In February 2019, lawmakers in Oregon introduced House Bill 2020 that would make Oregon the second state to have an economy-wide cap-and-trade system. The basic premise of a cap-and-trade system is a cap is set on the total carbon emissions of an area; in this case, the state of Oregon. This total allotment of carbon emissions is then divided up into permits. Each company that produces emissions above a certain threshold is required to purchase these permits. The allotment of carbon emissions usually decreases over time resulting in a decrease in the number of permits. This hopefully promotes innovation and gives companies time to adjust to a carbon emission reduction goal.

The first state to implement this system was California and, according to energy market expert Steven Borenstein, the program was not as successful as it could have been. California initially set its emission cap higher than it should have, resulting in an abundance of cheap permits. There is another example of a cap-and-trade system in the United States called the Regional Greenhouse Gas Initiative, or RGGI. It is a partnership between nine Northeast states with a cap on emissions in the power sector. Additionally, Washington state caps individual emissions for large sources via its Clear Air Rule but is not considered a cap-and-trade system.

Oregon’s HB 2020 was introduced following a 2017 realization that the state would not reach its 2020 or 2050 carbon reduction goals and a failed 2018 Clean Energy Jobs bill. HB 2020 establishes a cap on emissions and requires companies that emit greater than 25,000 metric tons of carbon dioxide to purchase permits. The bill also establishes the Climate Policy Office, or CPO, Oregon Climate Board, and Oregon Climate Action Program. The CPO is charged with placing the cap on carbon emissions, holding annual auctions to sell permits, and managing the funds gained from selling permits. These funds are to be used to aid individuals and/or businesses that are impacted by climate change policies. The funds must be invested in environmental resources like fish and wildlife, communities, and state infrastructure that will be impacted by climate change.

SB 1051 was introduced to ensure that, if HB 2020 became law, certain individuals or businesses impacted by the potential increase of fuel would be compensated, specifically the farming and logging industries. SB 1051 also includes a tax credit to motorists with an income less than 250% of the federal poverty line. The tax credit would be calculated based on if the county in which they reside is considered rural or urban and on how much the cap-and-trade system has increased gas prices. Roughly a quarter of the expected revenue generated from the cap-and-trade system would go toward these policies.

If Oregon is successful in implementing this economy-wide cap-and-trade system, it could be an implementation model for other states. Oregon Gov. Kate Brown said, “Oregon is a small state. And if we can do it, that means states like Minnesota and Connecticut and Kansas can do this and do this in a way that will ensure their economies thrive and make sure that we’re reducing greenhouse gas emissions.”