



# ORDINANCE NO. NS-

## An ordinance of the City Council adopting a new Bend Municipal Code Chapter 18.20, Climate Pollution Fee

### Findings

- A. This ordinance creates Chapter 18.20, Climate Pollution Fee, of the Bend Municipal Code. The use of gas appliances causes fossil fuel emissions that, on average, exceed the emissions from comparable electric appliances. These additional emissions impose costs on Bend and surrounding communities. The purpose of Chapter 18.20 is to promote the general welfare of Bend residents and visitors by ensuring that some or all of those costs are reasonably attributed to those choosing to install these appliances in new residential construction within the City of Bend. In addition, this fee, as well as programs supported by revenue generated by the fee, may serve as an incentive to use electric equipment, reducing fossil fuel emissions and the associated economic costs to the City and its residents from those emissions. Revenue from the fee will be used to pay for the cost of preventing and mitigating present and future climate impacts from fossil fuel emissions, including but not limited to funding building decarbonization measures.
- B. The Bend City Council is authorized to adopt fees under its home rule authority and the authority of the Charter of the City of Bend. The Climate Pollution Fee created by this Chapter is not a tax on property or a property owner as a direct consequence of ownership, but instead is a fee or charge not subject to the limits of Section II(b), Article XI, of the Oregon Constitution, and is classified as such for the purposes of ORS 3.10.145. It is not a direct sales tax, but is instead a fee or charge which is unrelated to the sale of goods or services, and thus is not subject to a vote by the electors of Bend under Section 40 of the Bend Charter. It is a fee based on the costs attributable to the gas appliances to which the fee is applied.
- C. The Bend City Council has expressed commitment to doing its part to seek to mitigate the impact of climate change due to human-caused greenhouse gas emissions, driven by a desire to be good stewards of the natural environment and support a healthy environment for generations to come. This commitment includes ensuring that costs attributable to such emissions are internalized by those whose choices contribute to increased emissions.
- D. On September 7, 2016, the Bend City Council adopted Resolution 3044, establishing climate action goals and directing staff to develop a Community Climate Action Plan to describe how the City can meet its goals. The climate action goals include reducing fossil fuel consumption communitywide by 40% by 2030 and by 70% by 2050.



- E. On December 4, 2019, the Bend City Council adopted Resolution 3180 adopting the Bend Community Climate Action Plan (CCAP). Resolution 3180 also directed the City to form a new permanent citizen advisory board with the responsibility of supporting CCAP implementation by providing recommendations to develop programs and activities to implement the CCAP's actions and strategies, monitor progress of implementation, assist in updating the Plan every 3-5 years, and advising the City Council on environmental issues. On April 16, 2025, in Resolution 3421, the Bend City Council adopted the 2025 Community Climate Action Plan Update, as recommended by the new advisory board, the Environment and Climate Committee (ECC).
- F. As part of Council Goals for fiscal years 2023-2025, the City Council directed staff to explore policies to support sustainable development, including policies to reduce natural gas use, as part of the City's efforts towards achieving the City's climate action goals. Concurrently, the 2025 CCAP Update included a new strategy to reduce emissions associated with reliance on and usage of natural gas and other fossil fuels, including specific actions to develop policies to limit fossil fuel use in new construction and to develop policies to phase out gas appliances and transition to electric alternatives in residential and commercial buildings.
- G. 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 we expect Oregon's electricity supply to be supplied by clean electricity resources, transitioning as many of the community's energy needs to be powered with electricity, rather than natural gas or other fossil fuels, is the most viable way to achieve the dramatic greenhouse gas reductions needed to mitigate climate change damages and reach the City's climate action goals.
- H. During the FY23-25 biennium, staff analyzed natural gas policy options to explore different ways that the City could minimize natural gas use in Bend buildings and encourage all-electric buildings. After getting feedback from several Council advisory bodies, 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 made into a Council Goal for the FY25-27 biennium.
- I. The City Council discussed the Climate Pollution Fee during five work sessions on August 20, 2025, October 22, 2025, December 10, 2025, February 11, 2026, and April 22, 2026. At these sessions, Council discussed the approach to the fee development and the details of the fee design. Council also held a roundtable on April 8, 2026 to hear from invited stakeholders representing a wide variety of community groups and interests to receive input on fee exemptions and the fee implementation schedule and approach. The City's energy utilities, Pacific Power, Cascade Natural Gas, and Central Electric Cooperative, provided presentations at the work session and roundtable meetings.



These meetings were all open to the public. Council has received direct communication from many community members about the fee proposal throughout this period, both through in-person and written testimony. Council Advisory Bodies have also provided feedback to the Council regarding the fee, including the Bend Economic Development Advisory Board and the Environment and Climate Committee.

- J. The Climate Pollution Fee created by this code 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 to scale the fee to the size of the home. This methodology and the relevant underlying data are set forth in the Climate Pollution Fee Technical Memorandum. See Exhibit A.
- K. The net carbon impact of gas equipment is dependent on the carbon intensity of the mix of resources contributing to the energy supply both today and in the future. See Exhibit A. This factor of the fee calculation is based on assumptions about the carbon intensity of the future electricity supply as required by state law. Therefore, if the carbon intensity of the future electricity supply differs from the current state law requirements, the fee calculation incorporates this change and the fee level would adjust accordingly.
- L. The Council may reduce the fee level to an amount lower than the value determined by the fee formula. Council will establish the rate at which the fee is lowered by Council resolution, either as a part of a fee resolution or as a separate resolution. The Council discussed adjusting the baseline fee level at the work session on February 22, 2026, and directed staff to adjust the initial fee by a multiplier of 0.2. This fee adjustment may be modified as part of the adoption of future fee resolutions.
- M. Fees will be set annually in resolutions adopted by Council at a public meeting, where the public will have an opportunity to comment. All resolutions and fee amounts are subject to approval by City Council. Revenue must be deposited in the Climate Pollution Fund and used as set forth in the code.
- N. The fee will go into effect on April 1, 2027. This date was chosen to allow builders and developers sufficient time to plan to incorporate the new policy into construction plans and appliances decisions, and to align with the mandatory compliance date of the 2026 Oregon Residential Specialty Code Update.
- O. Prior to the effective date of the fee, Council will review and adopt the fee resolution to establish the fee schedule. Before adopting the fee resolution, Council will review the updated expected value of the fee, taking into account changes to the net carbon impact of the gas equipment, and determine if any further adjustments should be made to the fee calculation or any other aspect of fee implementation.
- P. On an annual basis, staff will provide a report to the Council about the fee and its impacts. The information reported will include, but is not limited to, the adoption rate of all-electric homes, the number of homes that paid the fee rather than electrified, the rates of individual appliance adoption, the efficiency level of electric appliances installed, revenue generated from the fee, energy supply fuel mixes, greenhouse gas reduction impacts, utility bill impacts, equipment cost changes, the number of triplexes and



quadplexes not subject to the fee built in the City, any relevant changes in state or federal policy, and any administrative concerns.

## Ordinance

**Based on these findings, the City of Bend ordains as follows:**

- Section 1.** A new chapter 18.20, Climate Pollution Fee, is added to the Bend Municipal Code, as shown on the attached Exhibit A.
- Section 2.** If any provision, section, phrase, or word of this ordinance or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions that can be given effect without the invalid provision or application.
- Section 3.** All other provisions of the Bend Municipal Code remain unchanged by this ordinance and remain in effect.

### *First Reading*

June 3, 2026

### *Second Reading*

June 17, 2026

## Adoption by Roll Call Vote

**Yes:**

**No:**

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Melanie Kebler, Mayor

**Attest:**

**Approved as to form:**

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Ashley Bontje, City Recorder

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Ian Leitheiser, City Attorney