

1 AN ACT Relating to implementing a greenhouse gas emissions cap
2 and trade program; adding a new chapter to Title 70 RCW; prescribing
3 penalties; providing contingent effective dates; and providing a
4 contingent expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** INTENT AND FINDINGS. (1) The legislature
7 finds that climate change is harming the state and that without
8 substantial reductions in greenhouse gas emissions, the harm to the
9 state will be greatly increased. While Washington's emissions are
10 only a small part of the global emissions of greenhouse gases, the
11 state must act to reduce its own emissions while providing leadership
12 and a model for action by other jurisdictions to address their own
13 emissions. The 2008 legislature established statewide emissions
14 limits that are to be achieved by 2020, 2035, and 2050, but did not
15 enact a comprehensive program to ensure that the emissions reductions
16 would be accomplished. More recent scientific data indicates that
17 these emissions limits are insufficient for the state to contribute
18 its fair share of reductions necessary to avoid the most extreme
19 impacts of climate change. The legislature by this act revises the
20 state's emissions limits to be consistent with this scientific
21 consensus, and to provide a comprehensive pathway to achieve these

1 reductions in a manner that is fair among all major emissions
2 sources. This program will meet Washington state's commitment to its
3 present and future generations to fully address the climate change
4 challenge.

5 (2) The centerpiece of this program is the creation of a cost-
6 effective carbon pollution market for reducing greenhouse gas
7 emissions that is capable of being integrated with emissions
8 reduction programs in other jurisdictions. The Washington program
9 will allow the state to achieve the necessary statewide emissions
10 reductions in the most cost-effective manner through market trading
11 of emission allowances. By implementing this program, the state will
12 not only contribute its fair share of necessary global emissions
13 reductions, but will also grow the state's clean energy economy and
14 provide greater certainty to Washington businesses.

15 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise.

18 (1) "Aggregation" means an approach for qualifying and
19 quantifying offset projects that allows for the grouping together of
20 two or more geographically separate activities that result in
21 reductions or removals of greenhouse gases in a similar manner.

22 (2) "Allowance" means a tradable authorization to emit up to one
23 metric ton of carbon dioxide equivalent.

24 (3) "Allowance price containment reserve" means an account
25 maintained by the department with allowances available for sale
26 through separate reserve auctions at predefined prices to assist in
27 containing compliance costs for covered and opt-in entities in the
28 event of unanticipated high costs for compliance instruments.

29 (4) "Annual allowance budget" means the total number of
30 greenhouse gas allowances allocated for auction and distribution for
31 one calendar year by the department.

32 (5) "Auction" means the process of selling greenhouse gas
33 allowances by offering them up for bid, taking bids, and then
34 distributing the allowances to winning bidders.

35 (6) "Auction floor price" means a price for allowances below
36 which bids at auction would not be accepted.

37 (7) "Auction purchase limit" means the limit on the number of
38 allowances one registered entity or a group of affiliated registered

1 entities may purchase from the share of allowances sold at an
2 auction.

3 (8) "Carbon dioxide equivalent" means a measure used to compare
4 the emissions from various greenhouse gases based on their global
5 warming potential.

6 (9) "Compliance instrument" means an allowance or offset credit
7 issued by the department or by an external greenhouse gas emissions
8 trading program to which Washington has linked its carbon pollution
9 program. A covered or opt-in entity may use one compliance instrument
10 to fulfill each compliance obligation equivalent to one metric ton of
11 carbon dioxide equivalent.

12 (10) "Compliance obligation" means the requirement to turn in to
13 the department the number of compliance instruments equivalent to a
14 covered or opt-in entity's covered emissions during the compliance
15 period.

16 (11) "Covered emissions" means the emissions for which a covered
17 entity has a compliance obligation under section 15 of this act.

18 (12) "Covered entity" means a person that is designated by the
19 department as subject to sections 4 through 19 of this act.

20 (13) "Department" means the department of ecology.

21 (14) "Direct environmental benefits in the state" means:

22 (a) A reduction in or avoidance of emissions of any air
23 contaminant in this state other than a greenhouse gas;

24 (b) A reduction in or avoidance of pollution of any of the waters
25 of the state; or

26 (c) An improvement in the health of natural and working lands in
27 this state.

28 (15) "Emissions threshold" means the greenhouse gas emission
29 level at or above which a person has a compliance obligation.

30 (16) "External greenhouse gas emissions trading program" means a
31 government program, other than Washington's program created in this
32 chapter, that restricts greenhouse gas emissions from sources outside
33 of Washington through an emissions trading program.

34 (17) "Facility" includes any physical property, plant, building
35 structure, source, or stationary equipment located on one or more
36 contiguous or adjacent properties in actual physical contact or
37 separated solely by a public roadway or other public right-of-way and
38 under common ownership or control, that emits or may emit greenhouse
39 gas. "Facility" includes a refinery facility.

1 (18) "First jurisdictional deliverer" means the first person over
2 which the state of Washington has jurisdiction that generates or
3 procures electricity for use within the state and delivers the
4 electricity to the first point of delivery into the state.

5 (19) "General market participant" means a registered entity that
6 is not identified as a covered entity or an opt-in entity that is
7 registered in the program registry and intends to purchase, hold,
8 sell, or voluntarily retire compliance instruments.

9 (20) "Greenhouse gas" includes carbon dioxide, methane, nitrogen
10 trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons,
11 perfluorocarbons, and other fluorinated greenhouse gases.

12 (21) "Highly impacted communities" means those communities
13 identified pursuant to section 25 of this act.

14 (22) "Holding limit" means the maximum number of allowances that
15 may be held for use or trade by a registered entity at any one time.

16 (23) "Imported electricity" means electricity generated outside
17 the state of Washington and delivered for use within the state, but
18 which did not originate from any jurisdiction with which Washington
19 has a linkage agreement.

20 (24) "Leakage" means a reduction in emissions of greenhouse gases
21 within the state that is offset by an increase in emissions of
22 greenhouse gases outside the state.

23 (25) "Limits" means the greenhouse gas emissions reductions
24 required by RCW 70.235.020.

25 (26) "Linkage agreement" means a formal agreement that connects
26 two or more carbon market programs to reciprocally recognize each
27 jurisdiction's compliance instruments.

28 (27) "Offset credit" means a tradable compliance instrument that
29 represents an emissions reduction or emissions removal of one metric
30 ton of carbon dioxide equivalent.

31 (28) "Offset project" means a project that reduces or removes
32 greenhouse gases that are not regulated emissions under this chapter.

33 (29) "Offset protocols" means a set of procedures and standards
34 to quantify greenhouse gas reductions or greenhouse gas removals
35 achieved by an offset project.

36 (30) "Person" includes an individual, firm, partnership,
37 franchise holder, association, organization, corporation, business
38 trust, company, limited liability company, or government entity.

39 (31) "Point of delivery" means a point on the electricity
40 transmission or distribution system physically located in Washington

1 where a power supplier delivers electricity for use in the state.
2 This point may be an interconnection with another system or a
3 substation where the transmission provider's transmission and
4 distribution systems are connected to another system, or a
5 distribution substation where electricity is imported into the state
6 over a multijurisdictional retail provider's distribution system.

7 (32) "Program" means the emissions cap and trade program
8 implemented in this chapter.

9 (33) "Program registry" means the data system in which covered
10 parties, opt-in entities, and general market participants are
11 registered and in which compliance instruments are recorded and
12 tracked.

13 (34) "Refinery facility" means a facility in Washington that is
14 operated by a person who also produces, refines, imports, or
15 delivers, or any combination of producing, refining, importing, or
16 delivering, a quantity of fuel that, if completely combusted,
17 oxidized, or used in other processes, would result in the release of
18 greenhouse gas equivalent to or higher than the reporting threshold
19 established in RCW 70.94.151(5)(a).

20 (35) "Registered entity" means a covered entity, opt-in entity,
21 or general market participant that has completed the process for
22 registration in the program registry.

23 (36) "Retire" means to permanently remove an allowance or offset
24 credit such that the allowance or offset credit may never be sold,
25 traded, or otherwise used again.

26 (37) "Supplier" means a supplier of fuel in Washington state as
27 defined in RCW 70.94.151(5)(h)(ii). "Supplier" also means a supplier
28 of carbon dioxide in Washington that, if released, would result in
29 greenhouse gas emissions equivalent to or higher than that threshold.

30 (38) "Surrender" means to transfer an allowance or offset credit
31 to the department, either to meet a compliance obligation or on a
32 voluntary basis.

33 NEW SECTION. **Sec. 3.** GREENHOUSE GAS EMISSIONS CAP AND TRADE
34 PROGRAM. (1) In order for the state's emissions reduction limits
35 established in RCW 70.235.020 to be achieved, the department shall
36 implement a greenhouse gas emissions cap on total emissions from
37 covered entities by creating and distributing allowances that are
38 tradable among registered entities in the program and that are

1 tradable beyond the program when linked to another program or
2 programs.

3 (2) The program consists of:

4 (a) Annual allowance budgets that limit emissions from covered
5 entities, as provided in section 4 of this act;

6 (b) Defining those entities covered by the program, and those
7 entities that may voluntarily opt into coverage under the program, as
8 provided in sections 5 and 6 of this act;

9 (c) Distribution of emission allowances by auction, as provided
10 in section 11 of this act, and through the allowance price
11 containment provisions under section 12 of this act;

12 (d) Providing for offset credits as a method for meeting a
13 compliance obligation, pursuant to section 14 of this act;

14 (e) Defining the compliance obligation for covered entities, as
15 provided in section 15 of this act;

16 (f) Establishing the authority of the department to enforce the
17 program requirements, as provided in section 16 of this act;

18 (g) Creating a carbon pollution reduction account for the deposit
19 of receipts from the distribution of emission allowances, as provided
20 in section 21 of this act;

21 (h) Providing for the transfer of allowances and recognition of
22 compliance instruments issued by jurisdictions that enter into
23 linkage agreements with the state, as provided in section 17 of this
24 act.

25 (3) The department shall implement the program in a manner that
26 allows linking the state's program with other jurisdictions having
27 similar programs, where such linkage will provide for a more cost-
28 effective means for Washington covered entities to meet their
29 compliance obligations while recognizing the special characteristics
30 of the state's economy and industries, and ensure that the standards
31 of section 17 of this act are met.

32 (4) The department shall, to the maximum extent practicable,
33 implement the program in a manner that is integrated with other
34 complementary policies and programs that reduce greenhouse gas
35 emissions. For electric utilities subject to the requirements of this
36 chapter and chapter 19.405 RCW, and as provided in section 8 of this
37 act, the department shall seek to harmonize compliance and avoid
38 duplicative regulatory or cost burdens on those entities while
39 creating opportunities for increasing the value of clean energy,
40 encouraging early action, and reducing the costs to customers and

1 ratepayers of transitioning to one hundred percent clean electricity.
2 The department must consider the entire life cycle of emissions
3 associated with the consumption of fossil fuels and electricity in
4 the state, and design the program to avoid fuel shuffling or other
5 shifts in fuels or electricity sources that increases the net
6 emissions when considering the combined impacts of this program and
7 other complementary emissions reduction programs.

8 NEW SECTION. **Sec. 4.** SETTING ANNUAL ALLOWANCE BUDGETS. (1) The
9 department shall commence the program by determining the
10 proportionate share that the total greenhouse gas emissions of
11 covered entities for the years 2014 through 2018 bears to the total
12 anthropogenic greenhouse gas emissions in the state during those
13 years. By October 1, 2021, the department shall adopt a program
14 budget for each calendar year of allowances for all covered entities
15 to be distributed from January 1, 2022, through December 31, 2035.
16 The program budget must be set to achieve the share of reductions by
17 covered entities necessary to achieve the 2035 statewide emission
18 limits established in RCW 70.235.020. The department must adopt
19 annual allowance budgets for the program on a calendar year basis
20 that provide for substantially equivalent reductions year to year
21 over this period.

22 (2) The department must complete an evaluation by December 31,
23 2026, of the performance of the program, and make adjustments in the
24 annual budgets to ensure achievement of 2035 emission reduction
25 limits identified in RCW 70.235.020. By October 1, 2034, the
26 department shall adopt by rule the annual program budgets for the
27 years 2036 through 2050. The department must complete an evaluation
28 by December 31, 2042, of the performance of the program, and make
29 adjustments in the annual budgets to ensure achievement of 2050
30 emission reduction limits identified in RCW 70.235.020. Nothing in
31 this subsection precludes the department from making additional
32 adjustments as necessary to ensure successful achievement of emission
33 reduction limits.

34 NEW SECTION. **Sec. 5.** ENTITIES REQUIRED TO BE COVERED IN THE
35 PROGRAM. (1) A person is a covered entity as of the beginning of the
36 first compliance period and all subsequent compliance periods if the
37 person reported emissions under RCW 70.94.151 in any calendar year

1 from 2017 through 2019 that equals or exceeds any of the following
2 thresholds:

3 (a) Where the person operates a facility and the facility's
4 emissions equal or exceed twenty-five thousand metric tons of carbon
5 dioxide equivalent;

6 (b) Where the person is a first jurisdictional deliverer bringing
7 electricity into the state and the cumulative total of emissions
8 associated with imported electricity into the state from specified or
9 unspecified sources equals or exceeds twenty-five thousand metric
10 tons of carbon dioxide equivalent. For a specified source, the person
11 must have either full or partial ownership in the facility, or a
12 written power contract to procure electricity at the facility, at the
13 time of entry of the transaction to procure electricity;

14 (c) Where the person generates electricity in the state whose
15 emissions associated with such generation equals or exceeds twenty-
16 five thousand metric tons of carbon dioxide equivalent;

17 (d) Where the person supplies natural gas in amounts whose
18 emissions associated with such supplies exceeds twenty-five thousand
19 metric tons, excluding the amounts supplied to covered entities under
20 (a), (b), (c) or (e) of this subsection;

21 (e) Where the person is a fuel supplier other than natural gas
22 and has reported twenty-five thousand metric tons or more of carbon
23 dioxide equivalent emissions that would result from the full
24 combustion or oxidation within the state of Washington of the
25 supplied fuels and has a compliance obligation for the emissions from
26 the full combustion or oxidation of those supplied fuels consistent
27 with subsection (6) of this section; and

28 (f) Where the person operates a facility and is a direct
29 purchaser of electricity from a federal power market agency or from a
30 joint operating entity and the associated emissions from both the
31 facility and purchased electricity equals or exceeds twenty-five
32 thousand metric tons of carbon dioxide equivalent.

33 (2) When a covered entity reports, during a compliance period,
34 emissions from a facility under RCW 70.94.151 that are below the
35 thresholds specified in subsection (1) of this section, the covered
36 entity continues to have a compliance obligation through the current
37 compliance period. When a covered entity reports emissions below the
38 threshold during an entire compliance period, or has ceased all
39 processes at the facility requiring reporting under RCW 70.94.151,
40 the entity is no longer a covered entity unless the department

1 provides notice at least twelve months before the end of the
2 compliance period that the facility's emissions were within ten
3 percent of the threshold and that the person will continue to be
4 designated as a covered entity in order to ensure equity among all
5 covered entities.

6 (3) For types of emissions sources described in subsection (1) of
7 this section that begin or modify operation after January 1, 2021,
8 coverage under the program starts in the calendar year where
9 emissions from the source exceed the applicable thresholds in
10 subsection (1) of this section. Sources meeting these conditions are
11 required to surrender their first allowances on the first surrender
12 deadline of the year following the year in which their emissions were
13 equal to or exceeded the emissions threshold.

14 (4) For emissions sources described in subsection (1) of this
15 section that are in operation or otherwise active between 2014 and
16 2019 but were not required to report emissions for those years,
17 coverage under the program starts in the calendar year following the
18 year where emissions from the source exceed the applicable thresholds
19 in subsection (1) of this section as reported pursuant to RCW
20 70.94.151, or upon formal notice from the department that the source
21 is expected to exceed the applicable emissions threshold for the
22 first year that source is required to report emissions, whichever
23 happens first. Sources meeting these conditions are required to
24 surrender their first allowances on the first surrender deadline of
25 the year following the year in which their emissions, as reported
26 under RCW 70.94.151, were equal to or exceeded the emissions
27 threshold.

28 (5) Emissions that are not required to be reported under RCW
29 70.94.151 are not covered by the program. In addition, the following
30 emissions are not covered by the program and must not be included in
31 determining the applicability of the emission thresholds in
32 subsection (1) of this section:

33 (a) Emissions from the combustion of biomass in the form of fuel
34 wood, wood waste, wood by-products, and wood residuals, as long as
35 the source biomass is harvested pursuant to an approved timber
36 management plan prepared in accordance with the forest practices act
37 under chapter 76.09 RCW, a habitat conservation plan, or other state
38 or federally approved management plan, or harvested under an approved
39 forest fire fuel reduction or forest stand improvement plan;

1 (b) Emissions from combustion of biofuels or the biofuel
2 component of blended fuels. For the purposes of this section,
3 "biofuel" means a liquid or gaseous fuel produced directly from
4 biological feedstocks;

5 (c) Emissions from the combustion of aviation fuels outside the
6 state or aviation fuels otherwise determined to be inapplicable in
7 accordance with federal law or international agreement;

8 (d) Emissions from watercraft fuels supplied in Washington that
9 are combusted outside of Washington;

10 (e) Emissions from a coal-fired electric generation facility
11 exempted from additional greenhouse gas limitations, requirements, or
12 performance standards under RCW 80.80.110;

13 (f) Emissions from the combustion of fossil fuels or electricity
14 exported from Washington state, which includes electricity
15 transmitted through the state that is not produced or consumed in
16 state. Export to Indian country located within the boundaries of
17 Washington state is not considered export from the state. For
18 purposes of this subsection, "Indian country" has the same meaning as
19 provided in RCW 37.12.160;

20 (g) Vented or fugitive emissions that are unintentional and could
21 not reasonably pass through a stack, chimney, vent, or other
22 functionally equivalent opening; and

23 (h) Emissions from facilities with North American industry
24 classification system code 92811 (national security).

25 (6) The department shall not require multiple covered entities to
26 have a compliance obligation for the same emissions. The department
27 may by rule authorize refineries, fuel suppliers, facilities using
28 natural gas, and natural gas suppliers to provide by agreement for
29 the assumption of the compliance obligation for fuel or natural gas
30 supplied and combusted in the state. The department must be notified
31 of such an agreement at least twelve months prior to the compliance
32 obligation period for which the agreement is applicable.

33 (7) (a) In order to ensure adequate funding for transportation
34 needs in the future and to augment the revenue increase from this act
35 with the other needed resources for transportation infrastructure
36 investments, this section does not take effect until an additive
37 transportation funding act is enacted after January 1, 2020.

38 (b) For the purposes of this section, "additive transportation
39 funding act" means an act in which the combined total of new revenues
40 deposited into the motor vehicle fund and the multimodal

1 transportation account exceed two billion dollars per biennium
2 attributable solely to an increase in revenue from the enactment of
3 the act.

4 (c) The director of the department of ecology must provide
5 written notice of the effective date of this section to affected
6 parties, the chief clerk of the house of representatives, the
7 secretary of the senate, the office of the code reviser, and others
8 as deemed appropriate by the department of ecology.

9 NEW SECTION. **Sec. 6.** REGISTRATION REQUIREMENTS FOR PROGRAM
10 PARTICIPATION. (1) All covered entities must register to participate
11 in the program, following procedures adopted by the department by
12 rule.

13 (2) Entities registering to participate in the program must
14 describe any direct or indirect affiliation with other registered
15 entities.

16 (3) A person responsible for greenhouse gas emissions that is not
17 a covered entity may voluntarily participate in the program by
18 registering as an opt-in entity. An opt-in entity must satisfy the
19 same registration requirements as covered entities. Once registered,
20 an opt-in entity is allowed to participate as a covered entity in
21 auctions and must assume the same compliance obligation to surrender
22 compliance instruments equal to their emissions at the appointed
23 surrender dates. An opt-in entity may opt out of the program at the
24 end of any compliance period by providing written notice to the
25 department at least six months prior to the end of the compliance
26 period. The opt-in entity continues to have a compliance obligation
27 through the current compliance period.

28 (4) A person that is not covered by the program and is not a
29 covered entity or opt-in entity may voluntarily participate in the
30 program as a general market participant. General market participants
31 must meet all applicable registration requirements specified by rule.

32 NEW SECTION. **Sec. 7.** ENERGY-INTENSIVE, TRADE-EXPOSED ENTITIES.

33 (1)(a) In order to mitigate the risk of leakage, by January 1, 2021,
34 the department shall adopt rules for allocating allowances that must
35 be surrendered by those covered entities listed in (b) of this
36 subsection and additional entities that the department determines are
37 engaged in energy-intensive, trade-exposed processes as described in
38 subsection (2) of this section. The rules must establish a schedule

1 for 2021 through 2035 that provides for a declining portion of the
2 allocation to such covered entities that must be provided at no cost.
3 The department shall contract with qualified and independent experts
4 to assist the department in gathering data and conducting analysis as
5 necessary to implement the provisions of this subsection. The
6 department shall also consider approaches used by other jurisdictions
7 with existing carbon reduction or carbon pricing programs.

8 (b) A covered or opt-in entity must receive an allocation under
9 this subsection if the entity is classified as being engaged in one
10 or more of the processes described by the following industry
11 descriptions and codes in the North American industry classification
12 system:

13 (i) Primary metal manufacturing, including iron and steel
14 milling, ferroalloy and primary metal manufacturing North American
15 industry classification system codes beginning with 331;

16 (ii) Secondary metals manufacturing, including smelting,
17 refining, and alloying of nonferrous metal, North American industry
18 classification code 331492;

19 (iii) Paper manufacturing, including pulp mills, paper mills, and
20 paperboard milling, North American industry classification system
21 codes beginning with 322;

22 (iv) Aerospace product and parts manufacturing, North American
23 industry classification system codes beginning with North American
24 industry classification system code 3364;

25 (v) Wood products manufacturing, North American industry
26 classification system codes beginning with 322;

27 (vi) Nonmetallic mineral manufacturing, including glass container
28 manufacturing, North American industry classification system codes
29 beginning with 327;

30 (vii) Chemical manufacturing, North American industry
31 classification system codes beginning with 325;

32 (viii) Computer and electronic product manufacturing, including
33 semiconductor and related device manufacturing, North American
34 industry classification system codes beginning with 334;

35 (ix) Food manufacturing, North American industry classification
36 system codes beginning with 311;

37 (x) Petroleum refining, North American industry classification
38 system codes beginning with 324; and

39 (xi) Cement manufacturing, North American industry classification
40 system code 327310.

1 (2) By January 1, 2021, the department must adopt a rule
2 establishing criteria for both emissions intensity and trade exposure
3 for the purpose of identifying emissions-intensive trade-exposed
4 manufacturing businesses not listed in subsection (1)(b) of this
5 section. The criteria must incorporate, to the extent possible,
6 approaches used by other jurisdictions with existing carbon reduction
7 or carbon pricing programs, particularly those with which linkage
8 agreements are anticipated. A manufacturing business that can
9 demonstrate to the department that it meets this criteria is eligible
10 for the same treatment as entities listed in subsection (1)(b) of
11 this section.

12 (3) As used in this section, "annual benchmarked emissions
13 calculation" means the product of an emissions efficiency benchmark
14 for a good or group of goods, multiplied by the covered entity's
15 output, during the calendar year prior to the calendar year in which
16 allowances will be allocated under this section to the entity, of the
17 good or group of goods to which the emission efficiency benchmark
18 applies. The rules must apply, for each energy-intensive, trade-
19 exposed process, an emissions intensity benchmark that is consistent
20 with that provided in similar emissions reduction programs in other
21 jurisdictions for covered entities in the same industry.

22 (4) The rules must provide a means for attributing a covered
23 entity's emissions to the manufacture of individual goods and
24 requirements for providing pertinent records to verify the output
25 data used to calculate the emissions intensity benchmark.

26 (5) The annual allocation of allowances for direct distribution
27 to an entity described under or designated pursuant to this section
28 must be equal to the sum of the annual benchmarked emissions
29 calculations for the goods manufactured by the entity, multiplied by:

30 (a) During calendar year 2024, one hundred percent;

31 (b) Beginning in 2025 and for each year thereafter through 2050,
32 a percentage that is adjusted annually, as set forth in a schedule
33 adopted by the department by rule. The schedule must result in an
34 amount of annual allowances that a covered entity may receive under
35 this section and from the allowance price containment reserve that
36 declines annually by a constant amount proportionate to the decline
37 in the amount of allowances available in annual allowance budgets
38 pursuant to section 4 of this act.

39 (6) By 2025, and once every two years thereafter, the department
40 shall conduct a review of the rules adopted under this section and

1 any updated data and analysis to determine whether updates to the
2 rules are necessary to:

3 (a) Mitigate leakage by covered entities engaged in energy-
4 intensive, trade-exposed processes;

5 (b) Prevent allocation to covered entities of allowances under
6 this section that are in excess of the allocation necessary to
7 mitigate leakage;

8 (c) Update the applicable emissions intensity benchmarks for any
9 energy-intensive, trade-exposed processes; and

10 (d) Revise the scope of industries designated by rule as energy-
11 intensive, trade-exposed under this section.

12 (7) The department shall by rule provide for covered entities to
13 apply to the department for an adjustment to the allocation for
14 direct distribution of allowances. The department may grant the
15 adjustment based only on either:

16 (a) A significant change in the emissions attributable to the
17 manufacture of an individual good or goods in this state by a covered
18 entity based on a finding by the department that an adjustment is
19 necessary to accommodate for changes in the manufacturing process
20 that have a material impact on emissions; or

21 (b) Significant changes to a covered entity's external
22 competitive environment that result in a significant increase in
23 leakage risk.

24 NEW SECTION. **Sec. 8. ELECTRICITY SUPPLIERS.** (1) In order to
25 mitigate the impact of rates or charges on citizens of the state for
26 electricity services, by January 1, 2021, the department, in
27 consultation and collaboration with both the department of commerce
28 and the utilities and transportation commission, shall adopt rules
29 for allocation of allowances at no cost to covered entities listed in
30 section 5(1) (b) and (c) of this act. The rules must establish a
31 schedule for 2021 through 2035 that provides for distribution of
32 allowances in a calendar year that equals the annual average of the
33 preceding three years of emissions attributable to the covered
34 entity's supply of electricity to Washington customers and that is
35 consumed in the state. By January 1, 2035, the department must adopt
36 rules providing the method for distribution of no-cost allowances to
37 electricity providers during calendar years 2036 through 2050. The
38 department may contract with third-party experts not financially
39 affiliated with electricity providers to assist the department in

1 gathering data and conducting analyses as necessary to implement the
2 provisions of this section.

3 (2) The department shall require an electricity provider to
4 consign all allowances directly distributed under this section to the
5 state to be auctioned pursuant to section 11 of this act. The
6 proceeds shall be remitted to the provider and must be used
7 exclusively for the benefit of the utility's customers to minimize
8 the impacts of sections 2 through 20 of this act. The provider must
9 develop a plan for meeting the requirements of this subsection. The
10 utilities and transportation commission as to electric companies, and
11 the department of commerce as to consumer-owned utilities, must adopt
12 rules regarding plan development, public participation, and the
13 content of the plans. The plans must identify a portfolio of
14 mechanisms to assist customers including, but not limited to,
15 weatherization, energy efficiency, electrification of heating in
16 buildings, electric vehicle incentives, and infrastructure. The plans
17 must also provide that no less than fifty percent of the proceeds
18 from the sale of allowances consigned to the state for auction be
19 used for nonvolumetric credits or other rate relief to the provider's
20 customers.

21 (3) By December 31, 2021, the department, the department of
22 commerce, and the utilities and transportation commission shall
23 provide a report to the appropriate committees of the legislature
24 that analyzes the implications of the emerging energy imbalance
25 market and a fully regionalized grid for allowance allocation to
26 covered entities that are electricity providers.

27 NEW SECTION. **Sec. 9.** NATURAL GAS SUPPLIERS. (1) The department
28 shall adopt rules for allocating allowances for direct distribution
29 at no-cost to covered entities that are natural gas utilities. The
30 rules must provide that, for 2022, no-cost allowances be distributed
31 that are not less than percent of the weather normalized
32 anthropogenic greenhouse gas emissions forecast, for 2022, to be
33 regulated emissions attributable to the natural gas utility.
34 Beginning in 2023 and for each year through 2035, the direct
35 distribution must decline annually by a constant amount proportionate
36 to the decline in the number of allowances available in annual
37 allowance budgets pursuant to section 4 of this act.

38 (2) The department shall require a natural gas utility to consign
39 all allowances directly distributed under this section to the state

1 to be auctioned pursuant to section 11 of this act. The proceeds must
2 be remitted to the utility and must be used exclusively for the
3 benefit of the utility's customers to minimize the impacts of
4 sections 2 through 20 of this act. All proceeds from auctioning an
5 amount of allowances distributed pursuant to this section equal to
6 the covered emissions attributable to the provision of natural gas to
7 the utility's low-income customers must be used to provide for rate
8 relief to the low-income customers. A natural gas utility must
9 develop a plan for meeting the requirements of this subsection, and
10 file the plan with the utilities and transportation commission,
11 consistent with rules specified by the commission. The commission's
12 rules must also provide for public participation in the development
13 of the plan. The plan must identify a portfolio of mechanisms to
14 assist customers including, but not limited to, weatherization and
15 more efficient residential, commercial, and industrial use of natural
16 gas, development of renewable natural gas supplies and
17 infrastructure, including provision of such fuels to vehicles within
18 the utility's service territory. The plan must place the highest
19 priority upon assistance to the utility's low-income customers, and
20 must provide that no less than twenty-five percent of the proceeds
21 from the sale of allowances consigned to the state for auction be
22 used for nonvolumetric credits or other rate relief for residential
23 customers.

24 (3) A natural gas utility that delivers natural gas to a customer
25 that is a covered entity or opt-in entity may not include in the rate
26 or bill charged to the customer any costs associated with compliance
27 by the natural gas utility with sections 2 through 20 of this act.

28 NEW SECTION. **Sec. 10.** UTILITIES AND TRANSPORTATION COMMISSION
29 OVERSIGHT OF CUSTOMER RATES. The utilities and transportation
30 commission shall ensure that its processes and mechanisms allow
31 timely cost recovery for prudent and reasonable costs associated with
32 compliance with this act that are incurred by electricity suppliers
33 and natural gas suppliers under its jurisdiction.

34 NEW SECTION. **Sec. 11.** ALLOWANCE DISTRIBUTION THROUGH AUCTIONS.
35 (1) Except as provided in sections 7 and 8 of this act, the
36 department shall distribute allowances through auctions as provided
37 in this section and section 12 of this act, and in rules adopted by

1 the department to implement these sections. An allowance is not a
2 property right.

3 (2) The department shall hold a maximum of four auctions
4 annually. An auction may include allowances from the annual allowance
5 budget of the current year and allowances from the annual allowance
6 budgets from prior years that remain to be distributed. The
7 department must make future vintage allowances available through
8 separate auctions at least twice annually in addition to the auctions
9 through which current vintage allowances are exclusively offered.

10 (3) The department shall engage a qualified, independent
11 contractor to run the auctions. The department shall also engage a
12 qualified financial services administrator to hold the bid
13 guarantees, evaluate bid guarantees, and inform the department of the
14 value of bid guarantees once the bids are accepted.

15 (4) To help minimize allowance price volatility in the auction
16 and any secondary markets, the department shall adopt by rule an
17 auction floor price and a schedule for the floor price to increase by
18 a predetermined amount every year through 2030. The department shall
19 not sell allowances at bids lower than the auction floor price. The
20 department's rules must specify holding limits that determine the
21 maximum number of allowances that may be held for use or trade by a
22 registered entity at any one time. The department shall also
23 establish an auction ceiling price to limit extraordinary prices and
24 to determine when to offer allowances through the allowance price
25 containment reserve auctions authorized under section 12 of this act.

26 (5) Auctions are open to covered entities, opt-in entities, and
27 general market participants that are registered entities in good
28 standing. The department shall adopt by rule the requirements for a
29 registered entity to register and participate in a given auction.

30 (a) Registered entities intending to participate in an auction
31 must submit an application to participate at least thirty days prior
32 to the auction. The application must include the documentation
33 required for review and approval by the department. A registered
34 entity is eligible to participate only after receiving a notice of
35 approval by the department.

36 (b) Each registered entity that elects to participate in the
37 auction must have a different representative. Only a representative
38 with an approved auction account is authorized to access the auction
39 platform to submit an application or confirm the intent to bid for
40 the registered entity, submit bids on behalf of the registered entity

1 during the bidding window, or to download reports specific to the
2 auction.

3 (6) To protect the integrity of the auctions, a registered entity
4 or group of registered entities with a direct corporate association
5 are subject to the following auction purchase limits:

6 (a) A covered entity or an opt-in entity may not buy more than
7 twenty-five percent of the allowances offered during a single
8 auction;

9 (b) A general market participant may not buy more than four
10 percent of the allowances offered during a single auction;

11 (c) No registered entity may buy more than the entity's bid
12 guarantee; and

13 (d) No registered entity may buy allowances that would exceed the
14 entity's holding limit at the time of the auction.

15 (7) Upon completion of the auction results, the financial
16 services administrator shall notify winning bidders and transfer the
17 auction proceeds to the state treasurer for deposit in the carbon
18 pollution reduction account created in section 21 of this act.

19 (8) The department shall adopt by rule provisions to guard
20 against bidder collusion and minimize the potential for market
21 manipulation. A registered entity may not release or disclose any
22 bidding information including: Intent to participate or refrain from
23 participation; auction approval status; intent to bid; bidding
24 strategy; bid price or bid quantity; or information on the bid
25 guarantee provided to the financial services administrator. The
26 department may cancel or restrict a previously approved auction
27 participation application or reject a new application if the
28 department determines that a registered entity has:

29 (a) Provided false or misleading facts;

30 (b) Withheld material information that could influence a decision
31 by the department;

32 (c) Violated any part of the auction rules;

33 (d) Violated registration requirements; or

34 (e) Violated any of the rules regarding the conduct of the
35 auction.

36 (9) Any cancellation or restriction approved by the department
37 may be permanent or for a specified number of auctions and the
38 cancellation or restriction imposed is in addition to any other
39 penalties, fines, and additional remedies available under the law.

1 (10) The department shall design allowance auctions so as to
2 allow, to the maximum extent practicable, linking with external
3 greenhouse gas emissions trading programs in other jurisdictions and
4 to facilitate the transfer of allowances when the state's program is
5 linked with other external greenhouse gas emissions trading programs.
6 The department may conduct auctions jointly with other jurisdictions
7 with which it has a linkage agreement under section 17 of this act.
8 For joint auctions, the financial services administrator, the market
9 monitor, and the auction administrator must be the same as the one
10 employed by those jurisdictions.

11 NEW SECTION. **Sec. 12.** ALLOWANCE PRICE CONTAINMENT RESERVE. (1)
12 During years 2021 through 2023, the department shall place not less
13 than four percent of the total number of allowances available from
14 the allowance budgets for those years in an allowance price
15 containment reserve. The reserve must be designated as a mechanism to
16 assist in containing compliance costs for covered and opt-in entities
17 in the event of unanticipated high costs for compliance instruments.

18 (2) The department shall adopt rules for holding auctions of
19 allowances from the price containment reserve when the settlement
20 prices in the preceding auction approach the adopted auction ceiling
21 price. The auction must be separate from auctions of other
22 allowances. Allowances unsold through the reserve auction must be
23 made available again at future reserve auctions.

24 (3) Only covered and opt-in entities may participate in the
25 auction of allowances from the allowance price containment reserve.

26 (4) The process for reserve auctions is the same as the process
27 provided in section 11 of this act and the proceeds from reserve
28 auctions must be treated the same.

29 (5) The department shall by rule:

30 (a) Set the reserve auction floor price in advance of the reserve
31 auction. The department shall set the reserve auction floor price
32 high enough to incentivize direct emissions reductions. The
33 department may choose to establish multiple price tiers for the
34 allowances from the reserve;

35 (b) Establish the requirements and schedule for the allowance
36 price containment reserve auctions; and

37 (c) Establish the amount of allowances to be placed in the
38 allowance price containment reserve after the compliance period
39 ending in 2023.

1 NEW SECTION. **Sec. 13.** EMISSIONS CONTAINMENT RESERVE. (1) The
2 department shall establish an emissions containment reserve for the
3 purpose of reserving allowances otherwise scheduled for distribution
4 under the annual budget when auction prices in two or more recent
5 auctions demonstrate that achievement of the annual caps and emission
6 limits of RCW 70.235.020 may be in jeopardy.

7 (2) The department shall by rule adopt criteria for placing
8 emission allowances in such a reserve, including the auction price
9 levels at which the allowances may be placed in the reserve, the
10 amount of allowances to be placed in the reserve, and the criteria
11 for retiring the allowances permanently or distributing the
12 allowances in future auctions.

13 NEW SECTION. **Sec. 14.** OFFSET CREDITS. (1) The department shall
14 adopt by rule the protocols for establishing offset projects and
15 securing offset credits that may be used to meet a portion of a
16 covered or opt-in entity's compliance obligation under section 15 of
17 this act.

18 (2) Offset projects:

19 (a) Must be located in the United States or in a jurisdiction
20 with which the department has entered into a linkage agreement
21 pursuant to section 17 of this act;

22 (b) Must result in greenhouse gas reductions or removals that:

23 (i) Are real, specific, permanent, quantifiable, verifiable, and
24 enforceable; and

25 (ii) Are in addition to greenhouse gas emissions reductions or
26 removals otherwise required by law and other greenhouse gas emissions
27 reductions or removals that would otherwise occur;

28 (c) Must have been certified by a recognized registry within two
29 years prior to the effective date of this section;

30 (d) May include programs, activities, or projects that improve
31 energy efficiency, including district energy, and investments in
32 market transformation of energy efficiency products; and

33 (e) May include programs, activities, or projects that result in
34 direct air carbon capture and storage, and sequestration of carbon in
35 forests and other terrestrial and aquatic areas.

36 (3) (a) A total of no more than eight percent of a covered or opt-
37 in entity's compliance obligation during the years 2021 through 2023
38 may be met by surrendering offset credits. During these years, at
39 least seventy-five percent of a covered entity's compliance

1 obligation satisfied by offset credits must be sourced from offset
2 projects that are located within the state of Washington or that
3 provide direct environmental benefits in the state.

4 (b) A total of no more than eight percent of a covered or opt-in
5 entity's compliance obligation during the years 2024 through 2034 may
6 be met by surrendering offset credits. During these years, at least
7 ninety percent of a covered entity's compliance obligation satisfied
8 by offset credits must be sourced from offset projects that are
9 located within the state of Washington or that provide direct
10 environmental benefits in the state.

11 (c) The limits in (a) and (b) of this subsection may be modified
12 by rules adopted by the department when appropriate to ensure
13 achievement of the statewide emissions limits established in RCW
14 70.235.020 and to provide for alignment with other jurisdictions to
15 which the state has entered or proposes to enter a linkage agreement.
16 To the extent practicable, the department may not allow the net
17 quantity of surrendered allowances and in-state offsets to exceed the
18 total compliance obligation of all covered parties.

19 (d) The department may by rule adopt additional restrictions on
20 the number of offset credits that may be surrendered by a covered
21 entity or opt-in entity that is geographically located within a
22 nonattainment area and the operations of the entity substantially
23 contributes to or causes the nonattainment of air quality standards.

24 (4) In adopting protocols governing offset projects and covered
25 and opt-in entities' use of offset credits, the department shall:

26 (a) Take into consideration standards, rules, or protocols for
27 offset projects and offset credits established by other states,
28 provinces, and countries with programs comparable to the program
29 established in this chapter;

30 (b) Encourage opportunities for the development of offset
31 projects in this state by adopting offset protocols that may include,
32 but need not be limited to, protocols that make use of aggregation or
33 other mechanisms to reduce transaction costs related to the
34 development of offset projects;

35 (c) Consult with and consider the recommendations of the advisory
36 committee required by subsection (6) of this section, and the
37 departments of agriculture, commerce, and natural resources, and
38 other relevant agencies;

39 (d) Adopt a process for monitoring and invalidating offset
40 credits as necessary to ensure the credit reflects emissions

1 reductions or removals that continue to meet the standards required
2 by subsection (1) of this section. If an offset credit is
3 invalidated, the covered or opt-in entity must, within six months of
4 the invalidation, surrender replacement credits or allowances to meet
5 its compliance obligation. Failure to surrender the required credits
6 or allowances is a violation subject to penalties as provided in
7 section 16 of this act;

8 (e) Encourage opportunities for developing offset projects that
9 provide direct environmental benefits to the state and allow for the
10 broadest possible variety and types of projects;

11 (f) Regularly review and update offset protocols and support the
12 development and inclusion of new protocols that offer compelling
13 cobenefits to the state and impacted communities.

14 (5) The offset credit must be registered and tracked as a
15 compliance instrument under section 19 of this act.

16 (6) The director shall appoint a compliance offsets protocol
17 advisory committee to advise the department in adopting and updating
18 rules governing offset projects and covered and opt-in entities' use
19 of offset credits. The advisory committee shall provide guidance in
20 developing protocols for the purposes of increasing offset projects
21 with direct environmental benefits in this state while prioritizing
22 projects that benefit highly impacted communities, Indian tribes, and
23 natural and working lands. The director shall appoint at least one
24 member to the advisory committee from each of the following groups:

25 (a) Scientists;

26 (b) Public health experts;

27 (c) Carbon market experts;

28 (d) Representatives of Indian tribes;

29 (e) A member of the environmental and economic justice panel
30 created in section 28 of this act;

31 (f) Labor and workforce representatives;

32 (g) Forestry experts;

33 (h) Agriculture experts;

34 (i) Environmental advocates;

35 (j) Conservation advocates;

36 (k) Dairy experts; and

37 (l) Covered entities.

38 NEW SECTION. **Sec. 15.** COMPLIANCE REQUIREMENTS. (1) A covered or
39 opt-in entity has a compliance obligation for its emissions during

1 each three-year compliance period, with the first compliance period
2 commencing January 1, 2021, except that the covered entities
3 designated in or pursuant to section 7 of this act have a compliance
4 obligation beginning with the compliance period commencing January 1,
5 2024. A covered or opt-in entity shall surrender a number of
6 compliance instruments equal to their allocated allowances under
7 section 4 of this act as follows:

8 (a) By November 1, 2022, and every three years thereafter by
9 November 1st, thirty percent of a covered or opt-in entities'
10 compliance obligation for the previous year's covered emissions must
11 be submitted.

12 (b) By November 1, 2023, and every three years thereafter by
13 November 1st, thirty percent of a covered or opt-in entities'
14 compliance obligation for the previous year's covered emissions must
15 be submitted.

16 (c) By November 1, 2024, and every three years thereafter by
17 November 1st, compliance instruments covering the remainder of their
18 emissions for the preceding three-year compliance period must be
19 submitted.

20 (d) Submission of allowances occurs through the transfer of
21 compliance instruments, on or before the surrender date, from the
22 holding account to the compliance account of the covered or opt-in
23 entity as described in section 19 of this act.

24 (2) A covered or opt-in entity submitting insufficient compliance
25 instruments to meet its compliance obligation is subject to a penalty
26 as provided in section 16 of this act.

27 (3) Surrendered allowances must be from an allowance budget year
28 that is from the current year or any previous compliance years. A
29 covered entity must surrender an allowance with the oldest vintage
30 year first.

31 (4) An emission allowance may be surrendered in the same
32 compliance period in which it is created or in a future compliance
33 year.

34 (5) In determining the eligibility of allowances toward future
35 compliance years, the department shall consider policies in other
36 jurisdictions and the optimal period of time in which banking
37 allowances benefits early action and limits price volatility.

38 (6) A covered or opt-in entity may not borrow an allowance from a
39 future allowance year to meet a current or past compliance
40 obligation.

1 (7) A covered or opt-in entity may bank allowances for use to
2 meet future compliance obligations consistent with subsections (3)
3 and (4) of this section.

4 (8) A compliance instrument representing an offset credit
5 provided by an entity pursuant to section 14 of this act may be
6 submitted to meet a compliance obligation.

7 (9) Upon receipt by the department of all compliance instruments
8 surrendered by a covered or opt-in entity to meet its compliance
9 obligation, the department shall retire the allowances or offset
10 credits.

11 NEW SECTION. **Sec. 16.** ENFORCEMENT. (1) If a covered or opt-in
12 entity does not submit sufficient allowances to meet its compliance
13 obligation by the specified surrender dates, a penalty of two hundred
14 dollars must be imposed for every one allowance that is missing.
15 Beginning with compliance year 2025, the penalty amount must be
16 adjusted on an annual basis according to the rate of change of the
17 inflation indicator, gross domestic price deflator, as published by
18 the bureau of economic analysis of the United States department of
19 commerce or its successor.

20 (2) The department may issue an order or issue a penalty of up to
21 ten thousand dollars per day per violation, or both, for a violation
22 of this chapter or the rules adopted under this chapter, including
23 failure to remit the penalty imposed under subsection (1) of this
24 section within six months of issuance of the notice of the penalty.

25 (3) Appeals of orders and penalties issued under this chapter
26 must be to the pollution control hearings board under chapter 43.21B
27 RCW.

28 (4) For the first compliance period, the department may reduce
29 the amount of the penalty by adjusting the monetary amount or the
30 number of penalty allowances described in subsections (1) and (2) of
31 this section.

32 NEW SECTION. **Sec. 17.** LINKING TO PROGRAMS IN OTHER
33 JURISDICTIONS. (1) The department shall seek to link with other
34 jurisdictions with established market-based carbon emissions
35 reduction programs in order to:

36 (a) Allow for the mutual use and recognition of compliance
37 instruments issued by Washington and other linked jurisdictions;

1 (b) Broaden the carbon market to provide Washington businesses
2 with greater flexibility and opportunities for reduced costs to meet
3 their compliance obligations;

4 (c) Enable allowance auctions to be held jointly and provide for
5 the use of a unified tracking system for compliance instruments;

6 (d) Enhance market security;

7 (e) Reduce program administration costs; and

8 (f) Provide consistent requirements for covered entities whose
9 operations span jurisdictional boundaries.

10 (2) The department is authorized to execute linkage agreements
11 with other jurisdictions with established market-based carbon
12 emissions reduction programs consistent with the requirements in this
13 chapter and rules adopted by the department. The department must
14 adopt a rule prior to executing a linkage agreement. The rule must be
15 supported by peer-reviewed economic analysis of the impacts of the
16 linkage agreement. A linkage agreement must cover the following:

17 (a) Provisions relating to quarterly auctions, including
18 requirements for eligibility for auction participation, the use of a
19 single auction provider to facilitate joint auctions, publication of
20 auction-related information, processes for auction participation,
21 purchase limits by auction participant type, bidding processes, dates
22 of auctions, and financial requirements;

23 (b) Provisions related to holding limits to ensure no entities in
24 any of the programs are disadvantaged relative to their counterparts
25 in the other jurisdictions;

26 (c) Other requirements, such as greenhouse gas reporting and
27 verification, offset protocols, criteria and process, and supervision
28 and enforcement, to prevent fraud, abuse, and market manipulation;

29 (d) Common program registry, electronic auction platform,
30 tracking systems for compliance instruments, and monitoring of
31 compliance instruments;

32 (e) Provisions to ensure coordinated administrative and technical
33 support;

34 (f) Provisions for public notice and participation; and

35 (g) Provisions to collectively resolve differences, amend the
36 agreements, and delink or otherwise withdraw from the agreements.

37 (3) The state must retain legal and policymaking authority over
38 its program design and enforcement.

1 NEW SECTION. **Sec. 18.** ALLOWANCE MARKET MONITORING AND
2 OVERSIGHT. (1) The department shall contract with an independent
3 organization to provide the following services relating to the
4 functioning of the compliance instrument market:

5 (a) Creating a market monitoring and security plan;

6 (b) Reviewing auction and reserve sale procedures and protocols
7 to ensure fair and competitive auctions;

8 (c) Auditing and monitoring the auctions to assess the adherence
9 of participants and the auction operator to the adopted procedures
10 and protocols;

11 (d) Monitoring compliance instrument holding, transfer activity,
12 and secondary market behavior;

13 (e) Preparing reports on auction results, market activities, and
14 trends; and

15 (f) Reviewing program guidance documents, program rules, and
16 other policies to mitigate market risk and improve the efficiency of
17 the auctions and market activities.

18 (2) The department shall coordinate with existing state and
19 federal market regulatory agencies, including the United States
20 commodity futures trading commission, to ensure that all regulatory
21 requirements for conducting trading in allowances are met. The
22 department may consult with other jurisdictions administering
23 emissions trading programs to observe and track market participant
24 behavior across multiple emission trading venues.

25 (3) The department shall create a carbon markets advisory
26 committee to provide advice and guidance to the department in the
27 design and implementation of the emissions allowance auctions and
28 compliance elements of the program authorized in this chapter. The
29 committee must be composed of experts in emissions trading design
30 with academic, nonprofit, governmental, private sector, or other
31 relevant backgrounds. Committee members must not have a financial
32 conflict with covered or opt-in entities or general market
33 participants under the program authorized in this chapter. By July 1,
34 2022, and by July 1st every two years thereafter, the committee shall
35 provide an independent assessment of the market monitoring functions
36 and performance of the program.

37 NEW SECTION. **Sec. 19.** ALLOWANCE TRADING AND TRACKING COMPLIANCE
38 INSTRUMENTS. (1) The department shall use a secure, online electronic
39 tracking system to: Register entities in the state program; issue

1 compliance instruments; track ownership of compliance instruments;
2 enable and record compliance instrument transfers; facilitate program
3 compliance; and support market oversight. The department may use an
4 existing market tracking system in use by jurisdictions to which it
5 seeks to link programs.

6 (2) Covered and opt-in entities are each allowed two accounts:

7 (a) A compliance account where the allowances are transferred to
8 the department for retirement. Allowances in compliance accounts may
9 not be sold, traded, or transferred to another account or person.

10 (b) A holding account that is used when a registered entity is
11 interested in trading allowances. Allowances in holding accounts may
12 be bought, sold, or traded. The amount of allowances a registered
13 entity may have in its holding account is constrained by the holding
14 limit.

15 (3) Registered general market participants are each allowed an
16 account, to hold, trade, sell, or surrender allowances.

17 (4) The department shall maintain an account for the purpose of
18 retiring allowances surrendered by registered entities.

19 (5) The department may establish or use other existing tracking
20 systems as needed for a functioning carbon market.

21 NEW SECTION. **Sec. 20.** PUBLIC RECORDS. In the administration of
22 the program required by this chapter, the department shall ensure the
23 protection from public disclosure of financial, commercial, and
24 proprietary information whose release would place the registered
25 entity submitting the information at a competitive disadvantage. The
26 department shall require any of its contractors working on the
27 program to comply with the disclosure requirements of RCW 42.56.070
28 and 42.56.270. Nothing in this chapter affects the department's
29 ability to release air quality data or emissions data pursuant to RCW
30 70.94.205.

31 NEW SECTION. **Sec. 21.** CARBON POLLUTION REDUCTION ACCOUNT
32 CREATED. (1) The carbon pollution reduction account is created in the
33 state treasury. All receipts by the state from the distribution of
34 allowances under sections 1 through 20 of this act must be deposited
35 in the account. Moneys in the account may be spent only after
36 appropriation. Moneys in the account must first be appropriated for
37 the administration of chapter . . . , Laws of 2020 (this act).

1 (2) Beginning July 1, 2021, and annually thereafter, the state
2 treasurer shall distribute funds in the account as follows:

3 (a) percent of the moneys to the energy transformation
4 account created in section 22 of this act;

5 (b) percent of the moneys to the energy transition
6 assistance account created in section 23 of this act;

7 (c) percent of the moneys to the climate impacts
8 resilience account created in section 27 of this act; and

9 (d) percent of the moneys to the strategic
10 transportation investment account created in section 31 of this act.

11 NEW SECTION. **Sec. 22.** ENERGY TRANSFORMATION ACCOUNT. (1) The

12 energy transformation account is created in the state treasury. The
13 account must receive moneys distributed to the account from the
14 carbon pollution reduction account created in section 21 of this act,
15 any penalty moneys received under section 14 of this act, as well as
16 other moneys directed to the account by the legislature. Moneys in
17 the account may only be spent after appropriation. Moneys in the
18 account must be used by the department of commerce for projects and
19 incentive programs that yield verifiable reductions in carbon
20 pollution in excess of current practices.

21 (2) Projects and programs eligible for funding from the account
22 must be physically located in Washington state and include but are
23 not limited to the following:

24 (a) Programs, activities, or projects that deploy renewable
25 energy resources, such as solar and wind power, and projects to
26 deploy distributed generation, energy storage, demand side
27 technologies and strategies, and other grid modernization projects;

28 (b) Programs, activities, or projects that increase the energy
29 efficiency or reduce carbon emissions of industrial facilities
30 including, but not limited to, proposals to implement combined heat
31 and power, district energy, or on-site renewables, such as solar and
32 wind power, to upgrade the energy efficiency of existing equipment,
33 to reduce process emissions, and to switch to less carbon intensive
34 fuel sources;

35 (c) Programs, activities, or projects that achieve energy
36 efficiency or emissions reductions in the agricultural sector
37 including fertilizer management, soil management, bioenergy, and
38 biofuels;

1 (d) Programs, activities, or projects that increase energy
2 efficiency and electrification in new and existing buildings, or that
3 promote low-carbon architecture, including use of newly emerging
4 alternative building materials that result in a lower carbon
5 footprint in the built environment over the life cycle of the
6 building and component building materials;

7 (e) Programs, activities, or projects that improve energy
8 efficiency, including district energy, and investments in market
9 transformation of energy efficiency products; and

10 (f) Programs, activities, or projects that result in
11 sequestration of carbon in forests, agricultural soils, and other
12 terrestrial and aquatic areas.

13 (3) Public entities including, but not limited to, state
14 agencies, municipal corporations, and federally recognized Indian
15 tribes, as well as private entities, both not-for-profit and for-
16 profit, subject to constitutional limitations, are eligible to
17 receive energy transformation account funds authorized by this
18 section.

19 (4) Projects, activities, and programs must meet all of the
20 following criteria to be eligible for funding. Emissions reductions
21 from the funding must be:

22 (a) Real, specific, identifiable, and quantifiable;

23 (b) Permanent: The department must survey other jurisdictions and
24 make a reasonable determination on length of time recognizing the
25 advantages of near-term reductions and the potential for future
26 technology to mitigate the long-term release of greenhouse gas
27 emissions into the atmosphere; and

28 (c) Verifiable. The projects funded under this section must
29 demonstrate procurement from and contracts with women, minority, or
30 veteran-owned businesses; procurement from and contracts with
31 entities that have a history of complying with federal and state wage
32 and hour laws and regulations; apprenticeship utilization; and
33 preferred entry for workers living in the area where the project is
34 being constructed.

35 (5) Projects or activities funded under this section must meet
36 high labor standards, including family level wages, providing
37 benefits including health care and pensions, and maximize access to
38 economic benefits from such projects for local workers and diverse
39 businesses. The projects funded under this section must demonstrate
40 procurement from and contracts with women, minority, or veteran-owned

1 businesses; procurement from and contracts with entities that have a
2 history of complying with federal and state wage and hour laws and
3 regulations; apprenticeship utilization; and preferred entry for
4 workers living in the area where the project is being constructed.

5 (6) Funding may be provided for incremental carbon reductions
6 from projects that have already secured funding, but can furnish more
7 carbon reductions with additional resources.

8 (7) Recipients of funding for projects must submit to the
9 department a progress report at a date or dates to be determined by
10 the department. The progress report must include the following, in
11 addition to any other information the department may require:

12 (a) A summary of the investments made and technology or other
13 changes installed and deployed; and

14 (b) Verification of the avoided greenhouse gas emissions since
15 the date of the signed contract or the last report from a qualified
16 third party, as identified by the department of commerce. The
17 qualified third party must report on:

18 (i) Whether the project was built or implemented according to the
19 proposed design and any protocols or methodologies that were
20 referenced in the proposal, as approved in the funding contract;

21 (ii) A verification plan that details the methods used to
22 evaluate the project;

23 (iii) Their review of the recipient's accounting of current and
24 projected emissions reductions;

25 (iv) The site visits conducted by verifiers; and

26 (v) Any additional data the department identifies by rule to
27 sufficiently evaluate the project and to provide the highest level of
28 integrity and verification for the emissions reductions.

29 (8) The department must design project funding contracts, monitor
30 project implementation, and track contract performance, to actively
31 assist the project proponent in securing the expected project
32 outcomes. The department may suspend or terminate funding when
33 projects do not achieve projected reductions as provided in the
34 funding agreement and, in cases of gross misuse of funds, may require
35 a return of grant funding.

36 (9) A minimum of ten percent of the total investment of funds
37 from the energy transformation account must fund programs,
38 activities, or projects that are located within the boundaries of
39 highly impacted areas identified pursuant to section 25 of this act.

1 (10) The department must develop an electronic database available
2 to the public to track projects and incentive programs receiving
3 funding under this section. Projects must be ranked and sortable
4 based on quantitative performance metrics, including the avoided cost
5 of a ton of carbon dioxide.

6 (11) The department must develop an implementation plan for
7 providing funding under this section. The implementation plan,
8 together with recommendations for appropriations and recommended
9 legislative action, must be provided to the climate oversight board
10 created in section 30 of this act and to the governor and appropriate
11 committees of the senate and house of representatives by December 31,
12 2020.

13 NEW SECTION. **Sec. 23.** ENERGY TRANSITION ASSISTANCE ACCOUNT. The
14 energy transition assistance account is created in the state
15 treasury. The account must receive moneys distributed to the account
16 from the carbon pollution reduction account created in section 21 of
17 this act as well as other moneys directed to the account by the
18 legislature. Moneys in the account may only be spent after
19 appropriation. Moneys in the account may only be used for the
20 purposes described in sections 24 and 26 of this act.

21 NEW SECTION. **Sec. 24.** ENERGY TRANSITION ASSISTANCE TO LOW-
22 INCOME HOUSEHOLDS. (1) Using funds appropriated from the account
23 created in section 23 of this act, the department of commerce must
24 provide for an equitable transition to a clean energy economy by
25 providing funding to assist low-income households during that
26 transition with increased energy prices that have a disproportionate
27 impact upon such households, tribal members, and vulnerable
28 communities, and to provide access to clean energy and low-carbon
29 housing, transportation options, and technologies to those with
30 greater barriers and where pollution is concentrated. Funding must
31 also be provided to displaced fossil fuel-related industry workers.

32 (2) Funding must be prioritized to mitigate for the additional
33 energy and transportation costs borne by low-income persons as a
34 result of this chapter and other policies and programs that reduce
35 fossil fuels in the state's energy fuel mix. Funding must also be
36 prioritized to provide assistance to displaced fossil fuel-related
37 industries' workers as provided under section 26 of this act.
38 Remaining funds must be used to reduce carbon pollution and reduce

1 vulnerable population characteristics or environmental burdens in
2 highly impacted communities designated by the department of health
3 under section 25 of this act.

4 (3) Transition assistance may include direct financial assistance
5 in the form of a grant, subsidy, rebate, or other similar financial
6 benefit or product including:

7 (a) Expansion of or increases to existing programs and
8 authorizations administered by the department of social and health
9 services;

10 (b) Expansion of or increases to existing regional community
11 health programs administered by the health care authority;

12 (c) New programs that efficiently enable direct financial
13 assistance; or

14 (d) Energy bill pay subsidies, energy efficiency and
15 weatherization assistance and services, public health programs and
16 services, affordable transportation services and options, affordable
17 housing, and improved community services.

18 (4) The department must develop an implementation plan for
19 providing assistance under this section. The implementation plan,
20 together with recommendations for appropriations and recommended
21 legislative action, must be provided to the climate oversight board
22 created in section 30 of this act and to the governor and appropriate
23 committees of the senate and house of representatives by December 31,
24 2021.

25 (5) The department must consult with and accord substantial
26 weight to the recommendations of the environmental and economic
27 justice panel created in section 28 of this act, both in the
28 development of the implementation plan and in developing biennial
29 spending plans for assistance to be provided from funds from the
30 account.

31 (6) As used in the section, "low-income households" means those
32 Washington residents with an annual income, adjusted for household
33 size, that are at or below the greater of:

34 (a) Eighty percent of the area median income as reported by the
35 federal department of housing and urban development; or

36 (b) Two hundred percent of the federal poverty line; and all
37 members of an Indian tribe who meet the income-based criteria for
38 other means-tested benefits through formal resolution by the
39 governing council of an Indian tribe.

1 NEW SECTION. **Sec. 25.** IDENTIFICATION OF HIGHLY IMPACTED
2 COMMUNITIES. (1) The department of health, as required under RCW
3 19.405.140, must designate highly impacted communities at the census
4 tract level after completing a statewide analysis of environmental
5 disparities and their cumulative impacts on communities.

6 (2) By March 1, 2024, and every two years thereafter, the
7 department of health, under advisement from the environmental and
8 economic justice panel created in section 28 of this act, must update
9 communities designated as highly impacted communities pursuant to
10 this section. By March 1, 2025, and every four years thereafter, the
11 department of health must review and consider revisions to reflect
12 best practices, to the methodology used to analyze environmental
13 disparities for designating highly impacted communities.

14 NEW SECTION. **Sec. 26.** FOSSIL FUEL INDUSTRY WORKER ASSISTANCE.

15 (1) From funds appropriated from the energy transition assistance
16 account created in section 23 of this act, the department of commerce
17 must develop a worker support program for bargaining unit and
18 nonsupervisory fossil fuel industry workers who are affected by the
19 transition away from fossil fuels to a clean energy economy. The
20 department, in consultation with the environmental and economic
21 justice panel created in section 28 of this act, may allocate
22 additional funding, if necessary to meet the needs of eligible
23 workers in the event of unforeseen or extraordinary amounts of
24 dislocation.

25 (2) The department must develop an implementation plan for
26 investments to be made to assist displaced fossil fuel industry
27 workers. The department must consult with and accord substantial
28 weight to the recommendations of the environmental and economic
29 justice panel created in section 28 of this act, both in the
30 development of the implementation plan and in developing biennial
31 spending plans for assistance to be provided with funds from the
32 account. The investment plan must be completed by December 31, 2020,
33 and provided to the climate oversight board created in section 30 of
34 this act, and to the governor and appropriate committees of the
35 senate and house of representatives.

36 NEW SECTION. **Sec. 27.** CLIMATE IMPACTS RESILIENCE ACCOUNT. (1)
37 The climate impacts resilience account is created in the state
38 treasury. The account must receive moneys distributed to the account

1 from the carbon pollution reduction account created in section 21 of
2 this act as well as other moneys directed to the account by the
3 legislature. Moneys in the account may only be spent after
4 appropriation.

5 (2) On a biennial basis, at least half of the funds from the
6 account must be used for the following purposes:

7 (a) Enhancing community preparedness and awareness before,
8 during, and after wildfires;

9 (b) Developing and implementing resources to support fire
10 suppression, prevention, and recovery for tribal communities impacted
11 or at risk from wildfires;

12 (c) Relocating communities on tribal lands that are impacted by
13 flooding and sea level rise; and

14 (d) Developing and implementing education programs to expand
15 awareness of and increase preparedness for the environmental, social,
16 and economic impacts of climate change and strategies to reduce
17 pollution.

18 (3) The remainder of the funds appropriated from the account must
19 be used for natural resources resilience and related purposes
20 including, but not limited to:

21 (a) Improving forest and natural lands health and resilience to
22 climate change impacts, including thinning and prescribed fire
23 project and wildland fire prevention;

24 (b) Project-specific planning, design, and construction projects
25 that reduce stormwater impacts from existing infrastructure and
26 development;

27 (c) Reducing the risk of flooding by restoring natural floodplain
28 ecological functions, protecting against damage caused by floods, and
29 protecting or restoring naturally functioning areas where floods
30 occur;

31 (d) Improving the availability and reliability of water supplies
32 for instream and out-of-stream uses;

33 (e) Projects to prepare for sea level rise and to restore and
34 protect estuaries, fisheries, marine shoreline, and inland habitats,
35 including small forestland owner fish passage barrier projects; and

36 (f) Increasing the ability to adapt to and remediate the impacts
37 of ocean acidification.

38 (4) The departments of ecology and natural resources through an
39 interagency agreement must jointly develop an implementation plan for
40 investments to be made from the climate impacts resilience account.

1 The departments must consult with and accord substantial weight to
2 the recommendations of the environmental and economic justice panel
3 created in section 28 of this act, both in the development of the
4 implementation plan and in developing biennial spending plans for
5 assistance to be provided with funds from the account. The investment
6 plan must be completed by December 31, 2020, and provided to the
7 climate oversight board created in section 30 of this act, and to the
8 governor and appropriate committees of the senate and house of
9 representatives.

10 (5) The departments must utilize the cumulative impact analysis
11 in section 25 of this act when developing the implementation plan and
12 prioritize funding and investments to benefit highly impacted
13 communities.

14 (6) The departments must require annual progress reports by all
15 recipients of funding under this section, and provide summaries of
16 those reports and assessment of achievement of the performance-based
17 criteria and objectives to the climate oversight board created in
18 section 30 of this act at such intervals as the climate oversight
19 board requests.

20 NEW SECTION. **Sec. 28.** ENVIRONMENTAL AND ECONOMIC JUSTICE PANEL.

21 (1) An environmental and economic justice panel is established to
22 provide recommendations in the development and implementation of the
23 programs on energy transformation, transition assistance, and climate
24 impacts resilience authorized under sections 22 through 27 of this
25 act.

26 (2) The governor must appoint the members of the environmental
27 and economic justice panel, which must be cochaired by one tribal
28 leader and one person that is a representative of the interests of
29 highly impacted communities identified in section 25 of this act. The
30 membership of the panel must consist of at least nine persons, based
31 on the nomination of statewide organizations that represent the
32 following interests:

33 (a) Five members, including at least one tribal leader and at
34 least two nontribal leaders representing the interests of vulnerable
35 populations residing in highly impacted communities in different
36 geographic areas of the state;

37 (b) Two members representing union labor with expertise in
38 economic dislocation, clean energy economy, or energy-intensive,
39 trade-exposed facilities; and

1 (c) Two members representing tribal governments.

2 (3) The purpose of the panel is to:

3 (a) Provide recommendations in the development of investment
4 plans and funding proposals for energy transformation, energy
5 transition assistance, and climate impacts resilience under sections
6 22 through 27 of this act;

7 (b) Provide a forum to analyze policies adopted under this
8 chapter to determine if the policies lead to improvements within
9 highly impacted communities;

10 (c) Make recommendations on the environmental disparities
11 analysis and highly impacted communities designation required by
12 section 25 of this act;

13 (d) Recommend procedures and criteria for evaluating programs,
14 activities, or projects for review;

15 (e) Evaluate the level of funding provided to assist vulnerable
16 populations, low-income individuals, and displaced workers and the
17 funding of projects and activities located within or benefiting
18 highly impacted communities designated under section 25 of this act;

19 (f) Provide recommendations to implementation agencies for
20 meaningful consultation with vulnerable populations; and

21 (g) At the request of the climate oversight board created in
22 section 30 of this act, conduct an evaluation of the economic impacts
23 on and outcomes for low and middle-income households and vulnerable
24 populations, including communities of color and Indian tribal
25 communities of the emissions reduction policies required in this
26 chapter and the financial assistance provided under this chapter.

27 NEW SECTION. **Sec. 29.** INDIAN TRIBE CONSULTATION. (1) In order
28 to achieve the goals set forth in this chapter, any state agency
29 receiving funding from the accounts created in this chapter must
30 consult with Indian tribes on all decisions that may affect Indian
31 tribes' rights and interests in their tribal lands. The consultation
32 must occur pursuant to chapter 43.376 RCW and must be independent of
33 any public participation process required by state law, or by a state
34 agency, and regardless of whether the agency receives a request for
35 consultation from an Indian tribe. A consultation framework must be
36 developed in coordination with tribal governments that includes best
37 practices, protocols for communication, and collaboration with Indian
38 tribes.

1 (2) No project that impacts tribal lands may be funded prior to
2 meaningful consultation with affected Indian tribes. For projects
3 that directly impact tribal lands, the goal of the consultation
4 process is to obtain free, prior, and informed consent for the
5 project, and at the end of such consultation, the Indian tribe's
6 government will provide the climate oversight board created in
7 section 30 of this act with a written resolution providing consent or
8 withholding consent. If any project that impacts tribal lands is
9 funded under this chapter without consultation with Indian tribes, an
10 affected Indian tribe may request that all further action on the
11 project cease until consultation with any directly impacted Indian
12 tribe is completed.

13 NEW SECTION. **Sec. 30.** CLIMATE OVERSIGHT BOARD. (1) The climate
14 oversight board is created. The climate oversight board consists of:

15 (a) The governor or the governor's designee;

16 (b) The commissioner of public lands or the commissioner's
17 designee;

18 (c) The state auditor or the auditor's designee;

19 (d) Two members of the senate, appointed by the president of the
20 senate, one from each major political party;

21 (e) Two members of the house of representatives, appointed by the
22 speaker of the house of representatives, one from each major
23 political party;

24 (f) Two members representing federally recognized Indian tribes
25 must be invited to participate on the board;

26 (g) Representatives of stationary emissions sources, the
27 transportation fuels sector, the electricity and gas distribution
28 sectors, renewable energy production, climate action organizations,
29 and a member of the environmental and economic justice panel created
30 in section 28 of this act; and

31 (h) Persons with economic, environmental, and energy expertise
32 and experience in greenhouse gas emissions reductions policies and
33 programs.

34 (2) The climate oversight board must select a chair from among
35 its members. All state agencies must provide information and
36 assistance as requested by the board in order to perform its
37 responsibilities.

38 (3) The climate oversight board is responsible for ongoing review
39 of the implementation of the emissions reduction program and funding

1 from the revenues of the auctions of allowances to ensure the
2 fairest, most efficient, and timely achievement of the objectives in
3 this chapter regarding greenhouse gas emissions reductions,
4 transition assistance, jobs development, and climate resilience. The
5 board's responsibilities include but are not limited to:

6 (a) Reviewing the plans for implementing the funding programs
7 authorized in sections 22 through 27 of this act;

8 (b) Reviewing the criteria for funding allocations and project
9 award decisions;

10 (c) Reviewing project and activity funding decisions as well as
11 summary reports and information regarding implementing projects;

12 (d) Reviewing implementation progress reports by agencies;

13 (e) Reviewing compliance with consultation requirements;

14 (f) Providing recommendations for standards by which to measure
15 emissions reductions outcomes from investments of funds under
16 sections 22 through 27 of this act; and

17 (g) Providing recommendations on the use of moneys made available
18 for transportation projects, including assessing the cumulative
19 emission reductions associated with investments and strategies to
20 increase the cost-effectiveness of investments on a dollar-per-ton
21 basis.

22 (4) The climate oversight board may contract for independent
23 evaluative expertise in its review of the performance of the program
24 in meeting this chapter's objectives regarding greenhouse gas
25 emissions reductions, energy transformation, energy transition
26 assistance, and climate resilience.

27 (5) Beginning July 1, 2020, the climate oversight board must meet
28 at least quarterly.

29 (6) The climate oversight board has no appropriation authority.

30 NEW SECTION. **Sec. 31.** STRATEGIC TRANSPORTATION INVESTMENT
31 ACCOUNT. (1) The strategic transportation investment account is
32 created in the state treasury. The account must receive moneys
33 distributed to the account from the carbon pollution reduction
34 account created in section 21 of this act and any other moneys
35 directed to the account by the legislature. Moneys in the account may
36 only be spent after appropriation. Moneys in the account must be used
37 for transportation strategies that provide cost-effective congestion
38 relief, enhance all modes of mobility, assist vulnerable populations
39 and low-income individuals located within or benefiting highly

1 impacted communities designated under section 25 of this act, and
2 address the impacts of the transportation system on carbon pollution
3 and other quality of life issues, including impacts to salmon
4 populations.

5 (2) Projects and programs eligible for funding from the account
6 include but are not limited to the following:

7 (a) Projects that efficiently reduce congested roads and highways
8 and thereby improve air quality, including multimodal alternatives;

9 (b) Programs, activities, or projects that reduce carbon
10 emissions in the transportation sector, including projects and
11 programs that accelerate the deployment of zero emission fleets and
12 vehicles, and deploy grid infrastructure to integrate electric
13 vehicles and charging equipment; and

14 (c) Construction of fish barrier correction projects on state
15 highways and local roads, with first priority given to projects
16 required by the injunction entered in *United States v. Washington*
17 (*Civ No CV9213RSM*).

18 NEW SECTION. **Sec. 32.** This act may be known and cited as the
19 carbon pollution reduction act.

20 NEW SECTION. **Sec. 33.** (1) Sections 1 through 31 of this act
21 expire December 31, 2055, in the event that the department of ecology
22 determines that the 2050 emissions limits of RCW 70.235.020 have been
23 met for two or more consecutive years.

24 (2) Upon the occurrence of the events identified in subsection
25 (1) of this section, the department of ecology must provide written
26 notice of the expiration date of sections 1 through 31 of this act to
27 affected parties, the chief clerk of the house of representatives,
28 the secretary of the senate, the office of the code reviser, and
29 others as deemed appropriate by the department.

30 NEW SECTION. **Sec. 34.** Sections 1 through 33 of this act
31 constitute a new chapter in Title 70 RCW.

32 NEW SECTION. **Sec. 35.** (1) In order to ensure adequate funding
33 for transportation needs in the future and to augment the revenue
34 increase from this act with the other needed resources for
35 transportation infrastructure investments, sections 1 through 33 of

1 this act do not take effect until an additive transportation funding
2 act is enacted after January 1, 2020.

3 (2) For the purposes of this section, "additive transportation
4 funding act" means an act in which the combined total of new revenues
5 deposited into the motor vehicle fund and the multimodal
6 transportation account exceed two billion dollars per biennium
7 attributable solely to an increase in revenue from the enactment of
8 the act.

9 (3) The director of the department of ecology must provide
10 written notice of the effective date of sections 1 through 33 of this
11 act to affected parties, the chief clerk of the house of
12 representatives, the secretary of the senate, the office of the code
13 reviser, and others as deemed appropriate by the department of
14 ecology.

15 NEW SECTION. **Sec. 36.** If any provision of this act or its
16 application to any person or circumstance is held invalid, the
17 remainder of the act or the application of the provision to other
18 persons or circumstances is not affected.

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