Oregon is on the verge of taking historic action to establish an economy-wide cap and invest program and clean up the state's carbon pollution. In doing so, Oregon could demonstrate how one state can do its part to avoid the worst effects of climate change. The concept dates back more than a decade, but the state legislature focused and got serious over the last few years, forming work groups to understand how the legislation might affect various interests of the state and its people. The plan would allow Oregon to participate in the Western Climate Initiative, joining with California and the Canadian Province of Quebec to use market forces to drive down carbon pollution.

Undoubtedly, this won't happen without pushback from those most responsible for the state's increasing levels of pollution. Consider what happened in Washington when the state put a carbon fee on the ballot last year. The big oil companies spent more than $30 million dollars to demonize the proposal. A key argument was that the carbon fee would raise gasoline prices. The voters ended up rejecting the proposal.

Opponents of climate action in Oregon are already making a similar argument that reducing carbon pollution in the state will spike gasoline prices in the early 2020's. The truth is that no one can accurately forecast whether gasoline prices will be higher or lower in even a few years – let alone a decade into the future. Even more importantly, the transportation sector is undergoing a global revolution that will fundamentally transform gasoline markets.

The oil market is global in nature. As the American Petroleum Institute states, "petroleum products are global commodities and, as such, their prices are determined by supply and demand factors on a worldwide basis." Accordingly, American families have paid the price when supply disruptions in the Middle East have spiked gasoline prices here in the U.S. However, global market forces also drive prices lower. Analysts are now making the case that global deployment of electric vehicles could ease demand and reduce gasoline prices in the years to come. Here's how.

The year 2018 will likely be the "peak" of sales of cars with internal combustion engine. There may be more cars sold in 2019 than in 2018, but with electric vehicles taking an increasing share of the sales, it is now unlikely that the world will ever sell as many new gasoline-powered cars as it did in 2018. As millions of electric vehicles are manufactured and sold each year, they will displace the need for more and more gasoline.

In 2018, almost 2 million electric vehicles were sold worldwide. Get ready for that impressive number to soar. In Oregon, the Governor has set a goal of getting 50,000 EVs on the road by 2020 and the legislature established a new incentive in 2018 to help make it happen. While no state policy on its own is likely to significantly affect global oil markets,

this is just the local piece of a global puzzle. China's automakers have set a goal of selling 7 million electric vehicles each year by 2025. VW has announced sourcing agreements to manufacture millions of EVs. Tesla delivered 245,000 domestically-manufactured EVs in 2018 while continuing to expand production. GM and Ford have also announced moves to expand electrification in their product lines.

Analysts from Bloomberg New Energy Finance and the group Carbon Tracker have examined this dynamic and have concluded that by the mid-2020's electric vehicles could displace the need for so much oil that it could cause a glut as large as the one the world experienced in 2014. That year, the gap between supply and demand was so significant that gasoline prices on the west coast dropped from more than $4 per gallon in the spring to less than $2.70 per gallon by the end of the year – a whopping $1.30 drop in gasoline prices. To avoid such a result, oil producers would have to curb production to keep prices high. No wonder the *Houston Chronicle* is warning Houston-based oil companies of the "big implications" of electric vehicles to the oil markets.

The California experience provides a real world example of the power of the global oil market relative to state climate policy. The oil industry had warned the public that California's climate program would increase gasoline prices by $2.50 per gallon when the state brought transportation fuels under the carbon cap in 2015. Despite these dire predictions, gasoline prices in the California plummeted a dollar between 2014 and 2016.

As we enter the 2020's, will gasoline prices be 10 cents more or a dollar less than today? I don't know, but importantly, neither does anyone else. And with a global transition underway in transportation, any state effort to preserve the status quo is destined for failure.

In fact, the climate policies that Oregon and other jurisdictions are adopting together can cumulatively ease demand for oil. This can help drive gasoline prices down, and ultimately free drivers all together from the volatility of the oil market. When drivers change their fuel source from gasoline to electricity, they are exchanging a fuel from a volatile, unregulated, global market for a fuel that is stable in price and regulated for the protection of consumers by the state public utility commission.

Undoubtedly, we will hear the gasoline price argument increasing in intensity in the weeks and months to come. When those arguments are made, we'll see how Oregonians and their legislators respond. With no oil production or refining in the state, they may well be able to chart a multi-year course to knock-down carbon pollution, and in the process, begin to escape the volatility of the global oil market.

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