

# Audit: State failing to regulate marijuana

By Claire Withycombe  
Oregon Capital Bureau

SALEM — Oregon's system for regulating legal cannabis likely fails to prevent spillover to the black market, state auditors said Wednesday.

That increases the risk that the state could be subject to more federal scrutiny, said Secretary of State Dennis Richardson, whose audits division released a report on state regulation of cannabis.

Oregon has two systems for legal cannabis: medical, which voters approved more than 20 years ago, and recreational, which Oregon voters supported in 2014. Auditors studied the controls on each program, finding there were significant gaps.

While a growing number of states are legalizing cannabis, it remains illegal federally.

In early 2018, then-Attorney General Jeff Sessions

rescinded previous federal guidance on cannabis that had allowed more leeway for state-legal programs during the Obama administration. Shortly thereafter, Oregon's top federal prosecutor, Billy Williams, made headlines when he lambasted what he claimed was a rampant problem of diversion from the state, with tons of legally grown Oregon cannabis leaking across state lines and into the black market.

State auditors waded into the fray this year, finding that state oversight is insufficient, particularly when it comes to medical marijuana. Additionally, they said, the state could improve testing of marijuana products to protect public health and should consider testing cannabis products for heavy metals and microbiological contaminants. It should also make sure labs that test cannabis are consistently accredited.

Although it has worked



Marijuana plants are shown at a facility in Springfield.

AP Photo/Don Ryan, File/East Oregonian

to beef up tracking of marijuana products, the Oregon Liquor Control Commission is hamstrung in efforts to prevent diversion due to data errors and a lack of inspections, according to the report.

The agency was over-

whelmed by "rapid" growth of the cannabis market, auditors said, and was unable to get the staff, licenses and inspections it needed to adequately oversee the program. Just 3 percent of licensed retailers have undergone a

state compliance inspection, while 32 percent of growers have, according to the audit.

The agency halted processing new recreational marijuana license applications in June so state officials could catch up on a backlog.

Gov. Kate Brown wants to change state law to allow the OLCC to cap licenses based on market demand and other factors.

The state doesn't have as much authority to regulate medical growers' activities, auditors said. And they found there aren't enough inspectors of medical cannabis, there is high turnover among the inspectors the program does have, and money coming into the program through fees is dropping off.

In a press release, Richardson said that preventing diversion of cannabis is "imperative to ensure federal authorities maintain confidence in Oregon's ability to adequately regulate the use and sale of marijuana."

Directors of the Oregon Liquor Control Commission and the Oregon Health Authority said they agreed with auditors' recommendations.

# Oregon looks at Quebec for carbon tax cap and trade model

By Aubrey Wieber  
Oregon Capital Bureau

As Oregon considers limiting carbon emissions to spare the environment, experience in Canada with a similar effort yields clues to what might happen.

The province of Quebec's cap and trade program, started in 2013, has proven a boon to the economy and technological innovation while cutting emission levels, said Elizabeth MacKay, a representative of the Quebec government who is based in Los Angeles.

"Our economy has grown steadily," MacKay said. "In fact, at 2015 it was at 3.1 percent (growth), and that's our strongest showing since 2000. We have no evidence that any company has left Quebec because of cap

and trade."

MacKay was in Oregon to speak at a conference on carbon reduction held by the University of Oregon Law School. She testified last fall before the Joint Committee on Carbon Reduction.

Cap and trade differs from a traditional carbon tax. Instead of charging polluters for what they emit, they must pay for their pollution over set limits — the cap. They do this by buying allowances to exceed the cap.

In Oregon, the money the state brings in from selling such allowances would be spent on environmentally friendly projects big and small, anything from energy-efficient windows in a home to electronic mass transit for a city.

In recent years, the Legislature has considered such

proposals but has not acted. In 2018, the issue was tabled due to a lack of time in the short session.

On Thursday, the House and Senate Republican caucuses asked to have carbon policy fashioned the way big transportation and education packages were. Those involved legislators touring the state to get input from stakeholders and everyday Oregonians. That would mean delaying the legislation at least a year.

Carol Montreuil, a vice president for the Canadian Fuels Association, has seen this process play out in Quebec, and his advice to Oregon industry is to collaborate with government, not fight it.

"You need to be sitting at the same table," he said.

Montreuil said initially, the idea was to have 12 or

more jurisdictions around Quebec implement cap and trade at the same time, which would provide uniform regulation for industry. He said the fear was that Quebec would end up being alone, making fuel and manufacturing more expensive in Quebec than in neighboring jurisdictions.

Those fears proved right. Quebec is now the only Canadian province with a cap and trade system. But he said through repeated talks with the government over years, politicians responded to relax the regulation enough to keep Quebec's business community competitive.

"The government in Quebec was brilliant in understanding they were alone in Canada, and they have to adjust the stringency accordingly," he said. "They learned

to walk before they learned to run."

MacKay, who visits Oregon regularly, said while Quebec's population is more than twice that of Oregon and geographically is more than

six times as vast, the province is actually a good comparison. Both are rich in natural resources and have a focus on hydropower. About half Quebec's population is in urban centers.

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