NOTICE OF PROPOSED RULEMAKING

CHAPTER 345
DEPARTMENT OF ENERGY, ENERGY FACILITY SITING COUNCIL

FILING CAPTION: Updating Carbon Monetary Offset Rate

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 08/21/2024 5:00 PM

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:
We estimate that a new combined cycle - single shaft natural gas plant in Oregon produces an annual excess emission of 281,485 tons of CO_2 a year (based on a 418.3 MW power plant with a capacity factor of 0.87) which works out to an increased cost of compliance for a new plant to be $601,371, if this rulemaking is made permanent. The average retail price of electricity in the United States in April,

2024 was approximately $170 per megawatt hour. The retail value of electricity produced by a 418.3 MW power plant with a capacity factor of 0.87 in Oregon is thus $541,892,200. This means the increased cost of compliance represents just 0.111% of the retail value of the energy produced at a natural gas plant.

Should new plants be built these increased operational costs could be passed on to businesses reliant on fossil fuels, which could potentially be passed on to consumers in the form of higher prices. However, this would only be the case for new emission generating facilities, and the current legislative restrictions on new emissions generating facilities suggests that it is unlikely any such facilities will be built for the foreseeable future.

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. Furthermore, the prosed change only applies to new generation sources, so the cost of compliance for all existing gas generation is zero.

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 (and again, only apply to new, nongenerating facilities). 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 small margins. 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.

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AMEND: 345-024-0580
RULE TITLE: Monetary Offset Rate
RULE SUMMARY: Updating the offset rate to address increases in offset costs.
RULE TEXT:

The monetary offset rate is $6.40 per ton of carbon dioxide emissions.

STATUTORY/OTHER AUTHORITY: ORS 469.470, 469.503
STATUTES/OTHER IMPLEMENTED: ORS 469.503