



# Oregon

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**To:** Energy Facility Siting Council

**From:** Thomas Jackman, Rules Coordinator

**Date:** October 11, 2024

**Subject:** Agenda Item C (Action Item):  
Consideration of Permanent Order for Carbon Monetary Offset Rulemaking,  
for the October 25, 2024 EFSC Meeting

**Attachments:** Attachment 1: Public Comments

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## BACKGROUND

To issue a site certificate to a fossil-fueled power plant, or certain carbon dioxide emitting nongenerating facilities, the Council must determine that the preponderance of evidence on the record supports a conclusion that the proposed energy facility complies with any applicable carbon dioxide emissions standard.<sup>1</sup> To meet the standard, most proposed facilities must reduce a portion of the gross carbon dioxide emissions the facility is projected to produce over an assumed 30-year life span by avoiding, displacing, or sequestering a sufficient amount of carbon dioxide or certain other greenhouse gasses.

All applicants have elected to use the “monetary pathway” to comply with the standard. The monetary pathway uses an assumed monetary offset rate to determine the amount of funds that is sufficient to produce the equivalent of a one-ton reduction in carbon dioxide emissions.<sup>2</sup> When the legislature enacted the standard in 1997, it set the rate at 57 cents per short ton of carbon dioxide. The legislature authorized the Council to change the rate but limited the allowed increase or decrease to no more than fifty percent in any two-year period. The Council has increased the rate several times, most recently on July 25, 2022, when the Council set the current rate of \$4.27 per ton of carbon dioxide.

### Empirical Evidence of the Costs of Offsets and Economic Achievability

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<sup>1</sup> In discussion of reductions in emissions throughout this document, “carbon dioxide emissions” should be understood to also include reductions in methane and nitrous oxide converted to carbon dioxide equivalent using the equivalency values associated with the applicable standard. Currently, all standards consider one ton of methane to be equivalent to 25 tons of carbon dioxide and one ton of nitrous oxide to be equivalent to 298 tons of carbon dioxide. See OAR 345-024-0550(2); 345-024-0590(2); and 345-024-0620(2).

<sup>2</sup> ORS 469.503(2)(c)

Based on the latest State of the Voluntary Carbon Markets report from Ecosystem Marketplace, the average price of offsets in the global voluntary market was \$6.53 per ton of CO<sub>2</sub>e in 2023. Average prices for offsets derived from projects specifically in the North American voluntary carbon market for 2023 was a very similar value of \$6.97.<sup>3</sup>

Carbon pricing in US states with a cap-and-trade program is much higher. Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont form the Regional Greenhouse Gas Initiative (RGGI)<sup>4</sup>, launched in 2009. This multi-state initiative caps CO<sub>2</sub> production and requires the purchases of allowances beyond the cap. These allowances are sold at auction, the most recent of which was in June, 2024, where CO<sub>2</sub> went for \$21.03 a ton.<sup>5</sup>

California has a similar cap-and-trade program, with CO<sub>2</sub> prices of \$41.76 per metric ton sold at auction earlier this year, generating \$1.31 billion for the state.<sup>6</sup>

Likewise, Washington state had their first CO<sub>2</sub> auction in February 2023, where carbon credits went for \$48.50 per metric ton.<sup>7</sup>

The Council found at its July 19, 2024 meeting that the above evidence was sufficient to support the recommended increase.

#### **RULE CHANGE**

If approved, this amendment would increase the monetary carbon offset rate found in OAR 345-024-0580 by 50%, from \$4.27 to \$6.40 as follows:

##### **345-024-0580**

##### **Monetary Offset Rate**

The monetary offset rate is ~~\$4.27~~**\$6.40** per ton of carbon dioxide emissions.

#### **PUBLIC COMMENT PERIOD**

Two comments (included in their entirety in Attachment 1) were submitted during this public comment period. Both comments – reflecting a host of environmental organizations in Oregon – endorse the proposed 50% increase to the carbon monetary offset.

#### **STAFF RECOMMENDATION**

Staff requests Council's authorization to file a Permanent Rulemaking Order with the rule language shown above.

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<sup>3</sup> Ecosystem Marketplace (2024) State of the Voluntary Carbon Markets 2024. All prices converted from price per metric ton to price per short ton using a factor of 1.10231

<sup>4</sup> Virginia is also a member, but they have announced that they are leaving the RGGI by the end of the year.

<sup>5</sup> See the Regional Greenhouse Gas Initiative Auction Allowance Price list, accessed at:

<https://www.rggi.org/auctions/auction-results/prices-volumes>

<sup>6</sup> <https://www.eenews.net/articles/californias-cap-and-trade-auction-sees-record-prices-once-again/>

<sup>7</sup> See <https://www.seattletimes.com/seattle-news/environment/was-carbon-pricing-auctions-collect-nearly-1-5-billion-as-allowances-reach-record-price/>