



Climate Protection Program

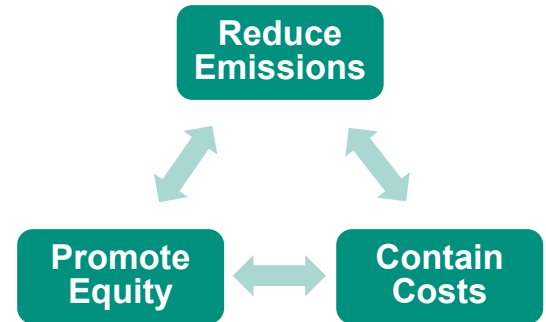
Program Brief

This document provides a brief overview of the Climate Protection Program. Please see Oregon Administrative Rules chapter 340, division 271 for the [Climate Protection Program](#) rules.¹

Purposes of the Climate Protection Program

The purposes of the Climate Protection Program (CPP) are to:

- Reduce greenhouse gas emissions,
- Achieve co-benefits from other air contaminant reductions, and
- Enhance public welfare for Oregon communities, particularly environmental justice communities, including, communities of color, tribal, low-income, and rural communities.



To support these purposes, CPP:

- Requires that covered entities reduce greenhouse gas emissions,
- Supports reduction of emissions of other air contaminants that are not greenhouse gases,
- Prioritizes reduction of greenhouse gases and other air contaminants in environmental justice communities disproportionately burdened by the effects of climate change and air contamination,
- Provides covered entities with compliance options to minimize business and consumer economic impacts, and
- Allows covered fuel suppliers to comply in part with Community Climate Investments

EJ Communities Face More Risk



- ↑ Greater pollution exposure
- ↑ Greater impacts of climate change
- ↓ Less representation in public processes
- ↓ Less access to new, clean technologies

Environmental justice communities means communities of color, communities experiencing lower incomes, tribal communities, rural communities, coastal communities, communities with limited infrastructure and other communities traditionally underrepresented in public processes and adversely harmed by environmental and health hazards, including seniors, youth, and persons with disabilities.

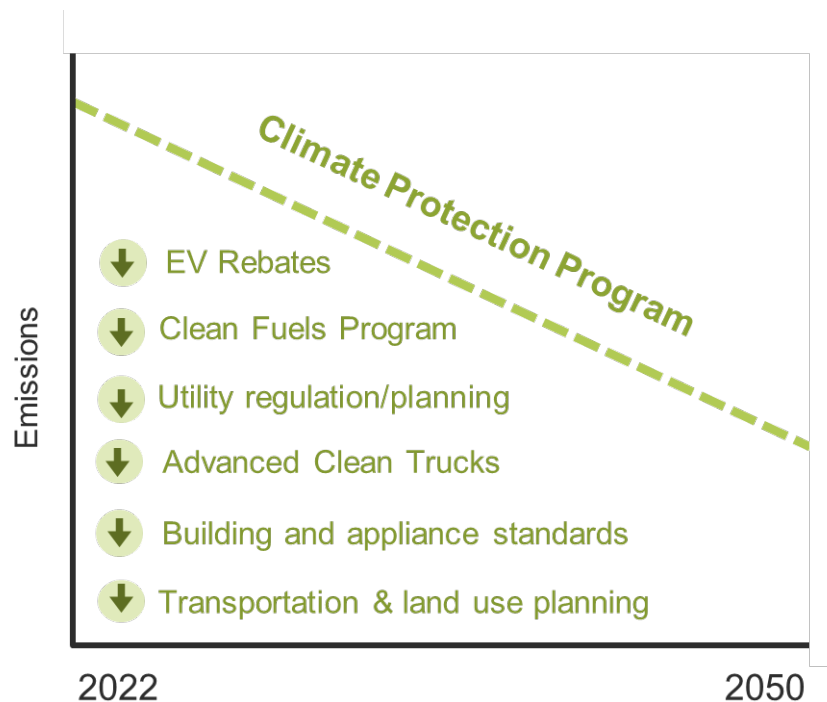
¹ DEQ is providing this overview of the Climate Protection Program for information purposes only.

Regulating greenhouse gas emissions

There are two key approaches for the Climate Protection Program:

- Declining and enforceable limits, or caps, on greenhouse gas emissions from the use of fossil fuels, and
- Best available emissions reductions approach for other site- specific emissions at facilities, such as emissions from industrial processes.

The Climate Protection Program is one of many complementary policies and programs in Oregon to reduce greenhouse gas emissions and act on climate change. CPP will both drive emissions reductions as well as leverage reductions achieved through other incentives, which will further support compliance.

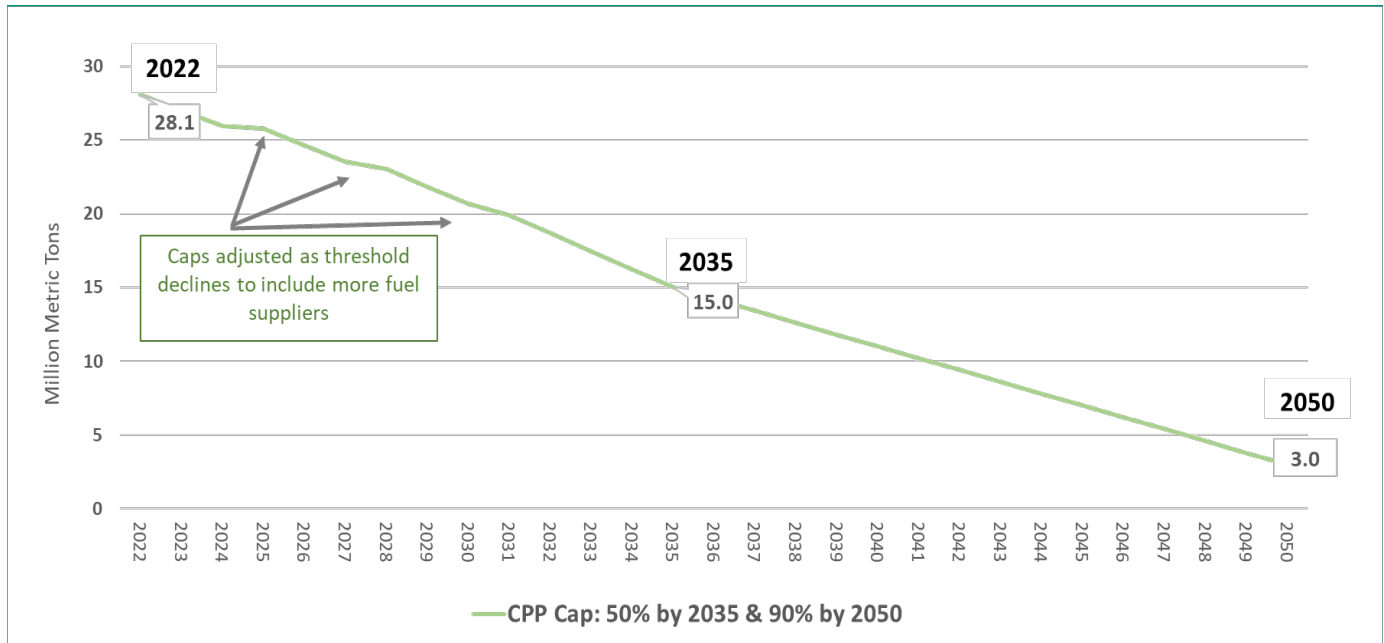


Covered entities

- **Fuel suppliers subject to declining emissions caps:**
 - Natural gas utilities (local distribution companies), and
 - Suppliers of gasoline, diesel, kerosene, and propane with emissions that meet or exceed a threshold for inclusion. The threshold declines over time to cover a wider scope of emissions and suppliers and will capture approximately 99% of in-scope combustion emissions from liquid fuels and propane used in Oregon.
- **Stationary sources subject to the best available emissions reduction approach:**
 - Existing permitted facilities with annual covered emissions that meet or exceed a threshold of 25,000 metric tons of carbon dioxide equivalent (MT CO₂e) and proposed new facilities with the potential to emit at or above that threshold. Emissions regulated under this approach do not include fossil fuel combustion emissions that DEQ regulates from the fossil fuel suppliers.

Covered fossil fuel supplier emissions reductions

DEQ sets an overall limit on regulated greenhouse gas emissions for covered fossil fuel suppliers each year. DEQ lowers the limit, or cap, each year, reaching a 90% percent reduction in emissions by 2050.²



The 2022 base cap, based on average 2017 to 2019 emissions, is 28.1 million MT CO₂e. By 2035, the cap declines to 15.0 million MT CO₂e and by 2050; the cap is 3.0 million MT CO₂e. DEQ adjusts caps in the early years of the program, as more fuel suppliers and emissions are included as the threshold declines.

Compliance instruments: Each year, DEQ will freely distribute compliance instruments to each covered fuel supplier. The total number of compliance instruments distributed by DEQ for each year is equal to that year's cap.

Fossil fuel suppliers can trade unused compliance instruments or bank them for future use. This both incentivizes early emission reductions and provides flexibility for covered fossil fuel suppliers, allowing them collectively to find the lowest cost emission reductions.

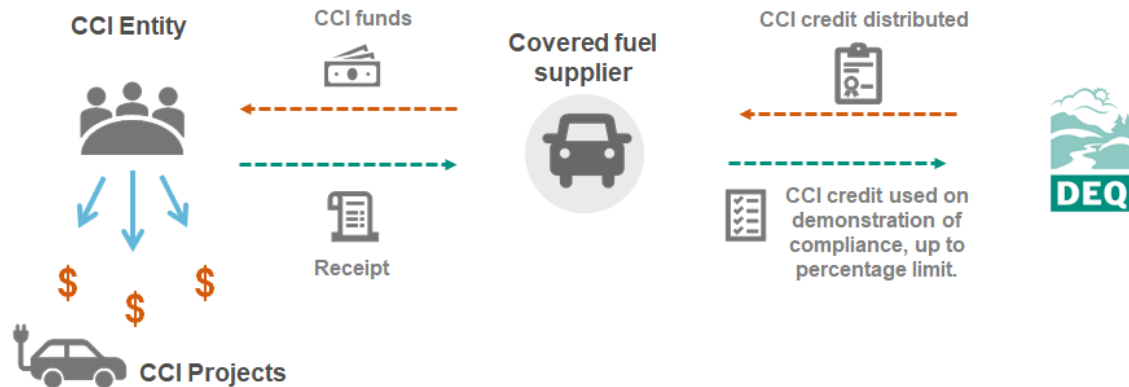
Demonstrating compliance: For every MT CO₂e of covered emissions, a covered fuel supplier must submit to DEQ a compliance instrument or community climate investment (CCI) credit.

- Fuel suppliers' compliance demonstration is every three years for total emissions for the three-year period. The first demonstration of compliance for the 2022-2024 compliance period is November 2025.
- At program start, each fuel supplier may meet up to 10 percent of its compliance obligation with CCI credits, increasing to 15 percent for the second compliance period and then to 20 percent for the third and future compliance periods.

² The 2050 cap is a 90 percent reduction from 2017 to 2019 average emissions using the lowest program threshold of 25,000 MT CO₂e.

Community Climate Investments (CCIs)

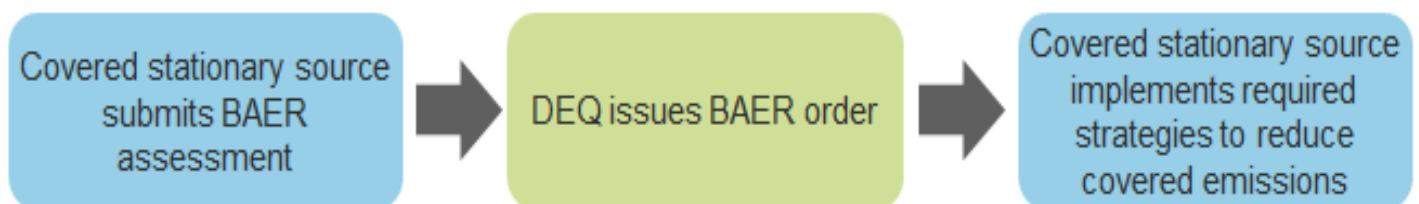
Covered fuel suppliers can earn CCI credits by contributing funds to third-party entities to implement projects that reduce greenhouse gas emissions in Oregon.



- Funds may only be contributed to DEQ-approved third-parties called CCI entities.
- DEQ's priorities for CCIs include reducing emissions at least one MT CO₂e on average per CCI credit, reducing non-greenhouse gas emissions, promoting benefits for environmental justice communities, and accelerating the transition from fossil fuels to low carbon energy sources.
- An equity advisory committee will assist DEQ in reviewing applications, work plans, and other submittals from CCI entities. The committee will advise DEQ on which CCI entities and projects would achieve the greatest benefit for environmental justice communities
- CCI entities, DEQ and the equity advisory committee will conduct outreach to environmental justice communities throughout Oregon to seek input on projects that may be of interest to those communities.
- DEQ sets the CCI contribution amount in the CPP rules, starting at \$107 (2021\$) to earn one CCI credit from DEQ. This contribution amount increases a dollar per year (2021\$) and is adjusted for inflation.
- CCI credits can be banked for two compliance periods but can't be traded.

Best available emissions reduction approach for covered stationary sources

DEQ requires implementation of site-specific strategies for covered stationary sources to reduce greenhouse gas emissions that are not regulated through the covered fuel suppliers. This includes emissions from industrial processes, combustion of solid fuels, and natural gas supplied by interstate pipelines. Sources with covered emissions at or above a 25,000 MT CO₂e threshold would be subject to this approach.



Best available emissions reduction (BAER) assessments: Covered stationary sources are required to conduct and submit to DEQ a BAER assessment that identifies and analyzes the available strategies to reduce covered emissions from the source. Existing sources must complete a BAER assessment within nine months

of receiving a notification from DEQ. The assessment requires analysis of each strategy under consideration including an estimation of emissions reductions that the source would achieve if the source implemented that strategy and analysis of potential impacts (economic, environmental, health and energy) both positive and negative.

- DEQ will notify stationary sources when it is time to conduct and submit a BAER assessment.
- New stationary sources with potential to emit at or above the threshold must submit a BAER assessment to DEQ with the initial DEQ permit application.

BAER order: DEQ, informed by a BAER assessment, its own analysis, and public input, will establish the timeline, and required strategies that a covered stationary source must implement to reduce covered emissions. DEQ will establish these in a BAER order. In issuing a BAER order, DEQ will take some key considerations into accounting, including:

- Which strategies maximize covered emissions reductions,
- Technical feasibility, commercial availability, and cost-effectiveness of strategies under consideration,
- Environmental and public health impacts, such as impacts on nearby communities,
- Whether a strategy may impact the type or quality of good(s) produced at the source, and
- Input from the public and community organizations located near the source.

Reporting: Once DEQ has issued a BAER order, covered stationary sources must submit an annual report on progress toward implementing requirements of the BAER order, along with a completion report. DEQ must provide a public status update if DEQ has not issued a BAER order within eighteen months of notifying a source to submit a BAER assessment. Covered stationary sources must also submit a five-year review report to identify all strategies to reduce covered emissions available at that time. DEQ may require a new BAER assessment if new emission reduction strategies are identified as part of this review process.

Program Review

DEQ will conduct a program review of the Climate Protection Program every five years. For program reviews beginning after 2029, DEQ will review whether the BAER approach has reduced total covered emissions from covered stationary sources. DEQ will also review whether total covered emissions from the combustion of solid or gaseous included in BAER assessments have declined 50 percent by 2035 from average 2017-2019 emissions.

DEQ will also conduct a review of CCIs every two years, including whether reductions of one MT CO₂e or more of anthropogenic greenhouse gas emissions are being achieved on average for each CCI credit. DEQ will also track changes in average annual statewide retail cost of fuels in Oregon compared to adjacent states.

More information

Please visit the [Climate Protection Program website](#) for more information, including the adopted rules.

Alternate formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.oregon.gov.