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NOTICE OF PROPOSED RULEMAKING
INCLUDING STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 345
DEPARTMENT OF ENERGY
ENERGY FACILITY SITING COUNCIL

FILED
07/30/2024 1:28 PM
ARCHIVES DIVISION
SECRETARY OF STATE

FILING CAPTION: Updating Carbon Monetary Offset Rate

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 08/26/2024 5:00 PM

The Agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

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Filed By:
Thomas Jackman
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HEARING(S)

Auxiliary aids for persons with disabilities are available upon advance request. Notify the contact listed above.

DATE: 08/23/2024
TIME: 8:45 AM
OFFICER: Christopher Clark

IN-PERSON HEARING DETAILS
ADDRESS: Maxwell Event Center, 145 N. First Place, Hermiston, OR 97838
SPECIAL INSTRUCTIONS:
Length of hearing time is subject to change based on the number of participants.

REMOTE HEARING DETAILS
MEETING URL: Click here to join the meeting
PHONE NUMBER: 408-418-9388
CONFERENCE ID: 23305925172
SPECIAL INSTRUCTIONS:
Password: EFSC

NEED FOR THE RULE(S)

Council has been directed in statute (ORS 469.503(2)(c)(C)) to set a carbon monetary offset rate that is based on the empirical evidence of the cost of carbon offsets.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE

Staff Report and Supporting Materials for Agenda Item D for the July 19, 2024 Energy Facility Siting Council Meeting, available from:
|https://www.oregon.gov/energy/facilities-safety/facilities/Pages/Council-Meetings.aspx

STATEMENT IDENTIFYING HOW ADOPTION OF RULE(S) WILL AFFECT RACIAL EQUITY IN THIS STATE

The rules do not directly affect racial equity in Oregon; however, the rules are generally intended to reduce future greenhouse gas emissions produced by energy facilities in Oregon and, by extension, the disproportionate climate impacts those emissions would have on the health, safety, and wellbeing of tribal communities, communities of color, and other communities that have historically been underrepresented in public decision-making processes.
There are currently three carbon dioxide emitting nongenerating facilities and seven fossil-fueled power plants operating under site certificates in Oregon. New non-generating facilities could be proposed anywhere in Oregon, but the existing facilities are located in rural northwest Oregon. The existing fossil-fueled power plants are located in Columbia, Klamath, Morrow, and Umatilla counties. Overall, these counties have similar demographics as the statewide population, however, Umatilla and Klamath County both contain tribal lands and according to 2021 data from the US Census Bureau Population Estimates Program, have a higher percentage of people who identify as American Indian than the statewide population. Morrow and Umatilla Counties also have a higher percentage of people that identify as Hispanic or Latino than the statewide population. Most of the existing fossil-fueled power plants are located on lands zoned for industrial development, and as a result, are located in areas that may have elevated levels of air pollutants or other environmental burdens. While the rules are expected to reduce climate impacts as described above, they are not expected to have a significant impact on local air quality or other environmental indicators given the limited likelihood of new emissions generating facilities in the state.

FISCAL AND ECONOMIC IMPACT:

Economically, higher carbon offset rates can drive innovation and growth in the clean energy sector. By making fossil fuel-based power generation more expensive, these rates incentivize investment in renewable energy technologies and energy efficiency measures. This shift can lead to the creation of new jobs in the green economy, ranging from manufacturing and installation of renewable energy systems to research and development of new technologies. Additionally, businesses that invest in reducing their carbon footprint can gain a competitive edge in markets increasingly driven by sustainability concerns. However, there could also be economic challenges, such as increased operational costs for businesses reliant on fossil fuels, which could potentially be passed on to consumers in the form of higher prices.

Overall, these rules are expected to have minimal fiscal and economic impacts on state agencies, units of local government, or members of the public. The proposed change to the monetary offset rate may result in small increases in costs of compliance associated with the mitigating carbon dioxide emissions that would result from the construction or modification of an energy facility.

The total cost of electricity generation for a natural gas plant typically includes fuel costs, operation and maintenance (O&M) costs, and capital costs. According to the U.S. Energy Information Administration (EIA), the levelized cost of electricity (LCOE) for natural gas combined cycle plants is approximately $40-$50 per MWh. Based on a cost of $45 per MWh, this change in the carbon offset rate represents $0.86, or 1.9% of the cost.

While we are unable to quantify the impacts on nongenerating facilities that emit carbon dioxide, we assume that these impacts will be of similar magnitude. These relatively small increases are expected to be economically achievable for various types of power plants.

COST OF COMPLIANCE:

(1) Identify any state agencies, units of local government, and members of the public likely to be economically affected by the rule(s). (2) Effect on Small Businesses: (a) Estimate the number and type of small businesses subject to the rule(s); (b) Describe the expected reporting, recordkeeping and administrative activities and cost required to comply with the rule(s); (c) Estimate the cost

of professional services, equipment supplies, labor and increased administration required to comply with the rule(s).

As described above, the proposed rules are expected to increase the cost of compliance with the Council's carbon dioxide emissions standards, if applicable, by approximately 1.9 percent. These costs would only be incurred by a utility, independent power producer, or other person that proposed to construct or modify a carbon dioxide emitting energy facility.

These changes are not expected to result in additional costs associated with reporting, recordkeeping, administrative activities or professional services. Because the rules only apply to the operation of large energy facilities, no small businesses, as that term is defined in ORS 183.310, are likely to be subject to the proposed rules.

DESCRIBE HOW SMALL BUSINESSES WERE INVOLVED IN THE DEVELOPMENT OF THESE RULE(S):

Small businesses are not expected to be affected by the proposed rules and were not specifically consulted in their development.

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? NO IF NOT, WHY NOT?

This is a very narrow and limited rulemaking designed to address years of non-increases to the offset rate and because the public comment period established by the notice provides a reasonable opportunity for interested persons to submit additional data and views.

AMEND: 345-024-0580

RULE SUMMARY: Updating the offset rate to address increases in offset costs.

CHANGES TO RULE:

345-024-0580
Monetary Offset Rate ¶

The monetary offset rate is $~~4.27~~<u>6.40</u> per ton of carbon dioxide emissions.
Statutory/Other Authority: ORS 469.470, 469.503
Statutes/Other Implemented: ORS 469.503