

84th OREGON LEGISLATIVE ASSEMBLY – 2027 Regular Session

Senate Bill XXXX

Sponsored by Senators XX, XX...

SUMMARY

Imposes a surcharge on wholesale trade of fossil fuels, timber from industrial and federal lands, and confined animal feedlot products based on life cycle carbon emissions for the purposes of defraying public climate adaptation costs. Establishes climate adaptation trust fund accounts. Continuously appropriates money from trust accounts to the finance climate adaptation expenditures by state and local government agencies and tribes.

Directs the Department of Revenue and Department of Land Conservation and Development to promulgate rules for implementation of this program, to periodically update estimates of climate adaptation needs and to recommend surcharge amounts necessary for financing climate adaptation expenditures over fifty years.

A BILL FOR AN ACT

Relating to financing of climate adaptation expenditures; and prescribing an effective date.

Be it Enacted by the People of the State of Oregon:

DEFINITIONS

SECTION 1: As used in sections 2 through 5 of this 2027 Act:

(1) “Biogenic wood emissions factor” means the amount of carbon dioxide emitted by the decay or combustion of logging residues and end-use products over a 100-year period.

(2) “Climate change adaptation project” means a project designed to respond to, avoid, moderate, repair or adapt to negative impacts caused by climate change and to assist communities, households and businesses in preparing for future climate change driven disruptions.

(3) (3) “Confined animal feeding operation” or “CAFO” has the meaning given that term in ORS 468B.205 and rules adopted by the State Department of Agriculture under that section, including OAR 603-074-0010.

(4) “EIA” means the U.S. Energy Information Administration.

- 18 (5) “Environmental justice community” has the meaning given that term in ORS
19 182.535(4).
- 20 (6) “Emissions factor” means the amount of carbon dioxide equivalent emitted over a 100-
21 year period in association with the production and consumption of a given product.
- 22 (7) “Fossil fuel” means coal, a petroleum product or fuel gas or a byproduct of coal, a
23 petroleum product or fuel gas.
- 24 (8) “Long-lived wood products” means products derived from sawlog harvests such as
25 structural lumber, framing, furniture, and flooring.
- 26 (9) “Peer reviewed literature” means scientific studies printed in journals or other
27 publications that publish original manuscripts only after the manuscripts have been
28 critically reviewed by unbiased independent experts for scientific accuracy, validity and
29 reliability.
- 30 (10) “Private industrial forestland” means forestland owned by corporations owning more
31 than 5,000 acres in the state of Oregon.
- 32 (11) “Short-lived wood products” means products derived from pulpwood logs such as
33 paper, paperboard, packaging, sanitary and hygiene products, wood fuels and bioenergy.
- 34 (12) “Wholesale transactions” means the sale of raw materials or commodities to retailers,
35 distributors, or manufacturers.

36 37 ASSESSMENT OF SURCHARGE 38

39 **SECTION 2:** (1) Beginning January 1st, 2028, a surcharge of \$5 per metric ton of life-cycle
40 carbon dioxide equivalent emitted is levied on wholesale transactions of fossil fuels, timber
41 from private industrial and federal lands, and products from concentrated animal feeding
42 operations as defined in section 1. Rates specified below are statutory rates pending
43 updated lifecycle accounting completed as part of the rulemaking process described in
44 section 5.

45 (2) For propane, and based on an EIA emissions factor of 12.68 pounds CO₂ per gallon, the
46 surcharge is three cents (\$.03) per gallon.

47 (3) For diesel and home heating fuel, and based on an EIA emissions factor of 22.45 pounds
48 CO₂ per gallon, the surcharge is five cents (\$.05) per gallon.

49 (4) For kerosene, and based on an EIA emissions factor of 21.78 pounds CO₂ per gallon, the
50 surcharge is five cents (\$.05) per gallon.

51 (5) For coal, and based on an EIA emissions factor of 3,827 pounds CO₂ per short ton, the
52 surcharge is \$8.68 per short ton.

53 (6) For natural gas, and based on an EIA emissions factor of 120.85 pounds CO₂ per
54 thousand cubic feet, the surcharge is twenty-seven cents (\$0.27) per thousand cubic feet.

55 (7) For finished motor gasoline, and based on an EIA emissions factor of 18.73 pounds CO₂
56 per gallon, the surcharge is four cents (\$0.04) per gallon.

57 (8) For motor gasoline, and based on an EIA emissions factor of 20.86 pounds CO₂ per
58 gallon, the surcharge is five cents (\$.05) per gallon.

59 (9) For residual heating fuel, and based on an EIA emissions factor of 24.78 pounds CO₂
60 per gallon, the surcharge is six cents (\$.06) per gallon.

61 (10) For petroleum coke, and based on an EIA emissions factor of 33.04 pounds CO₂ per
62 gallon, the surcharge is seven cents (\$.07) per gallon.

63 (11) For jet fuel, and based on an EIA emissions factor of 21.50 pounds CO₂ per gallon, the
64 surcharge is five cents (\$.05) per gallon.

65 (12) For aviation gas, and based on an EIA emissions factor of 18.32 pounds CO₂ per
66 gallon, the surcharge is four cents (\$.04) per gallon.

67 (13) For other fossil fuels not listed in this section, including liquefied natural gas,
68 compressed natural gas, butane, isobutane and other liquefied petroleum gases, refinery or
69 still gas, marine bunker fuels not otherwise covered, petroleum-derived waste oils burned
70 as fuel, fossil-derived hydrogen, and synthetic fuels produced from fossil feedstocks, the
71 Department of Revenue and the Department of Land Conservation and Development shall
72 adopt emissions factors and surcharges as part of the rulemaking process described in
73 section 5 of this 2027 act.

74 (14) For poultry products supplied by confined animal feeding operations, and based on an
75 average emissions factor of 5.3 pounds CO₂-equivalent per pound of product from the peer
76 reviewed literature, the surcharge is one cent (\$.01) per pound.

77 (15) For beef products supplied by confined animal feeding operations, and based on an
78 average emissions factor of 23 pounds CO₂-equivalent per pound of product from the peer
79 reviewed literature, the surcharge is five cents (\$.05) per pound.

80 (16) For timber harvested from private industrial or federal lands destined for long-lived
81 wood products, and based on an average biogenic wood emissions factor of 8.35 metric tons
82 CO₂-equivalent per thousand board feet (MBF) from US Forest Service and Department of
83 Revenue conversation tables, the surcharge is \$42 per MBF.

84 (17) For timber harvested from private industrial or federal lands destined for short-lived
85 wood products and based on an average biogenic emissions factor of 12.20 metric tons CO₂-
86 equivalent per thousand board feet (MBF) from US Forest Service and Department of
87 Revenue conversation tables, the surcharge is \$61 per MBF.

88 (18) The Department of Revenue and the Department of Land Conservation and
89 Development may periodically adjust emissions factors and surcharge amounts specified in
90 subsections 1 through 16 of this section as well as commodities subject to the surcharge
91 through the rulemaking process described in section 5 of this 2027 act.

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97 **COLLECTION AND DISTRIBUTION OF SURCHARGE REVENUE**

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99 **SECTION 3:** (1) There is hereby established the Transportation Adaptation Fund as a
100 subaccount of the State Highway Fund and the Climate Adaptation Trust Fund account in
101 the State Treasury, separate and distinct from the General Fund.

102 (2) All moneys that are received by the Department of Revenue from the surcharge
103 imposed under section 2 of this 2027 act that are due to the sale of motor vehicle fuel or any
104 other product used for the propulsion of motor vehicles, other than electric vehicles, shall
105 be deposited in the Transportation Adaptation Fund and be used in the manner described
106 in Article IX, section 3a, of the Oregon Constitution, for the purposes of:

107 (a) Retrofit of highways, roads, bridges, rest areas, stormwater controls and other elements
108 of transportation infrastructure to better withstand projected increases in floods, wildfires,
109 heat waves, windstorms and other adverse impacts of climate change;

110 (b) Increasing the use of solar and electric energy on public highways, roads, streets and
111 roadside rest areas;

112 (c) Funding installation, maintenance and operation of free public electric vehicle charging
113 stations along public highways, roads, streets and roadside rest areas; and

114 (d) Improving public highways, roads and streets by increasing the number of bicycle lanes
115 and bus lanes throughout this state.

116 (3) All moneys received by the Department of Revenue from the surcharge imposed under
117 section 2 of this 2027 act that are not received as described in subsection (2) of this section
118 shall be deposited in the Climate Adaptation Trust Fund account and continuously
119 appropriated to the Department of Land Conservation and Development for:

120 (a) Distribution for climate change adaptation projects consistent with the state agency
121 climate adaptation framework led by the Department of Land Conservation and
122 Development;

123 (b) Administration of sections 2 to 5 of this 2025 Act; and

124 (c) Transfer to the Department of the State Fire Marshal under subsection (4)(a) of this
125 section.

126 (4) Of the moneys deposited in the Climate Adaptation Trust Fund account, each biennium:

127 (a) Thirty percent shall be transferred to the Department of the State Fire Marshal for
128 wildfire resilience and recovery activities; and

129 (b) Fifty percent shall be expended on climate change adaptation projects that benefit
130 environmental justice communities.

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132 **CLIMATE ADAPTATION COST ASSESSMENTS**

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134 **SECTION 4:** (1) Each biennium, the Department of Land Conservation and Development,
135 shall prepare a report that includes the following elements:

- 136 (a) An estimate of costs associated with climate adaptation projects needed over a fifty-year
137 period to minimize the adverse effects of climate change on Oregon households, businesses
138 and infrastructure;
- 139 (b) An estimate of funding needed by units of state, local, and tribal governments to
140 implement such projects, and;
- 141 (c) Recommendations on modifications, if any, to the commodities, emissions factors and
142 surcharges specified in section 2 of this act to ensure that funding available from the
143 Transportation Adaptation Fund and Climate Adaptation Trust Fund are adequate at the
144 time they are needed, taking account any interest earned, to finance such projects.

RULEMAKING

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148 **SECTION 5:** (1) The Department of Land Conservation and Development and the
149 Department of Revenue may promulgate any rules necessary for the calculation and
150 collection of the surcharge imposed under this section. Rules adopted shall address:

- 151 (a) Methods and forms for entities covered by the surcharges specified under section 2 of
152 this act to report and submit surcharge payments to the Department of Revenue;
- 153 (b) Updates to the emissions factors and surcharge amounts set forth in section 2 of this act
154 based on findings and recommendations of the biennial climate change adaptation cost
155 assessment described in section 4 of this act;
- 156 (c) Methods to prevent multiple assessment of the same quantity of fuel and address
157 imports, exports, on-site consumption, and fuels blended after initial assessment;
- 158 (c) Additions or deletions to this list of commodities subject to the surcharges set forth in
159 section 2 of this act based on findings and recommendations of the biennial climate change
160 adaptation cost assessment described in section 4 of this act.
- 161 (2) Nothing in this section shall delay the implementation of the surcharges described in
162 section 2 of this act.