

IN CONSIDERATION OF RESOLUTION NO. 19-4969, FOR THE PURPOSE OF URGING  
THE OREGON LEGISLATURE TO ADOPT A CLIMATE “CAP AND INVEST” SYSTEM  
AND DIRECT PROCEEDS TO IMPLEMENTATION OF THE CLIMATE SMART  
STRATEGY

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### **ISSUE STATEMENT**

The Oregon Legislature is considering House Bill 2020, which would create a market-based “cap and invest” program designed to achieve state goals for reducing greenhouse gas (GHG) emissions. Under HB 2020, as introduced, the state would place a cap on overall GHG emissions that would decline over time, and use periodic auctions to allocate the right to emit GHGs under the cap. Proceeds from these auctions would support efforts to reduce GHG emissions, to adapt to climate change and related purposes.

This resolution expresses the Portland metropolitan region’s support for the legislation and calls for an appropriate share of these proceeds to be directed to the implementation of the region’s Climate Smart Strategy (2014), which is embodied in the recently adopted 2018 Regional Transportation Plan (RTP).

### **ACTION REQUESTED**

Approve Resolution No. 19-4969.

### **IDENTIFIED POLICY OUTCOMES**

Resolution No. 19-4969 supports the implementation of the Climate Smart Strategy, which involves a broad range of transportation investments across all modes that are proven to reduce greenhouse gas emissions while improving safety, mobility and access to jobs and services and supporting other community and regional goals. It also supports the region’s desired outcome of providing leadership in responding to climate change.

### **POLICY QUESTION(S)**

The resolution calls on the Legislature to pass the “cap and invest” legislation; to direct an appropriate share of the resulting auction proceeds to projects and programs that implement the Climate Smart Strategy; to invest those proceeds in ways that can achieve the greatest GHG emissions reductions per dollar spent; and to distribute proceeds through a regional decision-making process.

### **STRATEGIC CONTEXT & FRAMING**

See “Background” and “Legal Antecedents” below for a brief history of GHG reduction efforts at the state and regional levels. The bill under consideration in Salem represents an ambitious effort to combat climate disruption; if it passes, Oregon would be the second state, after California, to implement such a program (similar programs are in place in

certain Canadian provinces). Not surprisingly, it is controversial, and has partisan overtones; depending on one's perspective, it would impose new costs across the economy, or internalize the existing costs of climate change while stimulating economic opportunity and innovation.

Because this legislation will have wide-ranging impacts, it is being watched closely by a very broad range of interests. Transportation stakeholders variously see this effort as a major threat or an opportunity to pursue long-sought changes in the structure of transportation funding.

Support for "cap and invest" legislation is included in the Metro Council's legislative agenda, adopted in Resolution No. 19-4954 on January 31. At the January 17 meeting of the Joint Policy Advisory Committee on Transportation (JPACT), Metro staff was asked to develop a resolution of support for this legislation. This resolution and staff report respond to JPACT's request.

## **Legal Antecedents**

### Metro Council actions

- Ordinance No. 14-1346B (For the Purpose of Adopting the Climate Smart Communities Strategy and Amending the Regional Framework Plan to Comply with State Law), adopted by the Metro Council on December 18, 2014.
- Ordinance No. 18-1421 (For the Purpose of Amending the 2014 Regional Transportation Plan to Comply with Federal and State Law and Amending the Regional Framework Plan), adopted by the Metro Council on December 6, 2018.
- Resolution No. 19-4954 (For the Purpose of Adopting an Agenda for the 2019 Oregon Legislative Session), adopted by the Metro Council on January 31, 2019.

### State of Oregon actions

- Oregon House Bill 3543, the Climate Change Integration Act, passed by the Oregon Legislature in 2007, codifies state greenhouse gas reduction goals and establishes the Oregon Global Warming Commission and the Oregon Climate Research Institute in the Oregon University System.
- Oregon House Bill 2001, the Jobs and Transportation Act, passed by the Oregon Legislature in 2009, directs Metro to conduct greenhouse gas emissions reduction scenario planning and LCDC to adopt reduction targets for each of Oregon's metropolitan planning organizations.
- Oregon House Bill 2186, passed by the Oregon Legislature in 2009, directs work to be conducted by the Metropolitan Planning Organization Greenhouse Gas Emissions Task Force.
- Oregon Senate Bill 1059, passed by the Oregon Legislature in 2009, directs planning activities to reduce greenhouse gas emissions in the transportation sector and identifies ODOT as the lead agency for implementing its requirements. This work was conducted through the Oregon Sustainable Transportation Initiative and led to development of the Oregon Statewide Transportation Strategy (STS): A 2050 Vision for Greenhouse Gas

Emission Reduction. In 2018, the Oregon Transportation Commission adopted an amendment to incorporate the STS as part of the Oregon Transportation Plan.

- Oregon Senate Bill 324, passed by the Oregon Legislature in 2015, allows the Oregon Department of Environmental Quality to fully implement the Clean Fuels Standard beginning in 2016.
- Oregon Metropolitan Greenhouse Gas Reduction Targets Rule (OAR Chapter 660, Division 44), last amended in January 2017, defines greenhouse gas emissions reduction targets for each of Oregon's metropolitan areas.
- Oregon House Bill 2017, passed by the Oregon Legislature in 2017, provides a major transportation package that included several elements that will help to reduce GHG emissions, notably a new payroll tax to support transit operations.

**Anticipated Effects:** If HB 2020 is approved, proceeds from the cap and invest program are expected to generate significant funding that will be invested to reduce greenhouse gas emissions from transportation in Oregon, including implementation of the Climate Smart Strategy.

**Financial Implications:** Adoption of this resolution has no budget impact at this time.

## **BACKGROUND**

The Legislature established greenhouse gas emissions reduction targets in HB 3543 (2007). The 2009 Jobs and Transportation Act (HB 2001) directed Metro to develop and implement a plan to reduce greenhouse gas emissions from cars and light trucks consistent with the targets in HB 3543. Metro developed that plan, the Climate Smart Strategy, in collaboration with many partners; it was adopted with broad regional support in 2014 and approved by the Oregon Land Conservation and Development Commission in 2015.

"Cap and invest" legislation was introduced in 2016 but was set aside at the time in favor of the so-called "coal to clean" bill that phased out electricity derived from coal. Late in the 2017 session, over 30 co-sponsors introduced SB 1070, a "marker bill" that represented the starting point for discussion of 2018 legislation. Four working groups met in the fall of 2017 to flesh out that legislation, which was then introduced as HB 4001 and SB 1507 in the short 2018 session. However, leadership decided at the end of the 2018 session to create a joint committee to continue working on climate legislation over the interim and bring back a bill in the longer 2019 session. That bill is HB 2020.

Meanwhile, in 2015 the Legislature passed SB 324 allowing DEQ to fully implement the Clean Fuels Program beginning in 2016, and in 2017 the Legislature passed a major transportation package that included several elements that will help to reduce GHG emissions, notably a new payroll tax to support transit operations. Both of these pieces of legislation provide critical underpinnings for the region's efforts to implement the Climate Smart Strategy, but additional funding will be needed for the region to meet state GHG reduction targets.

## **ATTACHMENTS**

Resolution No. 19-4969

Clean Energy Jobs Eligibility analysis for Climate Smart Strategy Projects and Programs