

September 2025

OREGON CLIMATE PROTECTION PROGRAMME

Years in operation	First compliance period: 2025-27 (3 Years) Second: 2028-29 (2 Years) Subsequent compliance periods are to follow a two-year cycle.
Overall cap and trajectory	The 2025 cap is 24.15 million tCO ₂ e. The cap declines by 839 thousand tCO ₂ e annually on average, reaching 3.18 million tCO ₂ e by 2050.
Target(s)	Reduce 50% and 90% of emissions by 2035 and 2050, respectively. The baseline for this reduction is average 2017-19 emissions.
Sectors covered	Covers fuel suppliers, natural gas utilities (defined as Local Distribution Companies under the program), emission intensive trade exposed (EITE) industry sources, and direct natural gas (DNG) entities. DNG entities are stationary sources in non-EITE industry sectors that use natural gas distributed to the source by an entity other than a local distribution company.
GHGs covered	CO₂ CH₄ N₂O SF₆ HFCs PFCs
Number of covered entities	172 Entities which include 3 natural gas utilities, 129 fuel suppliers, and 40 EITEs and DNG entities.
Allocation method	Each year, the Oregon Department of Environmental Quality (DEQ) distributes a set number of free "Compliance Instruments" to covered entities. DEQ states that they will be allocated no later by June 30 each year. There are no auctions. The method of allocation of Compliance Instruments differs depending on the type of entities: 1) Local Distribution Companies get a fixed percentage of the cap. This percentage is 24.75% in 2025-27, 24.14% in 2028-29, and 23.99% thereafter. 2) Fuel suppliers get their allocation based on their proportion of covered and biofuel emissions from all covered fuel suppliers in the previous year. 3) EITEs/ DNG entities get their allocation in line with their average emissions in 2022-23 multiplied with an Emissions Reduction target notified in the legislation.
Trading rules	Compliance Instruments can be freely traded and banked. They do not expire. However, CCI credits cannot be traded, and expire after two compliance periods. Any third parties, such as investors, are unable to hold compliance instruments. The legislation states that only covered entities can hold compliance instruments until they a) transfer them to another covered entity, b) use them to demonstrate compliance, or c) cease to be a covered entity. Only fuel suppliers have a holding limit. The limit is equal to 150% of an entity's total covered and biofuel emissions from the previous compliance period. If, at the time the holding limit is calculated, a fuel supplier is holding more compliance instruments than this limit, the fuel supplier will receive reduced compliance instruments in future distributions by the amount they exceeded the limit.
Use of offsets and	Oregon CPP also has "Community Climate Investment Credits" (CCI Credits) as an option for compliance alongside compliance instruments. These CCI credits can be obtained by

linking	making payments to regulator-approved “CCI entities”. These CCI entities then undertake projects aimed at reducing GHG emissions in Oregon. The price for a CCI credit each year is notified in the legislation, plus an inflation adjustment which is notified by DEQ annually. The price for 2025 is \$132. CCIs can be used to cover 15% of an entity’s compliance obligation in the first compliance period (2025-27), and 20% thereafter.
Other features	The program has a compliance reserve, aimed at assisting any new entities that may enter the program. The reserve is fixed at 800,000 compliance instruments for 2025-28, 500,000 for 2029-34, and at 250,000 for 2035 and beyond.
Penalties for non-compliance	Violations including failure to demonstrate compliance, improper trading of compliance instruments, and submitting false information, are treated as Class I offenses under Oregon Admin. Code § 340-012-0054. Base penalties range from \$100 per day for each Class III violation with a minor magnitude, to \$12,000 per day for each Class I violation with a major magnitude
Use of revenue	No revenue generation from compliance instrument distribution. Contributions to CCI entities are used for projects aimed at reducing emissions in Oregon. Each approved CCI Entity must pay a fee equal to 4.5% of all CCI contributions that the entity receives from entities under the program to the DEQ.

MAJOR DEVELOPMENTS

The current Climate Protection Program (CPP) which kicked off on January 1, 2025, is actually the second iteration of the program. Oregon’s original Climate Protection Program was invalidated by the Oregon Court of Appeals in December 2023 due to procedural errors during its approval. In response, the Oregon Department of Environmental Quality (DEQ) initiated a new rulemaking process, leading to the new version of the CPP coming into force in November 2024, with the first compliance period having kicked off in January 1, 2025.

Covered EITE and DNG sources are exempt from compliance obligations for the first compliance period and will not receive instruments for the same. Similarly, fuel suppliers which emitted less than 100,000 MtCO₂e are not covered in the first compliance period. Fuel Suppliers with less than 100,000 MtCO₂e emissions but more than 50,000 MTCo₂e of emissions will be covered starting 2028, and the threshold will be similarly reduced to 25,000 in 2030.

Oregon DEQ was supposed to have conducted its first annual compliance instrument distribution by June 30th 2025, but the same has been delayed due to a cyberattack. DEQ has stated that they will now distribute compliance instruments no later than July 30, 2025.

Another distribution that is important for compliance entities concerns additional “early reduction instruments” in 2025. As a one-time event, DEQ is also planning to distribute these “early reduction instruments” in the market. This is intended to ensure that reductions in the initial iteration of CPP are reflected in the bank of compliance instruments in the new iteration of the program and entities who complied are rewarded.

For CCIs, there is no list of approved CCI entities available right now. DEQ has stated that they aim to announce approved CCI entities by the end of 2026.

REFERENCES

[Climate Protection Program](#) - Department of Environmental Quality, Oregon

[Climate Protection Program 2024 Rulemaking](#) - Department of Environmental Quality, Oregon

[Community Climate Investments](#) - Department of Environmental Quality, Oregon

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