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## **Public Policy Meeting**

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Speaker(s): Nina Carlson, Northwest Natural Gas & Representative Annessa Hartman  
Meeting summary for Public Policy Meeting (08/06/2024)

### **Quick recap**

The team discussed the DEQ's climate protection program, with concerns raised about its impact on businesses and the need for transparency. They also reviewed a proposed letter for a virtual public testimony, the potential of Measure 118, and efforts to manage forest fires and improve the service level funding for the Department of Forestry. Lastly, they addressed workforce challenges, the inflated costs of renovating old churches, and the recent denial of Clackamas County's proposal to fund a deflection program for Measure 110. Chamber members were requested to attend or listen to the 8 AM virtual meeting on August 16th regarding Clackamas County's proposal for Measure 110 funding if they would like to hear more.

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## Summary

### **Climate Protection Program Engagement**

Nina presented the draft of the Department of Environmental Quality's (DEQ) Climate Protection Program (CPP), currently in rulemaking, and requested the Chamber's logo and endorsement for the final revision. She emphasized the importance of individual business owners considering how this program might impact their businesses. The Chamber agreed to assist in finalizing the program's details, highlighting the need for clear understanding and support from the business community.

The CPP, initially proposed by Kate Brown but later taken up by the DEQ after procedural issues with the original proposal, includes a set of allowances for each metric ton of carbon dioxide emissions from natural gas use. Compliance tools such as purchasing renewable natural gas or clean hydrogen are proposed. Additionally, the program introduces "Community Climate Investments" (CCI), involving giving CCIs to nonprofits to be bought for carbon offsets by companies like NW Natural. Proceeds from CCIs are intended, but not required, to be used on emissions-reducing projects.

Nina expressed concerns about the undefined tracking of project outcomes, accountability, and transparency. The committee suggested that Northwest Natural could propose environmentally beneficial projects as mitigation strategies instead of fines. Nina warned of potential cost increases, business operation shutdowns, or relocations due to the upcoming rulemaking's impact on businesses and customers. These compliance costs could raise customer monthly payments by \$4-\$9 initially and evolve to \$27-\$43 per month, representing a 34%-41% increase.

To address these issues, Nina discussed a proposed letter drafted by Oregon Business and Industry (OBI) that chambers were asked to sign. The letter aims to be a group statement for virtual public testimony on the 21st of the month, representing the chambers' collective voice. Nina raised concerns about the selected nonprofit, Seating Justice, due to their lack of experience and technical expertise. She encouraged individual businesses to add their names to the letter or submit their own comments, stressing the importance of both individual and collective actions. The Chamber inquired about the effectiveness of individual businesses versus the chamber signing on, to which Nina responded that both methods were important.

Nina committed to contacting Jay about a letter needing approval from several people at OBI. NW Natural will be submitting the Group Letter to the Chamber for review and possible approval. "Sitting Justice" will play a critical role in deciding the distribution of CCI credits to companies.

#### **Action Items for Chamber Members**

1. **Prepare a Written Comment:**
  - Share your perspectives on the CPP and its potential impacts on your business.
2. **Attend a Virtual Public Meeting to Give Live Testimony:**
  - Participate in the virtual public testimony on the 21st of the month to voice your concerns and suggestions.
3. **Add Your Name and Logo to the Group Letter:**
  - Contribute to the collective statement being drafted by OBI, representing the business community's unified stance.
4. **Contact NW Natural to Learn About Other Opportunities:**
  - Explore additional avenues for engagement and mitigation strategies with NW Natural.

#### **Chamber's Role and Support**

- The Chamber is urged to back the initiative to ensure a strong, unified business community response.
- The Chamber will review and possibly approve the Group Letter being written in coordination with OBI.
- Detailed information and further context are available in the submitted attachments.

### **Meeting with Annessa Hartman, House District 40 Representative**

Annessa, representing House District 40, joined the meeting to learn about the issues facing small businesses. The group discussed Measure 118, with Annessa expressing her opposition due to concerns about its impact and lack of stakeholder involvement. Additionally, she agreed to investigate efforts to increase the cat tax from \$1 million to \$5 million following a query from the committee.

As vice chair of the Agriculture, Land Use, Water, and Natural Resources Committee, Annessa discussed efforts to manage forest fires and improve service level funding for the Department of Forestry. She mentioned a current working group and her recent meeting with the Department of Forestry to streamline the process for managing Bureau of Land Management lands. Ginny Van Lou, a member of several federal forest committees, offered her extensive experience in forestry management to assist Annessa. They also addressed an issue with beavers causing flooding in the Grove Jennings Lodge area, which Annessa agreed to follow up on. Lastly, they discussed the need for investment in the state's mills to prevent future closures.

The conversation then shifted to workforce challenges caused by environmental factors, funding issues, and the impact of Ballot Measure 118. They highlighted the importance of affordable housing and childcare for attracting skilled workers. Annessa shared policy suggestions from collaborating with Bridget Daisy, including addressing infrastructure, creating workforce pathways, and subsidizing childcare providers while reducing regulatory burdens on businesses.

Lastly, Annessa discussed her ongoing efforts to address the inflated costs of renovating old churches and the challenges posed by red tape in housing, building, and construction. She also highlighted the recent denial of Clackamas County's proposal to fund a deflection program for Measure 110 by the Impact Grants Committee, with the county planning to appeal the decision. The committee commended Annessa's efforts and offered their support, sharing their historical insights on the county's work with agencies like Bureau of Land Management.

# DEQ'S CLIMATE PROTECTION PROGRAM

The Climate Protection Program (CPP) was developed by the Oregon Department of Environmental Quality (DEQ) with the objective of reducing greenhouse gas emissions across the state. The program is in response to Governor Kate Brown's 2021 executive order (EO 20-04) directing state agencies to design programs to achieve a 45% reduction in emissions by 2035 and an 80% reduction by 2050.

The CPP will impact every energy user in Oregon, both at the pump and on their utility bills. DEQ is currently creating new rules for the program—a process that will take several more months to complete, including a formal public comment period this summer. NW Natural is anticipating that utility customers will see CPP costs on their bills beginning as early as the first year of the program's implementation. Learn more about the CPP: [oregon.gov/deq/ghgp/cpp](https://oregon.gov/deq/ghgp/cpp)

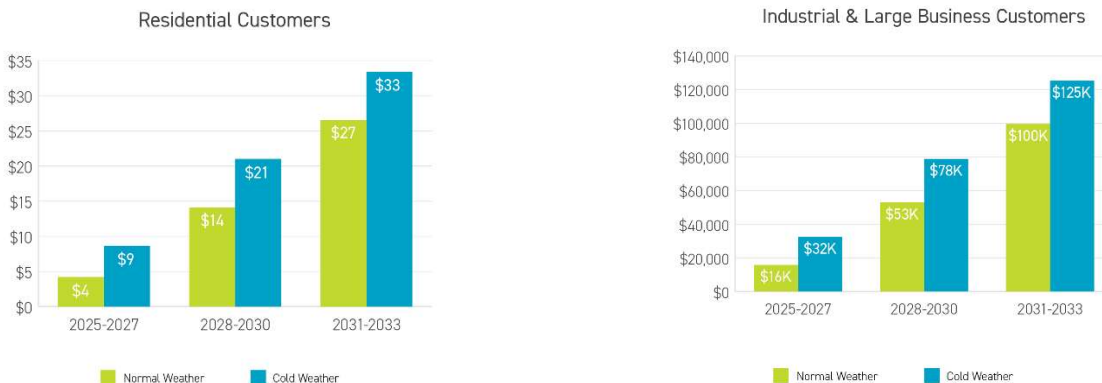
## HOW IT WORKS

Natural gas distributors, transportation fuel providers and others will be required to reduce emissions using a specified set of compliance tools. Some compliance tools that provide verifiable emission reductions will take time to develop at scale, such as renewable natural gas or clean hydrogen. Another type of compliance tool, designed by DEQ and unique to Oregon, is called a "Community Climate Investment" (CCI). As currently designed, DEQ will select a non-profit organization that will sell these CCI credits to entities like NW Natural. The non-profit will use the proceeds from these CCI sales to help fund various projects that could – but are not required to – result in emissions reductions at some point in the future.

## HOW MUCH IT COSTS

Fees collected from customers will be used to cover the compliance costs for their emissions. For the first compliance period, NW Natural estimates residential customers could see their bills increase between about \$4 - \$9 per month solely because of CPP compliance costs. Over time, those compliance costs alone could rise to about \$27 - \$33 more per month, which would be about a 34% - 41% bill increase.

## Average Monthly Bill Impact



These estimates could change based on timing of CCI purchases, customer usage, weather and compliance instrument changes. These estimates do not include commodity price fluctuations or rate changes associated with system safety and reliability investments.

## FREQUENTLY ASKED QUESTIONS

### How did NW Natural calculate these CPP cost estimates?

NW Natural's cost estimates are based upon the currently available rules that DEQ published in 2023 before they were invalidated by the Oregon Court of Appeals. The estimates take into account CCI pricing, CCI compliance percentage limitations, compliance instrument distribution, and three-year compliance periods. It's important to note that natural gas use is impacted by weather. NW Natural's estimates represent both average weather and cold weather scenarios so that customers can see how their costs may be impacted. Given NW Natural can't anticipate the weather, the company will need to purchase compliance tools to cover potential emissions caused by colder weather to avoid DEQ penalties, which are priced at \$12,000 per ton of carbon emitted over the cap set for the program. While highly unlikely given the aggressive nature of the program's cap on emissions, costs for compliance tools that are purchased to cover colder weather but not needed would be carried forward into the next compliance year, reducing the cost of that period.

### Is a CCI the same as a carbon offset?

No – there are a few key differences between carbon offsets and how DEQ has designed its CCIs. With carbon offsets, there are well-documented international standards and protocols to guarantee that an offset results in projects that measurably lower emissions. By comparison, in its carbon accounting, DEQ will include CCIs as emissions savings even if a project has not reduced emissions.

Price is another difference between CCIs and offsets. DEQ's price per ton of CO<sub>2e</sub> is the most expensive in North America. Compliance tools in other carbon markets range from \$16 per ton to \$80<sup>1</sup>, whereas DEQ set the 2023 price of a CCI at \$123 per ton.

### What will NW Natural do with the CPP fees from customers?

100% of the fees collected from customers to cover the CCI compliance costs of their emissions will be paid to a non-profit selected by DEQ. In its previous rulemaking for the CPP, the DEQ selected Seeding Justice to run the program. Last year, Seeding Justice anticipated that the program would generate \$150 million a year for them to disperse to other non-profits and partners for both project and administrative costs<sup>2</sup>.

### Will my business receive credit for the investment we're making in the CCI program?

No – because of the limitations of DEQ's CCIs, a business' payments will not meet the requirements to qualify for federal programs (such as Inflation Reduction Act tax credits) or the widely accepted greenhouse gas reporting protocols and Climate Action Plans in many local jurisdictions. This also means that entities – even the state of Oregon – will need to keep two sets of records for their carbon accounting; one set for federal or local purposes and a second set that's specific to just DEQ's rules that allows for deemed, but not actual, emission savings from CCIs.

### Are there changes to the rules that could be made to lower costs while reducing emissions?

For several years, NW Natural has provided DEQ with substantive recommendations and feedback to help make the program more affordable. We believe any climate program in Oregon must be lawful, focused on emission reductions, have clear accountability for effectiveness, and retain energy affordability and security. For example, DEQ could allow for a slower reduction requirement that recognizes the complexity of decarbonization. The program could include cost caps, and it could direct the investments paid for by natural gas customers to go back to those customers to fund deeper energy efficiency, carbon offsets, and new technologies – all changes that could lower costs. NW Natural has asked state leaders to consider these changes and will continue to do so.

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<sup>1</sup> Most recent RGGI auction price available at: <https://www.rggi.org/auctions/auction-results/prices-volumes>; BC carbon tax price available at: <https://www2.gov.bc.ca/gov/content/environment/climate-change/clean-economy/carbon-tax>

<sup>2</sup> OPB, "Oregon DEQ selects nonprofit to distribute millions from climate investment program", available at: <https://www.opb.org/article/2023/08/31/seeding-justice-climate-change-oregon>

## **What is the status of the court case for the CPP?**

In December 2023, the Oregon Court of Appeals issued a ruling in the court case that we and other plaintiffs filed in 2022 regarding the CPP that was enacted by the DEQ. The court found that the CPP rules were invalid on the basis that the state did not comply with the necessary heightened disclosure requirements for the program. Under Oregon judicial rules, the court did not address the other substantive arguments raised against the CPP rules in the case because the procedural error made the entire rule invalid. As such, the Court did not address whether the DEQ had authority to adopt the rules. This is not an endorsement of authority, rather, the Court simply could not and did not address that issue. We believe any climate program DEQ enacts must be within their lawful authority, focused on emission reductions, have clear accountability for effectiveness, and retain energy affordability and security. We look forward to working with our customers and communities on constructive solutions to meet our shared climate goals.