



ISSUE SUMMARY

Subject

Second reading of an ordinance creating Bend Municipal Code Chapter 18.20, Climate Pollution Fee

Overview

Staff Member, Department:

Cassie Lacy, Senior Management Analyst

Meeting Date:

June 17, 2026

Action(s) Required:

- | | | |
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| <input type="checkbox"/> Consent Agenda | <input type="checkbox"/> Ordinance First Reading | <input type="checkbox"/> Public Hearing |
| <input type="checkbox"/> Information/Direction | <input checked="" type="checkbox"/> Ordinance Second Reading | <input type="checkbox"/> Resolution |
| <input type="checkbox"/> Motion | | |

Recommended Motion

Second reading: I move for the second reading and adoption by roll call vote of an ordinance creating Bend Municipal Code Chapter 18.20, Climate Pollution Fee.

Issue/Council Decision & Discussion Points

- The proposed Ordinance creates Chapter 18.20 of the Bend Municipal Code, establishing a Climate Pollution Fee for gas appliances in new residential construction.
- The fee applies only to gas appliances in newly constructed buildings governed by the Oregon Residential Specialty Code.
- The fee is calculated by multiplying the social cost of carbon by the net lifetime carbon produced of an applicable gas appliance by a tier factor that accounts for the size of the home in which the appliance is to be installed. More detail about the fee calculation can be found in the attached Technical Memorandum.



Background

In 2016, the City of Bend established climate action goals to reduce fossil fuel consumption by 40% by 2030 and by 70% by 2050. The City Council adopted the Community Climate Action Plan (CCAP) in 2018 and an Update to the CCAP in 2025 to achieve these goals. The results of the 2021 Bend Community Greenhouse Gas Emissions inventory indicate that buildings are the largest source of greenhouse gas emissions in Bend, contributing 50% of the community's total emissions.

In 2021, the State of Oregon passed House Bill 2021 which sets milestones for electric utilities to transition to 100% clean electricity by 2040, including interim targets of 80% clean electricity by 2030 and 90% clean electricity by 2035. Because Oregon is expected to have a clean electricity supply, the most viable way to achieve the drastic greenhouse gas reductions needed to mitigate climate change damages is to transition as many of the community's energy needs to be powered by electricity, rather than natural gas or other fossil fuels. Consequently, transitioning buildings from natural gas for their power needs to electricity is a primary strategy of the 2025 CCAP Update and a top priority for the City.

Beginning in the 2023-2025 biennium, the City Council directed staff to explore policy options to encourage electrification in buildings. In April 2025, following staff research and involvement with several Council advisory boards, Council directed staff to pursue the development of a disincentive and incentive package to reasonably attribute the cost of gas appliances installed in new residential construction and to encourage all-electric buildings, including establishing a fee on natural gas appliances as a foundational element, and to use the proceeds of the fee to further incentivize electrification or other building decarbonization. This initiative was also adopted as a Council Goal for the fiscal year (FY)25-27 biennium.

The proposed Ordinance creates Chapter 18.20 of the Bend Municipal Code, establishing a Climate Pollution Fee. This fee is based on the social cost of carbon, the net lifetime carbon impact of each gas equipment or appliance in the new home, and a tier factor that scales the fee to home size. The net carbon impact of gas appliances depends on the current and projected carbon intensity of the energy supply. Initial estimates of the fee level were developed using assumptions about carbon intensity requirements for electricity supply based on state law (House Bill 2021). If future electricity carbon intensity differs from those assumptions, the fee will adjust accordingly.

The Council may reduce the fee below the amount calculated by the formula. The Council discussed adjusting the fee level at a work session on February 22, 2026, and directed staff to adjust the initial fee by a multiplier of 0.2.



The Council will set the fee level annually by resolution in a public meeting. Revenue will be deposited into the Climate Pollution Fund and used as specified in the code.

The fee will go into effect on April 1, 2027. Prior to the effective date of the fee, Council will review and adopt the fee resolution to establish the initial fee schedule. Each year, staff will report to Council on the fee's impacts, including adoption of all-electric homes, the number of homes paying the fee, appliance choices and efficiency levels, revenue generated, energy supply mix, greenhouse gas reductions, utility bill impacts, equipment cost trends, the number of triplexes and quadplexes built (which are not subject to the fee), relevant changes in state or federal policy, and any administrative issues.

Budget and Impacts

A preliminary analysis estimated roughly \$1 million annually in projected revenue from this fee. The revenue estimates assumed similar new construction development levels as in previous years, and that homes that pay the fee would pay the fee for all potential appliances within the home. A significant shift from these assumptions could result in a substantially different annual revenue outcome.

The revenue will go into the Climate Pollution Fund and used as set forth in the code. Some of the revenue may be used to administer the fee and/or administer incentive programs funded by the fee.

Because this fee will be implemented in April 2027, no anticipated revenue is included in the 2025-27 adopted biennial budget.

Community Outreach Process and Potential Impacts

There was significant public outreach as part of both the electrification policy options analysis process that was the precursor to the Climate Pollution Fee and the development of the Climate Pollution Fee itself.

Outreach relating to electrification policy began in mid-2024, when staff initiated the electrification policy options analysis to explore different approaches the City could take to reduce natural gas use in buildings. Outreach included working with the Environment and Climate Committee in public meetings to review analysis and develop recommendations, stakeholder interviews with business, builders, utility, and environmental advocacy groups, and presentations to the Bend Economic Development Advisory Board.

In February 2025, staff convened a joint committee of the Environment and Climate Committee, the Bend Economic Development Advisory Board, and the Affordable Housing Advisory Committee to discuss electrification policy options and receive feedback on a staff proposal.

Beginning in the summer of 2025, focus shifted to discussions around the Climate Pollution fee itself. Public outreach included five work sessions between August 2025 and April 2026, and a



stakeholder roundtable in April 2026 that included representatives of the Environment and Climate Committee, the Bend Economic Development Advisory Board, the Affordable Housing Advisory Committee, the Human Rights and Equity Commission, the Bend Chamber of Commerce, Central Oregon Builders Association, Energize Bend, a labor union representative, Pacific Power, Central Electric Cooperative, and Cascade Natural Gas. Council received direct communication from many community members about the fee proposal throughout this period, both through in-person and written testimony.

Reviewers

Department Director

Cate Schneider

Financial

Samantha Nelson

Legal

Mike Gaffney

Attachments

- Code Chapter
- Ordinance
- Technical Memorandum



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