



State of Oregon
Department of
Environmental
Quality

Market Mechanism for Reducing Greenhouse Gas Emissions in Oregon

DRAFT Outline – June 3, 2016

Contact: Colin McConnaha, 503-229-5094

- I. Executive summary
- II. Introduction and background
 - a. Structure of report and study
 - b. Oregon's GHG goals
 - c. Climate policy options generally
 - Comparison of cap vs. carbon tax vs. regulatory measures
 - Key existing policies for reducing GHG emissions in Oregon
 - Past analyses of climate policy for Oregon
 - d. Other jurisdictions with carbon pricing mechanisms
 - WCI
 - RGGI
 - EU ETS
 - Key features, similarities and/or differences
- III. Key considerations to implementing a market-based GHG reduction program in Oregon
[to be determined in course of the study]
- IV. Potential economic effects in Oregon
 - a. Basic economic characteristics of carbon markets
 - Variables that impact the carbon price
 - Effect of jurisdictions joining an existing market
 - b. Effects on Oregon's business sectors
 - Key drivers of potential effects
 - Effects seen elsewhere
 - Possible effects on Oregon's economy
 - Oregon industries susceptible to leakage
 - Tools for mitigating leakage (including non-capped sectors)
 - Tools for enhancing positive economic effects
- V. Effects on disadvantaged populations and rural communities
 - a. Key drivers of potential effects
 - b. Effects seen elsewhere
 - c. Considerations specific to Oregon
 - d. Tools for enhancing positive effects and minimizing negative effects
- VI. Interaction with other Oregon policies
 - a. Introduction
 - Literature on interactions between carbon markets and sector-specific policies
 - Experience and approach in other jurisdictions
 - b. RPS and elimination of coal from electricity supply
 - Fundamental interaction
 - Relative stringencies of both policies

- Designing an emissions trading program to be complementary
 - c. Clean Power Plan
 - Fundamental interaction
 - Relative stringencies of both policies
 - Designing these programs to be complementary
 - d. Clean Fuels
 - Fundamental interaction
 - Relative stringencies
 - Designing an emissions trading program to be complementary
 - e. ZEV Program
 - Fundamental interaction
 - Relative stringencies of both policies
 - Designing these programs to be complementary
 - f. Other policies
- VII. Program design considerations for linking and meeting Oregon’s GHG goals
- a. Linking with WCI
 - Pros and cons of having a linked system
 - Elements of program design that must align in order to link
 - Elements of program design that can differ by jurisdiction
 - b. Achieving Oregon’s GHG Reduction Goals
 - Role of a cap and trade policy in accomplishing this
 - Elements of program design that are central to achieving this objective
 - c. Data requirements
 - Prior to program start
 - Requirements upon starting program
 - Differences to existing data collection programs in Oregon
 - d. Scope
 - Sectors
 - Point of regulation
 - Covered emissions
 - e. Stringency of required reductions
 - Minimum for linkage with WCI
 - Additional options
 - f. Compliance
 - Compliance period length
 - Measurement – data collection type and frequency
 - Reporting – frequency
 - Verification – by whom
 - Penalties
 - g. Cost Containment
 - Price ceiling and/or floor
 - Allowance reserves
 - Banking
 - Borrowing
 - Offsets

- h. Market functionality
 - Auction platform
 - Allowance exchange
 - Market monitoring
 - Purchase and holding limits
 - Other design considerations for a healthy and liquid market
- i. Allowance Distribution
 - Free allocation
 - Auction
 - Type of auction – how WCI functions
 - Frequency
 - Type of bidding and trading
 - Participants allowed
 - Sector-specific considerations
 - Utility sector consignment
 - Industrial users
 - Hybrid approaches
 - Phasing-in sectors
- j. Addressing leakage [*might not need this as a separate section in VI – could address under economics and in Allowance Distribution*]
- k. Use of Auction Revenue
 - Restriction on revenue generated from transportation fuels
 - Other options for use of auction revenue
 - Mitigating impacts to low-income and rural communities
 - General government revenue
 - Refunds or credits
 - Reducing GHG emissions
 - Addressing climate change impacts and adaptation needs
 - Experience and lessons learned from other jurisdictions
 - WCI jurisdictions
 - RGGI
 - EU-ETS
- l. Program administration
 - Critical administrative functions identified
 - Functions handled by WCI
 - Functions that may be handled by other jurisdictions
 - Functions that Oregon may want to manage
 - Program evaluation and monitoring
 - GHG emission reduction progress
 - Tracking emissions and identifying leakage
 - Tracking economic effects to different sectors and population groups
 - Need for regular evaluation and program updates
 - Need for reporting and public transparency about the program