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Portland Planning and Sustainability Commission

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May 1, 2015

Mayor Hales and City Council
City of Portland

RE: Terminal 6 Environmental Overlay Zoning Code and Map Amendment

Dear Mayor Hales and City Commissioners:

On April 7, the Portland Planning and Sustainability Commission (PSC) voted 6-4 to forward a recommendation to the City Council to consider a package of actions to enable the Port of Portland and Pembina Pipeline Corporation to build a propane export facility at Terminal 6 in North Portland. The recommendation is to:

1. Amend the Environmental Overlay Zone to allow for the transport of propane through a pipe across an environmental overlay zone on sites zoned Heavy Industrial and only when the transporting is part of a river-dependent industrial use.
2. Amend the zoning map to extend the existing environmental conservation overlay zone boundary to some of the currently unprotected significant natural resources identified in the adopted 2012 Citywide Natural Resources Inventory.
3. Adopt a City-Port Intergovernmental Agreement (IGA) to address other issues not covered by the Zoning Code.

The narrow approval of the recommendation reflects the complexity and controversial nature of the issues involved in this matter. The PSC held three public hearings, in which 148 people testified and 635 people submitted written comments. The overwhelming preponderance of testimony was opposed to the project. The key issues are:

1. **Public safety and risk.** The nature of the project is such that an event with a small likelihood of occurring could have large consequences for the surrounding area. In the end, the PSC concluded that the export facility at Terminal 6 could be designed and operated in a safe manner that minimizes the risk to the residents of North Portland. We are less confident about safety of trains carrying propane through Portland en route to the facility, but this risk is tied to a larger concern about the transportation of hazardous materials that is being addressed at the state and federal levels. The City needs to actively engage ODOT and the railroads to identify hazardous material trains running through Portland so our first responders are prepared for an incident.



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2. **Climate change.** The volume of propane to be exported through the facility represents a significant amount of potential greenhouse gas (GHG) emissions – about 4.2 million metric tons of CO₂-equivalent per year. Most of the public testimony was concerned about the impact these GHG emissions will have on the climate and the consistency with the Climate Action Plan and Portland’s role as a leader on climate change and sustainability.
3. **Jobs and the economy.** Although the project is not expected to create a large number of ongoing jobs (30-40 jobs on-site, 80-90 direct jobs), the propane facility is expected to generate 500 construction jobs and about \$11 million dollars per year in public tax revenue.

City-Port Intergovernmental Agreement

A key part of the PSC recommendation is a framework for an IGA with the Port of Portland to ensure that the commitments made by Pembina and the Port during the PSC hearings process will be carried out (Attachment A). The PSC recommended that the Port contribute \$6.2 million annually to a new Portland Carbon Fund to mitigate the impacts of the GHG emissions from the propane itself. The fund will be used for projects that reduce energy consumption, generate renewable energy, sequester carbon and address resiliency of natural ecosystems in Portland likely to be impacted by climate change.

Other key terms of the IGA include:

- **Community Advisory Committee (CAC):** Provide an ongoing public forum to address operational issues that may affect the surrounding community, i.e. noise, lighting and other nuisance issues.
- **Safety:** Ensure the Port and Pembina implement all of the safety measures, including providing Portland Fire and Rescue with the specialized equipment or training necessary to respond to an incident at the facility.
- **Onsite Energy Use:** Require the facility meets 100 percent of its energy needs for onsite operations from Oregon renewable energy sources.
- **Grassland Habitat Mitigation:** Ensure that the features and functions of the grassland special habitat area affected by the facility are fully replaced.
- **Liability:** Provide insurance and other financial assurances to cover damages from a catastrophic event.

Portland Carbon Fund

Accounting for GHG emissions as a result of the use of Pembina’s propane was a deciding factor in our recommendation. Mitigating the annual GHG emissions through a contribution based on an estimate of the lifecycle emissions, including the processing, transport and end use of the propane. The PSC recommends discounting the GHG emissions to account for the use of propane as a displacement for coal and fuel oil and its use in plastics manufacturing. The contribution should be based on the market price for GHG emissions (roughly \$6.77/metric ton CO₂-equivalent or roughly a penny per gallon) in Europe, which has one of the most well-established trading programs in the world. The overall methodology should be

reviewed every five years. If propane exports become subject to a carbon fee or pricing mechanism in the future, then the contribution should be re-evaluated.

The Portland Carbon Fund will be a separate fund administered by the City of Portland with oversight from an advisory board, much in the same way the City's Children's Levy is administered. This fund will support projects across the city that reduce energy consumption, generate renewable energy, and sequester carbon. The Portland Carbon Fund is different from the community investment fund announced by Pembina.

Some commissioners felt that it was inappropriate to require Pembina to contribute to a carbon fund without first developing a fossil fuel export policy. But regardless of the outcome of the Pembina project, the PSC strongly recommends that the City expedite the development of a fossil fuel export policy as called for in the proposed action 3G in the draft Climate Action Plan. Developing a fossil fuel export policy was the rationale for some commissioners' vote to support and forward the project to Council.

Minority Perspectives

Commissioners voting against the recommendation expressed the following concerns:

- While propane may have a role as a bridge fuel in the near term, this will not be true over the 35-50 year intended life of this terminal. The growth in energy consumption of the Asian economies will likely mean the carbon output will be additive in the long run.
- The project contributes to the financial viability of fossil fuel extraction in Western Canada.
- Enabling fossil fuel exports may damage Portland's reputation as a leader in sustainable development and climate action.

Planning and Sustainability Commission Vote

The narrow vote to forward this recommendation to City Council reflects the difficult nature of this decision. We urge you to give careful consideration to issues of safety, neighborhood livability, jobs and Portland's position as a national green leader.

Thank you for your consideration.

Sincerely,



André Baugh
Chair, Portland Planning and Sustainability Commission