



ORDINANCE NO. NS-2556

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: Franzosa, Méndez, Platt, Riley

No: Perkins

 For

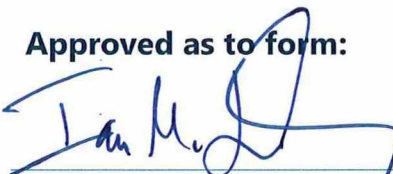
 Melanie Kebler, Mayor

Attest:



 Ashley Bontje, City Recorder

Approved as to form:



 Ian Leitheiser, City Attorney

Chapter 18.20 Climate Pollution Fee

18.20.010 Purpose. 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 this fee 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. This chapter aligns with the Climate Action Goals set forth in Council Resolution 3044 and aligns with and implements the 2025 Community Climate Action Plan Update, adopted in Council Resolution 3421.

18.20.020 Definitions

- A. **Carbon intensity** means a measure of the amount of greenhouse gas emissions produced per unit of activity
- B. **Carbon produced** means the definition as set forth in section 18.20.040
- C. **City** means the City of Bend, Oregon, or as indicated by the context, may mean any official, officer, employee, or agent authorized to act on behalf of the City.
- D. **City Manager** means the City Manager or their designee.
- E. **Fossil fuel** means fuels derived from hydrocarbons, including but not necessarily limited to natural gas, coal, oil, propane, and kerosene
- F. **Gas appliance** means any household appliance that uses gas in any capacity and includes appliances that use gas and other sources, such as dual-fuel appliances.
- G. **Tier factor** means the definition as set forth in section 18.20.040
- H. **Life of equipment** means the definition as set forth in section 18.20.040
- I. **Net lifetime carbon produced** means the definition as set forth in section 18.20.050
- J. **Applicable new residential structures** means the new construction of any residential building governed by the Oregon Residential Specialty Code. “New” construction includes complete demolition and rebuilds, but excludes additions, alterations, renovations, or repairs to existing buildings.
- K. **Responsible party** means the person or entity responsible for the building permit fees.
- L. **Social cost of carbon** means the definition as set forth in section 18.20.040

18.20.030 Authority. 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.

18.20.040 Fee Applicability

- A. The requirements of this chapter apply to all new residential structures governed by the Oregon Residential Specialty Code, except for manufactured homes. The requirements of this chapter do not apply to structures governed by the Oregon Structural Specialty Code.
- B. If a gas appliance is installed in an applicable new residential structure, the responsible party is required to pay the Climate Pollution Fee required by this Chapter. The fee calculation methodology is set forth below in Section 18.20.050.
- C. When applying for a building permit for an applicable residential structure, the responsible party must accurately declare which gas appliances will be included in the structure.
- D. The fee amount that is due is that which is listed for the applicable appliance in the fee resolution in effect on the date an application was first submitted to the City for the permit.
- E. The Climate Pollution Fee is due on the date of permit issuance.
- F. There may be instances in which a particular appliance proposed to be installed is not specifically listed in the fee resolution, such as may be the case with newer technologies. In these instances, the fee established by this chapter is still required to be paid in the amount that applies to appliance in the fee resolution that most closely resembles the proposed appliance to be installed. The City retains discretion to make this determination; in making this determination, the City may consider any and all relevant factors, including but not limited to the energy use and the service life of the appliance.
- G. If natural gas piping is present for an appliance in an applicable residential structure but no appliance is installed, the uninstalled appliance will be assumed to use natural gas, absent documentary evidence to the contrary, and the fee will be

calculated accordingly. If a new electric appliance is installed, even with existing natural gas piping, no fee will be applied.

- H. The City Manager may adopt and amend rules, policies, and other resources to administer this Chapter, including relating to assessments, collections, inspections, appeals, and any other aspect of fee implementation.

18.20.050 Fee Structure

- A. The fee amount shall be set based on a calculation that takes into account the social cost of carbon, the net lifetime carbon produced of the relevant household appliance, and the relative size of the residential structure.
- B. The fee calculation is as follows:
 - a. $\text{Fee Amount} = \text{Social Cost of Carbon} \times \text{Net Lifetime Carbon Produced} \times \text{Tier Factor}$
- C. The definitions for this formula are as follows:
 - a. **Social cost of carbon** means a monetary cost attributable to each metric ton of carbon dioxide produced, incorporating both the years when the emissions are produced and the value of future-year damages.
 - b. **Carbon produced** means the total amount of carbon produced by each appliance or equipment within an average-size, single-family home. This is calculated through the equipment's estimated annual energy usage and multiplied by the EPA's estimate for carbon produced per Therm of energy consumed.
 - c. **Net lifetime carbon produced** means the carbon produced from each gas appliance less the carbon produced from an electric appliance over the life of the equipment.
 - d. **Life of the equipment** means the estimated total number of years the equipment remains in service and produces carbon emissions.
 - e. **Tier Factor** is a multiplier that scales the fee value to the size of the home to account for lower or higher anticipated energy usage and carbon emissions.
- D. This methodology is further described in the Technical Memorandum accompanying Ordinance No. [XXXX]. The Technical Memorandum may be updated and modified, as necessary. The provisions of the Bend Code and adopted fee resolutions control over any inconsistent statement in the Technical Memorandum regarding the fee amount due in connection with an appliance in an applicable residential structure.
- E. The Council may adjust the fee amount to a lower value than the fee calculation, including below the level at which the fee would cover the full costs to the City, notwithstanding BMC 12.15.005.A. The Council may approve an adjustment to the fee amount, through a multiplier or other means. This adjustment will be reflected in

the City's Fee Schedule. The Council may change the adjustment by amending the Fee Schedule.

18.20.060 Segregation of Revenue and Use of Funds

- A. Revenue collected under this Chapter shall be deposited into the City's Climate Pollution Fund and must be used consistent with the purposes of that fund and this chapter.
- B. The Climate Pollution Fund may be used for any costs related to mitigating present and future climate impacts from fossil fuel emissions, including but not limited to responding to flooding, fires, extreme heat, and preventing such future climate impacts, including but not limited to by funding building decarbonization measures. Revenues may be used for any administrative costs related to any of the foregoing.
- C. It is not necessary that the expenditures of the Climate Pollution Fund specifically relate to the parcel, property, or residential structure from which Climate Pollution Fees are collected.
- D. Every year, beginning one year from the effective date of the Climate Pollution Fee, and at other times as requested by Council, Council will consider adjustments or changes to the fee and rate structure, and may take into consideration projections about the carbon intensity of the future energy supply, updating the value of the social cost of carbon, adjustments to the tier factors, or other factors that Council determines are relevant to the fee. The City Manager will provide to Council annual reports or other transparency and accountability measures related to the City's use of the Climate Pollution Fee revenue.

18.20.070 Enforcement

- A. Violation of any provision of this chapter is a class A civil infraction. Each day of violation is a separate infraction.