for increased input costs," she said. "What this bill asks them to do is to absorb those costs. This would be one of those add-ons that some families just can't afford."

Supporters of the bill with the environmental group Renew Oregon prefer the



Hundreds of people protest in favor of cap-and-trade legislation at the Oregon Capitol in Salem on Wednesday.

Dirk VanderHart/Oregon Public Broadcasting

term "cap and invest" over cap and trade. They focus on the costs of climate change — such as more destructive wildfires and drought — and the investments the state can make with the income from selling carbon pollution permits. They have their own video featuring a farmer who supports cap and trade.

"This can't be a one-sided conversation about the costs of action without talking about the costs of inaction," said Jana Gastelum, with the Oregon Environmental Council. "The urgency of climate change couldn't be more apparent. I have moments of real worry that we may be slipping beyond the point of no return where it's too late to avoid the worst impacts."

## How the program would work

Under the new bill, Oregon would set a cap on carbon emissions and require companies that emit 25,000 metric tons of carbon dioxide equivalent — roughly the amount of carbon released from burning 136 rail cars of coal — to buy pollution permits, also called allowances.

The state would reduce the cap on emissions and the number of allowances over time with the goal of cutting the state's emissions to 80 percent below 1990 levels by midcentury.

Companies would be able to trade pollution permits and buy credits to offset some of their emissions. Farm and forestland owners would be able to sell credits through projects that sequester carbon.

The market created by Oregon's program would be designed to link up with the existing carbon market in the Western Climate Initiative so that Oregon companies

could trade pollution credits with companies in California and Canadian provinces.

The state will auction pollution permits, and the bill directs that money toward investments that will help Oregon adapt to climate change and transition to a low-carbon economy.

The investment portion of the bill covers things like home solar panels and weatherization, wildfire prevention and drought protection, as well as job training and assistance for dislocated workers. It also prioritizes investments in low-income, tribal and rural communities.

Reyna Lopez, who represents farmworkers and tree planters with the group Piñeros y Campesinos Unidos de Noroeste, or PCUN, says her members are already facing hotter working conditions and unhealthy air quality because of climate change.

"I think many people are thinking of climate change as something that hasn't gotten here yet," she said. "But front-line communities like farmworkers are experiencing it today."

She says her members could benefit from the investments in job training and renewable energy.

"I want to see those investments come to Woodburn," she said. "I want to see our young people get trained to become part of the

green economy of the future. This could change the whole trajectory of their lives."

Sandra McDonough, president and CEO of Oregon Business & Industry, which has about 1,600 members, said the state runs the risk of losing jobs if the added costs of cap and trade drive manufacturers out of Oregon.

"We've been lucky here in this state," she said. "We've maintained a fairly strong manufacturing presence, and a lot of our manufacturers are in global markets. We're going to be looking at how the bill impacts them so at the end of the day we can hold onto some of these really great jobs, a lot of which are in rural communities around Oregon."

The bill offers free pollution permits to companies that compete globally and that might choose to leave Oregon rather than pay for

pollution permits. About 30 of all the regulated companies — including sawmills, paper mills and a variety of other manufacturers — would fall in this category and receive 100 percent free permits in 2021, the first year of the program.

After that, the number of free permits for these "energy-intensive, trade-exposed" companies would go down. The bill also offers free permits for natural gas utilities to assist low-income customers with higher bills and for electric utilities that are already reducing carbon emissions to comply with the state's renewable energy portfolio standard and requirements to phase out coal-fired power.

McDonough said those adjustments will help, but it doesn't eliminate her concerns about cap and trade driving up energy prices for Oregon businesses.

"We're not saying don't do it," she said. "We're saying let's make sure we understand the total cost. This is a really big deal. Only one state has done this."

## Bill still needs work

Environmentalists say the bill is a good start but it offers too many free permits that the state can't afford given the urgency of climate change.

Sen. Michael Dembrow, D-Portland, helped write the bill, and he says he knows the stakes are high — for both the environment and the economy.

"This is a serious program we're talking about," he said. "This is a program that would be economy-wide. We would be capping emissions in the transportation area, manufacturing, electricity, home heating, and we need to do it right."

Environmentalists strongly support the bill's interim target of reducing carbon emissions to 45 percent below 1990 levels by 2035, but leaders have considered dropping that provision and allowing a more gradual decline in emissions through 2050.

At an event last month, Dembrow said lawmakers will need to consider the results of an economic analysis due out later this week before making a decision on that target.

The bill was met with consternation from Republicans when Dembrow brought it into the Joint Committee on Carbon Reduction last week.

Sen. Cliff Bentz, R-Ontario, and Sen. Fred Girod, R-Stayton, even voted not to let the legislation into committee because of how it was drafted.

"I participated aggressively in trying to put this bill together," Bentz said, "and the balance of the bill is not what we worked on."

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#### Alan Hickenbottom

Alan Hickenbottom is the Oregon Project Manager for LEAN Energy US, the national education and advocacy organization for Community Choice Aggregation. A native Oregonian, Alan has been an Oregon renewable energy and clean tech entrepreneur for more than 15 years. He is a current or former board member of Clean Energy Works Oregon, NW Environmental Business Council, Oregon Business Association, Build Local Alliance and the Oregon Natural Desert Association.

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