

CARBON ALLOCATION TASK FORCE

PLACEHOLDERS AS OF MARCH 23, 2006

In its discussions, the Oregon Carbon Allocation Standard Task Force is developing a list of placeholders for key issues. These are not final decisions. Rather, they are placeholders that enable the Task Force to address issues in a systematic manner and to provide parameters for use in scenarios. As it considers the design of a load-based cap-and-trade system, it will revisit the placeholders in an iterative manner as it investigates different design elements.

- a. Applicability:
 - Initial design is for a load-based cap-and-trade system for CO₂ emissions from load serving entities in the electricity sector. Load serving entities include consumer-owned and investor-owned electric utilities, energy service suppliers, and self-generators with 25 MW or greater nameplate capacity. It will consider other sectors later.
- b. Base years for determining initial cap on emissions:
 - Average of 2003, 2004, and 2005 (when available) data
- c. Two mechanisms for calculating allowances that the state would distribute for free:
 - 100 percent based on historical CO₂ emissions per “b” above
 - 95 percent based on CO₂ historical emission and 5 percent based on historical megawatt hours (MWh) per “b” above
- d. Three options for auctioning allowances:
 - Zero auction—no allowances auctioned; all distributed for free
 - 5 percent auctioned, 95 percent distributed for free
 - 20 percent auctioned, 80 percent distributed for free
- e. If there is an auction, revenues should be used to further the goal of reducing carbon emissions.
- f. Provide a mechanism to adjust or to update allocations, including for new large single loads and large self-generators (parameters not yet decided).
- g. Allow banking of excess allowances with a requirement that LSEs surrender oldest allowances first, i.e. “first in-first out.”
- h. Do not allow LSEs to borrow allowances from future allocations.