Effect of PSSB 5126 (S-1096.2)

Senate Environment, Energy and Technology Committee

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Environmental Justice Provisions

- Requires the Department of Ecology (Ecology) to conduct an environmental justice review every 2 years, beginning in 2025, to ensure the program achieves reductions in GHG and other criteria pollutants in overburdened communities highly impacted by pollution.
- Requires agencies to conduct an environmental justice assessment and establish a minimum of not less than 35% and a goal of 40% of total investments from the Climate Investment Account to provide direct and meaningful benefits to vulnerable populations within overburdened communities when allocating funds or administering grants or programs.

Allowance Budgets and Program Timelines

- Moves the baseline for the first compliance period to 2015-2019, rather than 2017-2021.
- Requires Ecology to complete the first program evaluation by December 31, 2028, rather than 2035, and requires an additional evaluation by December 2040.
  - Specifies that if any evaluation finds that GHG and criteria pollutants are not being reduced in overburdened communities, Ecology must also prioritize the adoption of air quality standards, emissions standards, or emissions limitations on covered entities located in those areas.
- Specifies that an allowance distributed under the program does not expire and may be held or banked consistent with holding limits under the bill.

Covered Entities

- Includes natural gas suppliers and all fuel suppliers as covered entities under the first compliance period, rather than second.
- Delays the inclusion of emissions from landfills and waste to energy facilities until the second compliance period.
- Exempts from the program the CO2 emissions from industrial combustion of biomass or biofuels with 50% lower GHG emissions.
- Exempts aviation fuels from the program.
- Revises the metals classification as one of the NAICS codes that determines whether an EITE entity is eligible for an allocation of allowances at no cost.

Compliance and Linkage

- Requires Ecology to set by rule that covered and opt-in entities must transfer a minimum of 25% of their compliance instruments each year, to smooth out their compliance obligation within the 4-year compliance period.
- Requires Ecology to conduct a public comment process to obtain input and a review of the linkage agreement by relevant stakeholders and other interested parties and to consider the input prior to finalizing a linkage agreement.

Electric Utilities

- Clarifies that the Legislature intends to allocate allowances to all consumer-owned (COU) and investor-owned (IOU) electric utilities to mitigate the cost burden of the program on electricity customers.
- Requires Ecology to set an allocation schedule by rule, in consultation with the Dept. of Commerce and the UTC, for the provision of allowances at no cost to COUs or IOUs.
- Authorizes allowances allocated at no cost to COUs to be consigned to auction for the benefit of ratepayers, deposited for compliance, or a combination of both.

Natural Gas Companies

- Requires Ecology to set an allocation schedule by rule, in consultation with the UTC, to provide allowances at no cost equal to emissions for the sector and decline proportionately with the cap.
- Requires allowances provided at no cost to be consigned to auction for the benefit of ratepayers, deposited for compliance, or a combination of both.
- Requires that 65% of the no cost allowances, increasing at 5% annually, must be consigned to auction for the benefit of low-income customers.

Offset Credits

- Requires at least 50% of a covered or opt-in entity's offset credits to be sourced from projects that provide direct environmental benefits in the state for the first two compliance periods.
- Requires the remaining offset credits to be sourced from projects that are located in a jurisdiction with a linkage agreement or MOU with Washington.

	1st compliance period	Projects on tribal lands	Total	2nd compliance period	Projects on tribal lands	Total
SB 5126	8%	5%	**13%**	6%	5%	**11%**
PSSB 5126	5%	3%	**8%**	4%	2%	**6%**

Climate Investment Account

- Directs $650 million each biennium to be deposited into the Forward Flexible Account and the remaining auction proceeds to the Climate Investment Account, for FYs 2022 - 2037
  - For FY 2038 & each year thereafter, 50% of the proceeds must be deposited to the Forward Flexible Account and 50% to the Climate Investment Account.
- Specifies additional eligible uses of the funds from the Climate Investment Account, such as:
  - Programs, activities or projects that reduce and mitigate impacts from GHG and co-pollutants in overburdened communities, including strengthening the air quality monitoring network.
  - Capacity grants for participation to engage communities in the decision making for funding under this act.

Greenhouse Gas Regulation

- Removes program-independent authorization for Ecology to regulate indirect emissions through air quality standards, emission standards, or emission limitations on emissions of GHGs.

General Provisions

- Prohibits any local government in Washington from implementing a charge or tax based exclusively on the quantity of GHG emissions.