WAYS IN WHICH HB 2020 IS GOOD FOR RURAL OREGON

Throughout the negotiations over the Climate Action bills, one of our primary goals has been to make sure that this bill protects and benefits rural Oregon. Here are some of the provisions in the bill that make us confident that HB 2020 is a responsible way to go:

- Of the four major investment areas of the bill—emissions reduction, adaptation/resiliency, carbon sequestration, and transition assistance—investments in adaptation/resiliency and carbon sequestration will mainly go to rural parts of the state; many of the transition-assistance dollars will also go to these regions.
- Emissions from on-site forestry and agriculture operations are exempted in the bill.
- Rural and coastal communities are specifically called out as "impacted communities," disproportionally impacted by climate change and prioritized for investments.
- 40% of all investments from the Climate Investments Fund go to benefit impacted communities.
- 10% of all investments go to projects benefiting tribes, most of them rural.
- In addition, 20% of all investments go to projects involving "natural and working lands," obviously rural.
- Through its "offsets" provisions, the bill will generate big investments in dairy biodigesters and forestry projects, keeping forests as working forests.
- Direct investments in a variety of forest-health projects (e.g., forest thinning and prescribed burns), leading to more forestry jobs.
- The bill includes language to protect the flow of lumber to our mills.
- Direct investments in career-technical youth programs in forestry and agriculture.
- Direct investments in making fire-prone communities more resilient to wildfires.
- Direct investments in pressurized irrigation and other water projects.
- Direct investments to counter the effects of ocean acidification on Oregon's shellfish and other fisheries.
- Refunds for fuel used for off-road agricultural and forestry operations.
- Tax credits for any addition to gas prices for low-income Oregonians (income below $65,000 for a family of four).
- Recognizing that they drive more, residents of rural counties will receive larger tax credits.
- Millions of dollars to help farmers make their equipment cleaner and better for the health of their workers.
- A high proportion of the program's investments in residential weatherization projects for low-income Oregonians will be located in the rural parts of the state, where there is a high degree of unmet need.
- Fund to help farmers clean up their vehicles with retrofits and conversions from diesel to natural gas, modeled after a successful program in California.

- in California, Québec, and the northeastern states (who use cap & trade for their power sector) has not shown any adverse effects on rural areas.
- Half of all transportation investments will be adaptation projects in the more rural parts of the state (culverts, slope stabilization, bridges), creating many local jobs. ODOT predicts that most of these adaptation projects will be on or near the coast.
- Incentives for rural energy projects that provide high-paying jobs: wind, solar, geothermal, biofuels.
- Large rural manufacturers, which are trade-exposed and major employers, will receive **<u>nearly all</u>** (95%) of their emissions permits **<u>for free</u>**.
- Rural residents will not see increases to their electric bills as a result of this bill. Most are served by hydro power which will not be priced in the Climate Action Program. Special efforts were made to protect them in low-water years.
- Low income rural residential customers will see no increases in their natural gas costs as a result of free allowances being given to the utilities on their behalf.
- Rural users of home heating oil will be assisted in switching to cleaner sources, such as propane, natural gas, and electricity.
- Additional allowances are provided to natural gas utilities to generate proceeds for the direct benefit of the utilities' customers (residential and commercial), including energy efficiency and procurement of renewable natural gas.
- Experience in California, Québec, and the northeastern states (who use cap & trade for their power sector) has not shown economic or employment harm to their rural regions. On the contrary, investments in the rural parts of California and Québec as a result of their program have benefited those regions in many ways.
- A study commissioned by Associated Oregon Industries (no friend of climate action) two years ago predicted that rural parts of the state will benefit disproportionately from the program. Here is the relevant portion of the 2017 analysis of an earlier version of the bill by FTI Consulting, a well-respected economic research firm:

Our results indicate an interesting divergence in economic impacts between rural and urban areas where rural areas – coastal and eastern Oregon save Malheur County –perform better, on average.

There are four reasons for this. First, while many rural areas in the U.S. are producers of fossil energy, rural Oregon is not. Lower demand for fossil energy does not result in less fossil fuel extraction in Oregon.

Second, free allowances for EITE industries have a larger proportional benefit in rural economies while the benefit of these allowances is harder to see in the heftier economies of Portland, Salem, and Eugene.

Third, the investor owned utilities ("IOU") serving the metropolitan areas have higher rate impacts, giving the rural areas a slight competitive advantage. Malheur County is the exception, where Ontario, its largest city, has electrical service with Idaho Power, whose generation profile is exposed to coal and natural gas. [Since that analysis, Idaho Power has committed to create an all-renewable profile in the coming decades, and its customers will see no increase to their bills as a result of this program.]

Fourth, urban areas suffer when consumers' real incomes decline because their economies are more dependent on consumption and the service sector than that of the rural areas.

The particularities of the Oregon economy and its power sector combine to "reverse" the typical story about cap-and-trade and rural versus urban impacts that the DEQ Report attempts to argue.

Trends in employment impacts are similar to those in GDP. Rural areas, except Malheur County, experience disproportionately fewer losses, or, in some cases, employment increases relative to urban areas. The Portland metropolitan statistical area ("MSA"), which produces approximately 61 percent of the Oregon economy, would see job losses relative to the baseline. Due to its initial size, Portland greatly influences the overall state results.

OREGON CAP-AND-TRADE – An Economic Impact Analysis of SB 1574 (2016)

[The succeeding versions, and certainly the current one, have increasingly steered investments towards the rural areas, so the conclusion that the program disproportionately benefits rural and small-town Oregon is even more true today.]