Oregon businesses are, by and large, still in business

Only 5% of Oregon's restaurants & bars gave up their liquor licenses in 2020

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SALEM — Scores of beloved Oregon businesses permanently shut their doors during the pandemic, unable to endure the prolonged downturn as safety restrictions limited business — or customers simply stayed away.

With COVID-19 cases in steep decline since mid-January, though, and government restrictions easing, there's reason for optimism that the pandemic's ultimate toll on individual businesses may be less severe than many feared.

Bankruptcies were actually down last year, in Oregon and across the country, despite the sudden recession. And just 5% of bars and restaurants surrendered their Oregon liquor licenses in 2020. Only 6% of lottery retailers — typically bars — shut down.

Meanwhile, the total number of businesses registered with the Oregon Employment Department increased in the six months after the pandemic began — with an annual growth rate of 3.9%, a little faster than the growth rate in the 12 months before the pandemic.

What's going on?

Josh Lehner with the Oregon Office of Economic Analysis notes that small-business income in the state was roughly flat last year. That's largely because of the Paycheck Protection Program, which funneled $7 billion in forgivable loans into those small businesses.

"Absent the PPP, proprietors' income fell nearly 20%, which is an apocalyptic drop," Lehner wrote in a new analysis.

It's been an excruciating year for businesses owners and many are just limping along, Lehner told lawmakers last month. It may be some time yet before people feel safe packing back into restaurants, bars, bowling alleys and movie theaters.

Still, it appears that a large majority of Oregon businesses have held up over the past year and for most, the worst may be behind them now.

"The fact that entrepreneurship has remained so strong means the total number of businesses in the economy will continue to increase," Lehner wrote. "Replacing the economic role of the lost firms takes time as does finding a job at a different firm for the laid-off workers, but this process is underway."

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and the hundreds of millions of dollars they would have generated to reinvest in carbon reduction, adaptation and social justice programs.

In this program, DEQ would annually issue pollution permits to entities whose carbon emissions exceed an established threshold, then gradually ratchet down those annual allowances to force businesses to clean up their act. Some trading of those permits will be allowed, and it's likely that companies will be able to meet some portion of their obligation by investing in projects that reduce emissions, say electric buses, as an alternative reducing their own.

Richard Whitman, DEQ's director, says that in many ways, it's a cleaner approach, not subject to the same kind of lobbying and horse trading that repeatedly watered down lawmakers' proposal. He says the Environmental Quality Commission, a five-member citizen's panel, has the ultimate authority to set the rules.

"We're doing this much more intentionally than the Legislature was able to do," he said. "This is not a vote. We are not looking for a decision from the (advisory committee). They're on there to give us their expertise and opinions."

But this process will hardly be divorced from politics. Business groups are already suing the state to overturn the governor's executive order, which may provide them with negotiating leverage. All sides will be lobbying the Environmental Quality Commission on numerous issues, including who gets to fill open positions on the panel.

Whitman acknowledges that the process makes some groups uncomfortable. "There's going to be more noise going forward."

Sierra Dawn McClain/Capital Press, File

Loggers, farmers and others protest in front of the Oregon Capitol on June 26, 2019, to oppose a greenhouse gas reduction plan they say would cripple the economy and way of life for rural Oregonians. Plans to implement Gov. Kate Brown's executive order for state agencies to regulate greenhouse gas emissions now are taking shape during the 2021 Legislature.

Electricity sector

A big gap in this program, one that DEQ acknowledges up front, is that greenhouse emissions from electric utilities would not be regulated. It's a big hole, as emissions of carbon dioxide and equivalents from burning natural gas for electricity accounts for about half of emissions from stationary sources statewide — most of it from plants owned by Portland General Electric.

The problem is that a big chunk of Oregon's electricity supply still comes from out of state sources, much of it from coal plants, and DEQ only has the authority to regulate in-state emissions. If it were to impose emission limits on in-state gas plants, utilities might simply import more power from out of state, much of it dirtier coal, a problem referred to as leakage.

There are bills in the Legislature, such as House Bill 2995, that would force electric utilities to supply customers with 100% clean electricity by 2035 and accelerate the existing deadline to transition off coal from 2030 to 2025. That's an aggressive goal, and may be particularly onerous for PacifiCorp, which still gets a significant chunk of its electricity supply from coal, and is a co-owner of a gas fired power plant in Oregon.

PGE, meanwhile has an existing "net zero" plan that pledges to reduce its greenhouse emissions by 80% by 2030, and an aspirational goal for zero greenhouse gas emissions by 2040. That glidepath is more aggressive than the statewide carbon reduction goals, though it remains to be seen if its achievable. The company still has an ownership stake in a Montana coal plant and operates four of the seven big gas fired power plants in the state.

It's not clear if any of the proposed legislation will pass, which would leave both imported and in-state electricity exempt from emission limits.

"Ideally all electricity emissions would be covered," Baker said, but the plan should at least cover new plants in Oregon, making it harder to site them here. "We know from the climate math and science that we can't be building news gas plants."

Whitman agrees that deep decarbonization of the electrical grid is necessary for the state to hits its targets. But "it's not something we can do without legislation. We have to work within our existing authorities."

Natural gas and petroleum

For natural gas companies in particular, the program may pose an existential threat to their business model as it incentivizes commercial and residential customers to move away from gas heating and cooking, and pushes gas utilities and suppliers to transition faster to so-called renewable natural gas and hydrogen energy.

Nels Johnson, government affairs manager for NW Natural, says the company has a plan to do just that by 2050. It was on board with the last version of the cap and invest legislation, and felt the Legislature was the appropriate venue to work out the details of the program.

The utility's chief concern with the new program is the cost of complying, in part because Oregon's program won't be linked to California's, as it would have been under the cap and invest program. It also won't be generating huge sums of money every year to invest in carbon reduction projects within Oregon's borders. Both would have generated a larger supply of alternative projects to invest in, and cheaper carbon offsets that could be used to satisfy the state's emission reduction targets while it makes that transition.

The DEQ is considering scenarios that would allow companies to meet up to a quarter of their pollution reduction obligations by investing in such projects. But DEQ wants them to deliver benefits on the ground in Oregon, such as electric car charging infrastructure, electric buses, or high efficiency heat pumps for low-income residents. Johnson said the supply of such projects is likely to be far more limited in Oregon, and the offsets more expensive.

"Do we want to do it the expensive way or cost-effective way," Johnson asked. "Our hope is that the EQC will says let's do this in a cost-effective way, and that's the lens they'll look at these rules through."

Brad Reed, a spokesman for Renew Oregon, says using offsets from alternative projects should be strictly limited unless companies can prove the projects are really eliminating greenhouse emissions.

"That's the point of the whole program," he said. "The fear is that companies are allowed to continue business as usual by trading things around. Overall, the future has to be primarily gas free to have any shot at meeting these goals."

The majority of Oregon's greenhouse emissions come from the transportation sector. Fuel suppliers and truckers are among those suing the state to overturn the governor's executive order as unconstitutional. They are also members of the rulemaking advisory committee.

One open question is how high the minimum emission threshold will be set for regulating fuel companies. Under the cap and invest legislation, it was all fuel suppliers with annual emissions of carbon dioxide equivalents greater than 25,000 metric tons.

Under one scenario the DEQ is considering, the level could be as high as 300,000 metric tons. That would capture large fuel suppliers, and 86% of related emissions, and make the program easier to administer. But environmental groups say that would still let some 80 companies and 14% of the emissions off the hook, and would open up the possibility of oil companies gaming the system by rejiggering their distribution.

Whitman insists that won't be the case, though he says the agency needs to be mindful about the equity issues of possible fuel price increases and how quickly Oregonians will adopt electric cars.

"What we're likely to propose to the (Environmental Quality Commission) will cover almost all transportation fuels," he said. "There's no plan to have any big exemption for fuel suppliers."

How far, how fast

Another area of contention is where the commission will set the overall and interim emission reduction targets; in effect, how fast and how far it lowers the boom on greenhouse pollution. The science is clear: Reductions need to come quickly to avoid the worst impacts of global warming.

The DEQ is modeling three different scenarios, one that matches the targets in the governor's executive order, one more aggressive and one less. But each of those scenarios also tweaks which sectors would be regulated or exempted, whether entities could trade their emission permits, and how much of their compliance obligation could be satisfied by investing in alternative projects.

Environmental groups are adamant: The caps should be as aggressive as possible, but clearly no weaker than the goals the governor has already laid out.

Kristen Sheeran, the governor's climate and energy carbon policy adviser, says the goals in the governor's executive order were just that, goalposts for emission reductions across Oregon's economy. No one program, she said, was intended to carry the whole load.

State agencies and commissions are working on rules to achieve those targets. The state's renewable portfolio standard is pushing utilities to transition to wind and solar. Its clean fuels program is generating emission reductions in the transportation sector. She said all those measures will act in tandem with DEQ's carbon reduction plan.

"It's a toolbox approach," she said. "DEQ is working on one of those tools."