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TO: Oregon Department of Energy

FR: Kelly Fukai, CEO, NW Gas Association

VIA: OCAC@energy.oregon.gov

RE: NWGA Comments on ODOE's TIGHGER 2.0 Draft Gap Measures and Scenarios for Analysis

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The Northwest Gas Association (NWGA) respectfully submits these comments to the Oregon Department of Energy (ODOE) regarding the TIGHGER 2.0 Draft Gap Measures and Scenarios. NWGA represents three natural gas utilities and two transmission pipelines serving over 2 million Oregon residents (772,000 households) and more than 85,000 businesses.

Our members are committed to efficiently supporting energy consumers in reducing greenhouse gas emissions (GHG) and have been actively engaged in regional GHG reduction for years. Natural gas plays and will continue to play an essential role in Oregon's clean energy future. The state will need to leverage the 30,000 miles of existing natural gas infrastructure that includes 21 billion cubic feet of long-duration storage to achieve its GHG reductions goals while ensuring an affordable, equitable and reliable energy future for all Oregonians.

Fundamentally, we believe the additional 40+ measures in TIGHGER 2.0 do not provide meaningful help in achieving climate goals and imposes serious financial impact and reliability risks on Oregon consumers and businesses without commensurate emissions benefit.

NWGA believes the solution is not to add more measures, but to recognize that meeting the 2035 target would require nearly six times the level of permanent emissions reductions achieved during COVID—an outcome that is both technically unrealistic and economically untenable.

1. The Problem with Layered Policy

Oregon has the most aggressive climate regulatory framework in the country with the Climate Protection Program (CPP), imposing a declining emissions cap on fossil fuels at a cost of $136+ per metric ton and increasing through time with a $12,000 a ton penalty for noncompliance, and HB 2021 mandating a clean electricity transition by 2045. Instead of optimizing the existing framework, TIGHGER 2.0 adds new, costly requirements for businesses and consumers at a time when Oregon is facing unprecedented economic decline and an affordability crisis that could take decades to unwind.

Layering policies without integration creates compounding costs that accumulate faster than emissions reductions:

- Multiple compliance mechanisms apply to the same emissions source.
- Regulatory deadlines drive investments that are not based on least-cost principles, and that rely on customer adoption to achieve significant emission reduction without sensitivity to the ability of consumers to pay for such adoption (i.e., purchase of an vehicle; acquisition of solar panels; payment to convert home heating and appliance conversion).
- Agencies pursue overlapping objectives without coordinated cost analysis.

The interaction between these policies is not neutral, it is additive. As CPP compliance costs increase, any additional measure that reduces gas throughput or accelerates electrification further amplifies per-customer cost burdens.

To further complicate the issue, there are multiple state plans and studies that do not necessarily align with each other or with industry planning processes and outcomes. With 97% of the anticipated emissions reductions already anticipated to come from CPP and HB2021, ***ODOE should find ways to reduce duplicative planning exercises and unintended friction between the policy creators and implementors*.**

2. The Emissions Gap Is Misdiagnosed

The modeled gap is driven primarily by unexpected large-load growth, such as data centers, creating additional challenges to filling the gap, such as pushing peak heating needs to an already constrained electric system, which increases electric fossil fuel use as the timelines to bring on renewable generation and electric transmission resources keeps extending. While Oregon has been able to build modest levels of new wind, solar and battery storage in recent years, it is only a fraction of the necessary resources to meet the state's growing demand. Gaps are further exacerbated depending upon the location.

> ***Broad statewide building electrification measures do not address the actual source of the emissions gap. Gap measures should match the modeled drivers of the shortfall.***

Adding electric load without first ensuring deliverable supply can increase near-term emissions, costs and reliability risk. In constrained regions, new load may be served by higher-emitting marginal resources until cleaner generation, firming capacity and transmission upgrades come online, which are undetermined. See chart below:

Oregon natural gas consumption

Oregon electric utilities' natural gas consumption is greater than all other Oregon gas users' consumption combined, but the utilities are not regulated by the Climate Protection Program.

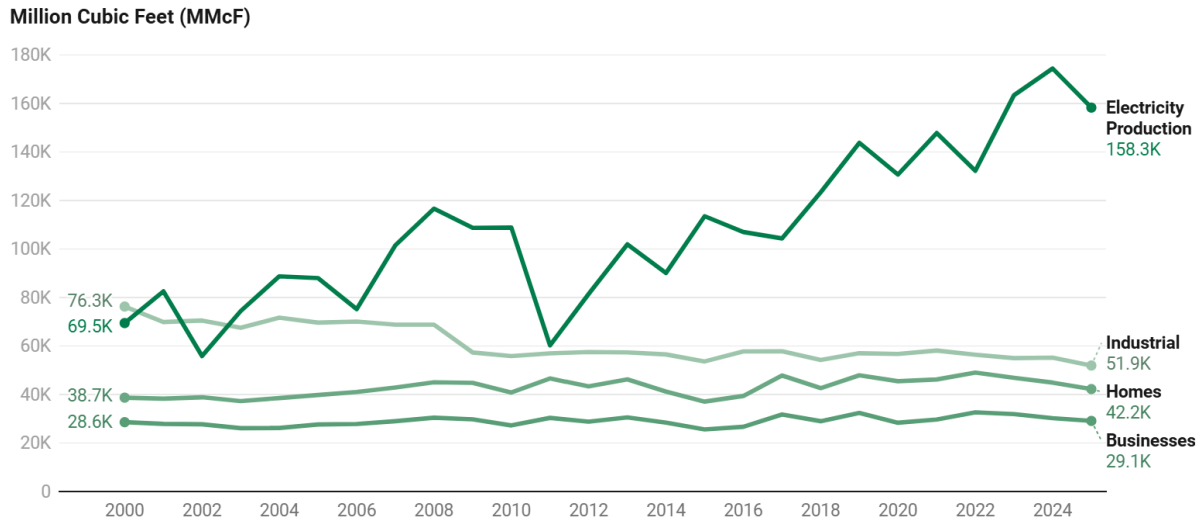

Chart: Khushboo Rathore, Oregon Journalism Project • Source: U.S. Energy Information Administration • Get the data • Embed • Download image • Created with Datawrapper

Investor-owned utilities are already engaged in robust community-involved integrated resource planning processes to meet their climate reduction targets. ***ODOE should rely on that expertise and output rather than develop new and/or duplicative measures for the energy sector.***

3. Affordability and Energy Burden

For the 772,000 Oregon households served by natural gas, TIGHGER 2.0's electrification pathway imposes real, immediate costs on consumers:

- Replacement of gas furnaces and water heaters with electric alternatives.
- Electrical panel upgrades to accommodate increased load.
- Potential building envelope improvements to maintain performance.
- Higher operating costs for electric equipment, including heat pumps, for many consumers.

These layered costs put into question any savings benefit for the consumer. Upfront capital costs are incurred by consumers before any operational savings or emission reductions materialize. This is especially burdensome for lower-income households, who already face disproportionately high energy burdens and whose older homes typically require more extensive retrofits.

Even with state intervention to provide rebates or grants to ameliorate costs incurred by home and rental housing owners and commercial building owners to convert heating systems and appliances, home and rental housing owners and commercial building owners may not have the ability or desire to finance such conversions and any attendant electrical system upgrades that

may be necessary. The state cannot and should not expect to achieve significant emission reductions in the built environment as a result.

Electrification of the built environment at scale also increases demand on the electric grid, requiring new generation, transmission, and distribution infrastructure; costs recovered through rates. Even households that do not electrify will face higher electricity bills.

Oregon is a geographically diverse state. Rural communities face higher per-customer infrastructure costs, limited contractor availability and dependence on natural gas where no comparable alternative exists. Statewide policies that ignore these realities reduce energy access and system resilience. ***ODOE should incorporate analysis on variability in cost to customers based on location.***

4. Business, Commercial and Industrial Impacts

Energy is a fundamental input cost. Higher utility rates, upfront capital requirements, and compliance obligations will increase operating expenses across sectors. Small and medium-sized businesses, lacking the capital reserves of large corporations, face the greatest risk.

For industrial customers, many high-temperature processes have no commercially viable solution to comply with programs already in place. Forcing premature transitions imposes cost premiums without operational benefit. When costs exceed what industries can absorb, facilities relocate, resulting in job losses, economic harm, and no net reduction in global emissions.

This “leakage” represents a real and current reality, which is one of the main drivers of the Governor’s launching of the Prosperity Council, to try and stop the exodus. ***ODOE should consider how much leakage is at risk and its impact on Oregon’s economic prosperity.***

5. Energy System Reliability

Natural gas provides firm, dispatchable energy that supports energy system reliability, particularly during peak demand and extreme weather. As intermittent renewables increase, flexible backup capacity becomes more critical, not less.

The proposed gap measures systematically exclude integrated use of the gas system’s proven energy-delivery capability, reliable even in ice storms, without adequately studying the reliability risk this introduces. Natural gas and electricity systems are mutually reinforcing; policies that treat them as independent silos will produce unintended consequences. ***ODOE should incorporate reliability impacts into its measure evaluation.***

6. Recommendations

We recognize and support the State’s objective to better understand pathways to close Oregon’s greenhouse gas emissions gap. We also appreciate ODOE’s clarification that the draft measures are analytical constructs rather than formal policy proposals. However, we do not believe that this exercise will produce the desired outcomes.

To strengthen the analytical value and decision utility of the final TIGHGER 2.0 work, NWGA respectfully recommends the following enhancements:

1. **Transition from Technical Potential to Achievable Potential**
   The current draft appropriately identifies the theoretical emissions reduction potential of various measures. However, many assumptions, particularly those involving near-complete electrification of buildings and significant industrial fuel switching reflect technical potential rather than realistic deployment conditions. NWGA recommends that ODOE incorporate feasibility-adjusted scenarios that account for workforce availability, supply chain constraints, customer adoption rates, capital turnover cycles and infrastructure readiness. Modeling low, medium and high adoption cases will provide policymakers with a more accurate representation of achievable outcomes.

2. **Clarify Baseline Assumptions and Avoid Double Counting**
   Because the draft measures are intended to be incremental to existing policies, including HB 2021 and the CPP, it is essential that ODOE clearly delineate baseline versus incremental emissions reductions. NWGA recommends a transparent accounting framework for each measure that identifies:
   - Emissions reductions already embedded in the baseline.
   - Incremental reductions attributable to the measure.
   - Interaction effects with other policies or measures This will help avoid double counting and improve analytical credibility.

3. **Incorporate Consumer Cost and Economic Competitiveness Metrics**
   The draft appropriately focuses on emissions outcomes; however, policymaking requires a parallel understanding of cost impacts. Under the CPP, compliance obligations already impose a carbon cost framework on covered fuels, with direct implications for customers. NWGA recommends that ODOE evaluate and report, for each major measure:
   - Residential energy burden impacts (including impacts on low- and moderate-income households).
   - Commercial and industrial cost impacts, including effects on trade-exposed sectors.
   - Total cost per ton of emissions reduced under realistic deployment conditions. This will ensure a balanced assessment of both environmental and economic outcomes.

4. **Integrate Reliability and Infrastructure Analysis**
   ODOE's own updates highlight the increasing sensitivity of Oregon's energy system to load growth, particularly from data centers and electrification trends. NWGA recommends that each major electrification measure be accompanied by analysis of:
   - Winter peak demand impacts.
   - Required generation, transmission and distribution system expansions.

- System reliability under extreme weather conditions.
- The role of existing natural gas infrastructure in maintaining resilience and peak reliability. Absent this analysis, emissions reductions may be overstated relative to system capability.

5. **Evaluate a Full Portfolio of Technology Pathways**
   The draft includes a range of measures, including low-carbon fuels, hydrogen and electrification. However, the analytical framework emphasizes electrification as a primary pathway. NWGA recommends that ODOE evaluate multiple comparative pathways on an equivalent basis, including:
   - Electrification-focused scenarios.
   - Hybrid systems (electric + gas).
   - Renewable natural gas (RNG) and biogas substitution.
   - Hydrogen blending and emerging low-carbon fuels
   - Portfolio approaches that preserve customer choice while reducing emissions This approach will identify least-cost, least-risk pathways rather than implicitly favoring a single solution set.

6. **Expand Scenario Design to Reflect Real-World Risks**
   We appreciate the inclusion of scenarios addressing delayed clean electricity deployment, federal policy changes and load growth variability. These scenarios will provide policymakers with a more robust understanding of uncertainty and risk. NWGA recommends adding additional scenarios to better reflect implementation risk, including:
   - High winter peak demand and extreme weather events.
   - Slower electrification adoption due to cost, supply chain and workforce constraints.
   - Delays in transmission and generation build-out.
   - Accelerated availability of low-carbon fuels, such as hydrogen and RNG.

NWGA respectfully recommends that the final TIGHGER 2.0 analysis evolve from a measure-by-measure emissions accounting exercise into a comprehensive system-level evaluation that integrates emissions, cost, reliability, feasibility and policy interaction effects. Such an approach will better equip policymakers to make informed decisions that balance environmental objectives with affordability, reliability and economic competitiveness.

Sincerely,

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