



Washington's Climate Commitment Act 2022 Update on Implementation

Presentation to the
Senate Transportation Committee

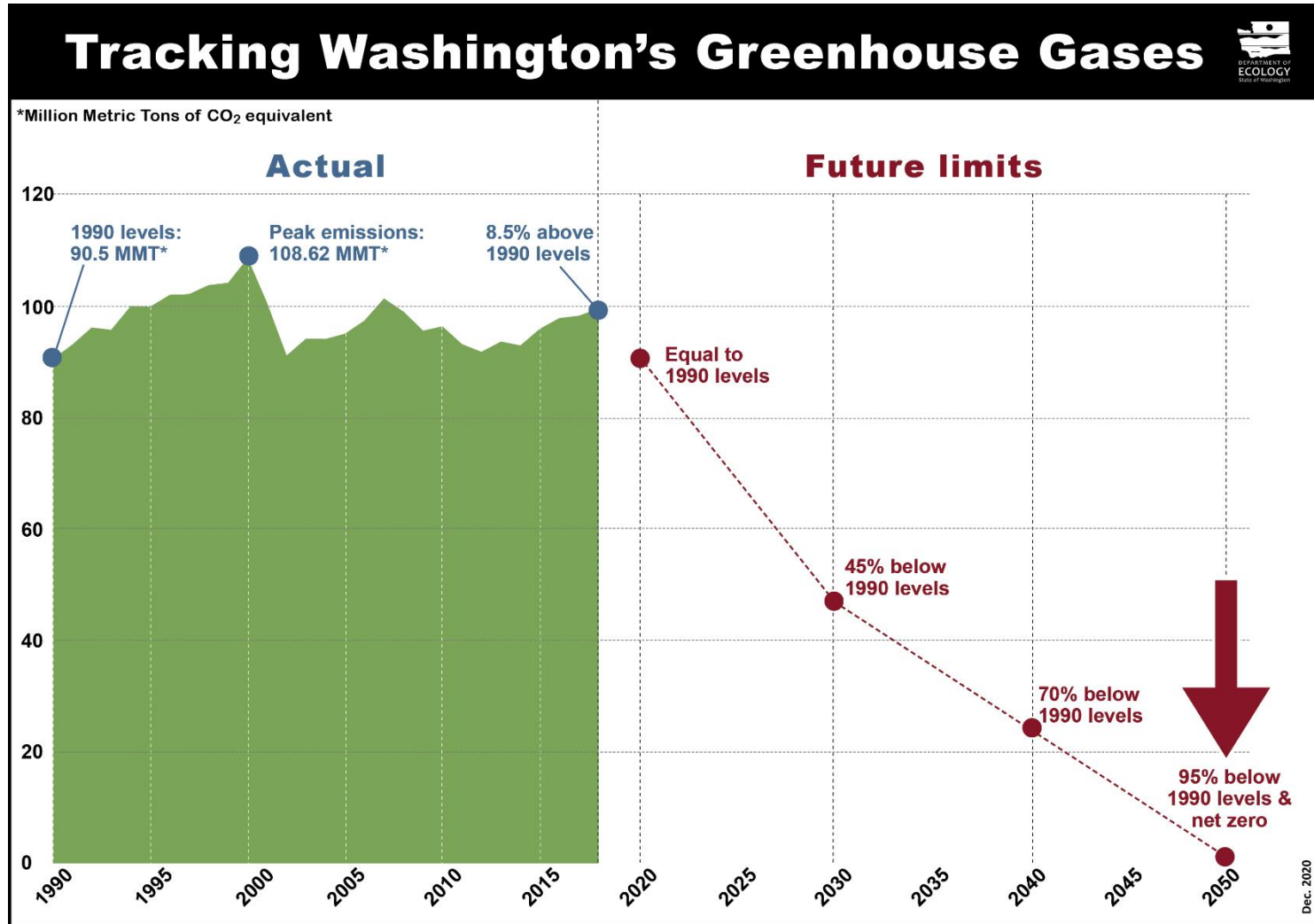
January 10, 2022

Today's Presentation

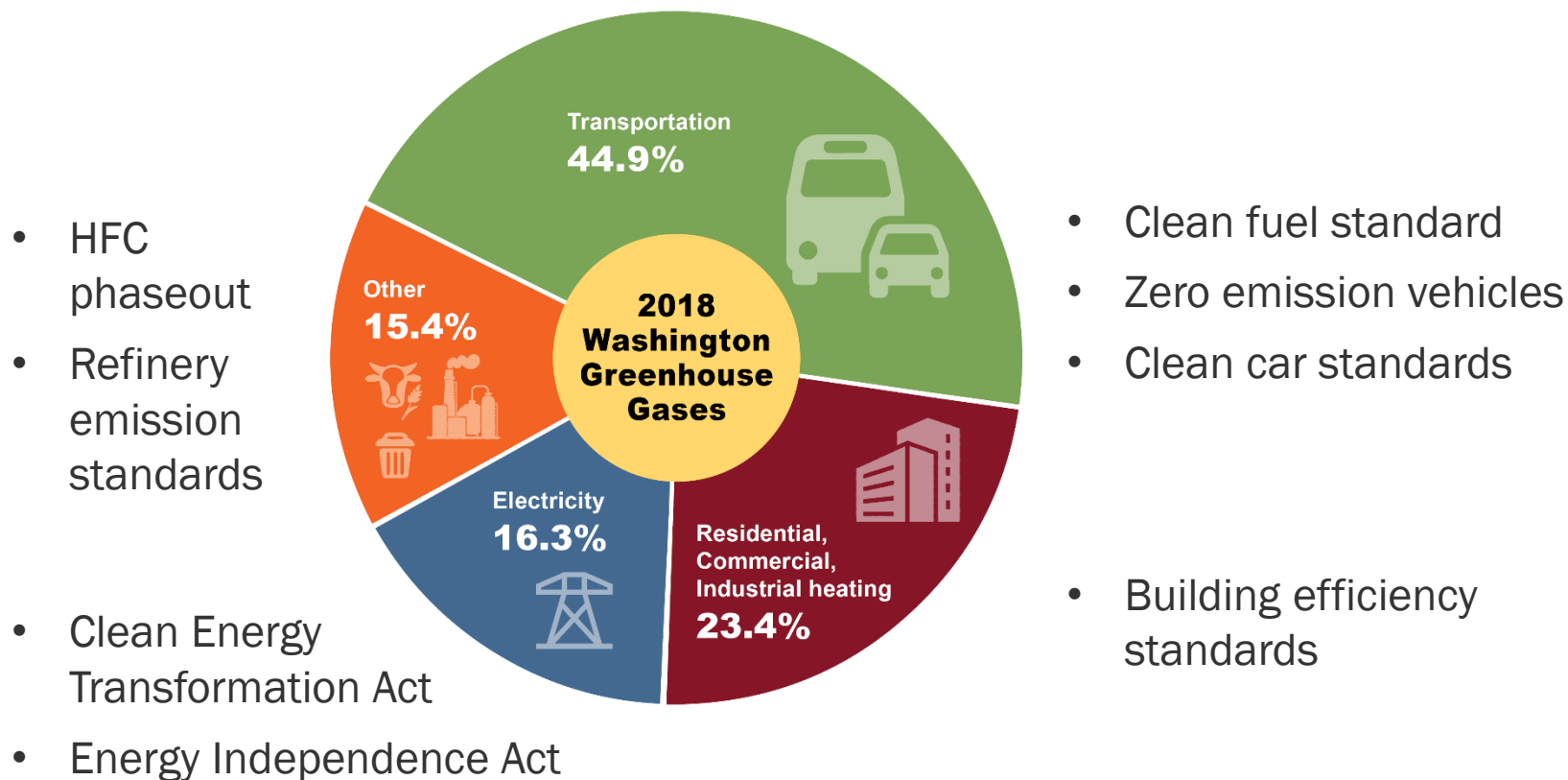
- Introduction and overview
- Update on Ecology's implementation of the Climate Commitment Act
- Funding for vehicle and vessel electrification through the Clean Fuel Standard
- Questions



Washington's Greenhouse Gas Emissions Limits

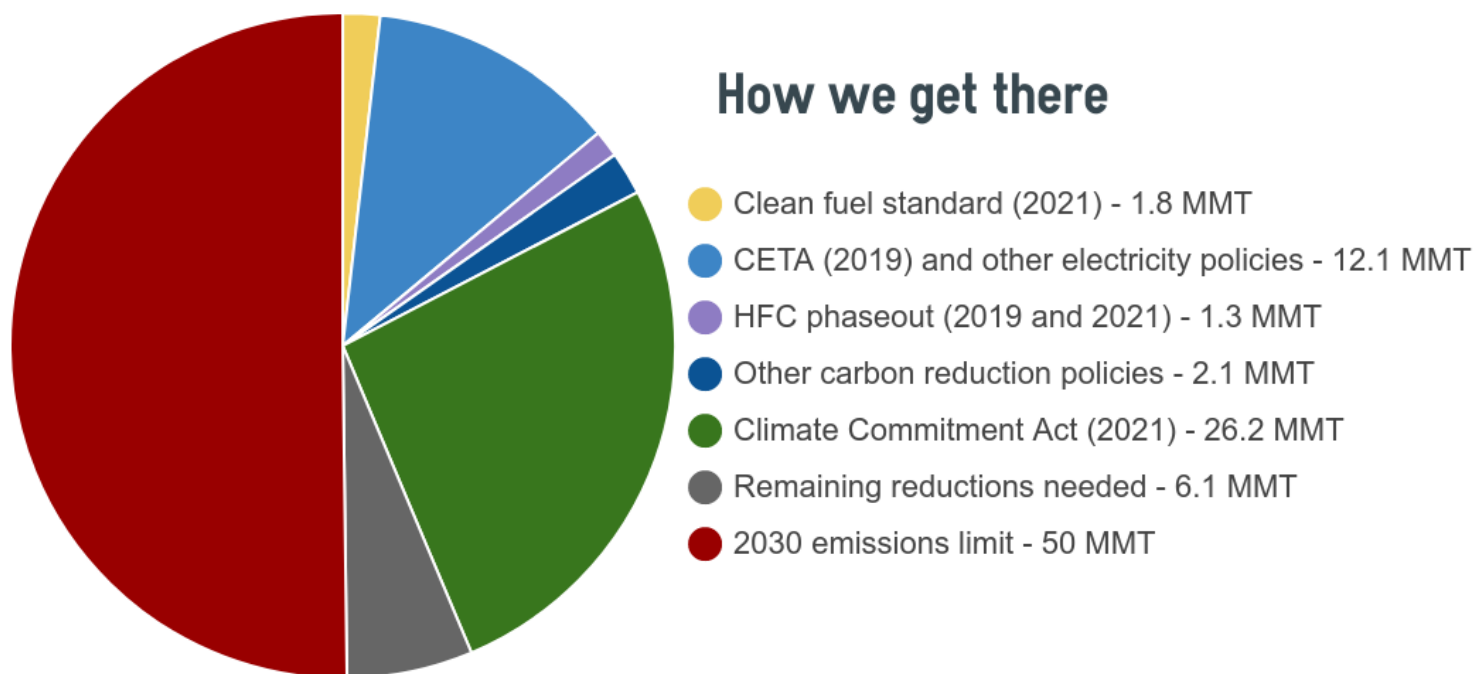


Washington's Climate Policies



The Climate Commitment Act

A Comprehensive Approach to Emissions Reduction



The Climate Commitment Act



Climate Commitment Act - Overview

- E2SSB 5126, signed into law May 17, 2021 (Codified in chapter 70a.65 RCW)
- Cap and invest program begins - Jan. 1, 2023.
- Emitters generating more than 25,000 tons of CO₂e/year must purchase or receive emissions allowances.
- Invests revenue from allowance auctions in projects/programs to address climate change and environmental justice.
- Expands monitoring and reduces air pollution in overburdened communities.



Covered Emissions under the CCA

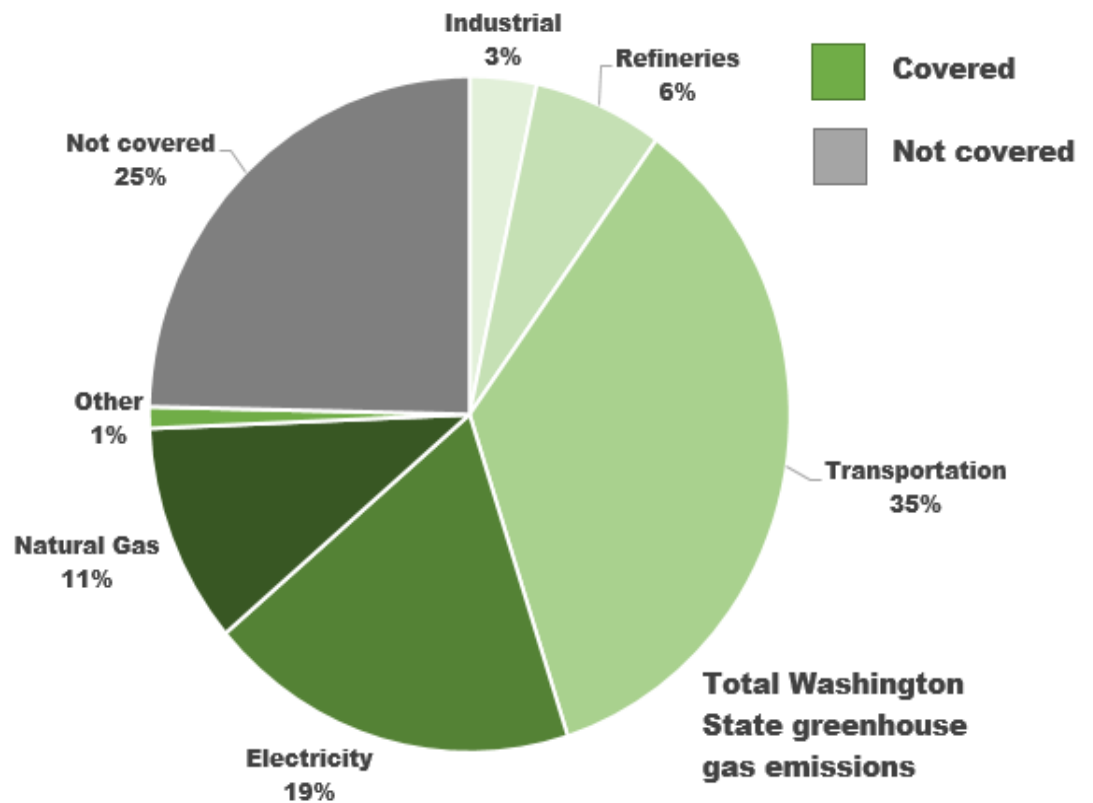
What's covered – 75%

- Gasoline and on-road diesel
- Electricity consumed in WA state
- Facilities generating more than 25,000 metric tons a year or more of greenhouse gas emissions
- Natural gas distributed to homes and commercial businesses
- 2027 - waste to energy facilities
- 2031 - railroads & certain landfills

What's not covered – 25%

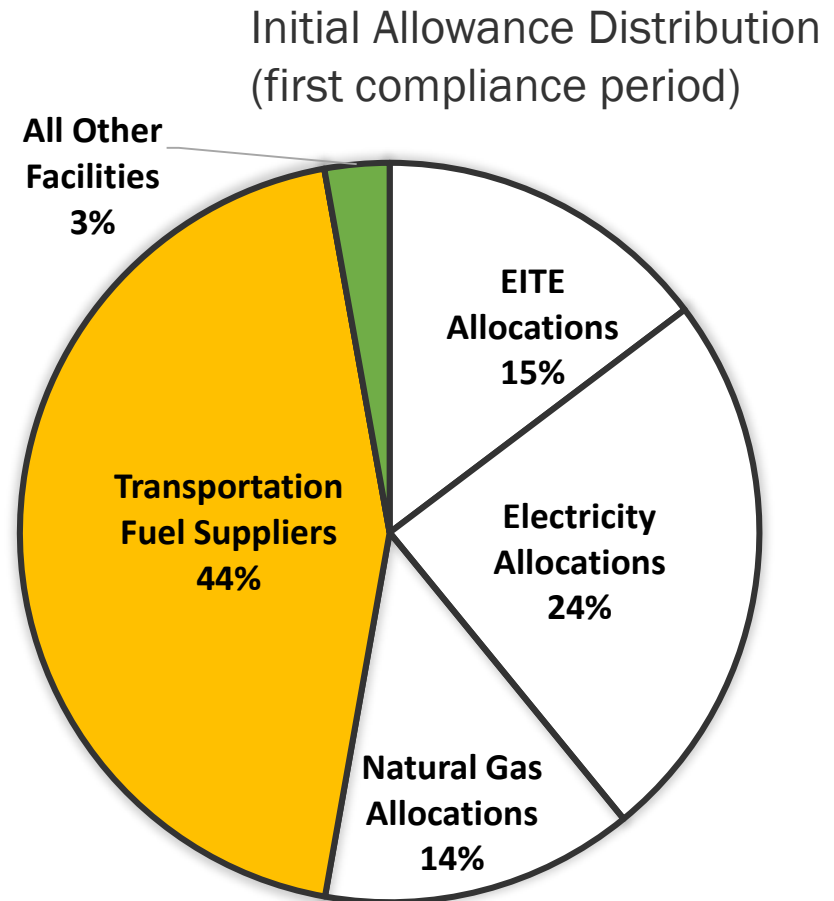
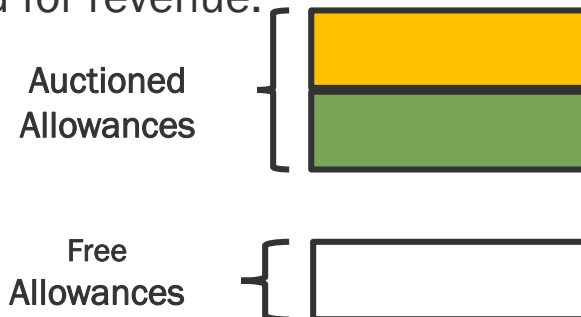
- Agricultural operations
- Forestry operations
- Small businesses with under 25,000 metric tons/year of greenhouse gas emissions
- Aviation fuels
- Most marine fuels

Climate Commitment Act Coverage



Allowance Allocation under the CCA

- Covered entities must obtain allowances to cover their emissions.
- The total number of allowances decrease over time to meet statutory GHG emissions limits.
- Some covered entities will be issued free allowances; other allowances will be auctioned for revenue.



Emissions-Intensive, Trade-Exposed Industries (EITEs)

- The Climate Commitment Act creates a special compliance pathway for manufacturers and other businesses that use large amounts of energy and face global competition.
- These entities are given emissions allowances at no cost, although the allowances decrease over time.
- Ecology is required to propose legislation that would make EITE emissions reductions proportional to their share of statewide emissions.



Agency Request Legislation on EITEs

The CCA requires Ecology to propose agency request legislation in 2022 on a compliance pathway for emissions-intensive, trade-exposed industries (EITEs) for 2035–2050.

Section 26(5) **prohibits** the expenditure of funds from accounts created under the CCA if the legislature has not enacted legislation by April 1, 2023.

Our proposal (HB 1682) will:

- Reduce the number of no-cost allowances EITE industries would receive by **6% a year starting in 2035**.
- Require that, before they can apply to receive additional emissions allowances, EITEs demonstrate that they have employed the **best available technology** and that further emissions reductions are not feasible.
- Add EITE emissions reduction and decarbonization projects to the list of projects **eligible to receive funding** from auction proceeds in the Climate Commitment Account.
- Align with Gov. Jay Inslee’s proposal to appropriate **\$50 million** to the Department of Commerce to provide EITEs with **financial assistance** to reduce emissions.

Carbon Offsets

Covered entities can use emissions offsets to meet a portion of their compliance obligation.

Through 2026: Offsets can make up 8% of compliance obligation:

- 5% general offsets
- 3% projects on Tribal lands

2027-2030: Offsets can make up 6% of compliance obligation:

- 4% general offsets
- 2% projects on Tribal lands

Offset projects must result in greenhouse gas reductions that are:

- Real
- Permanent
- Quantifiable
- Verifiable
- Enforceable



Investing in Washington's Future



New Climate Funding Accounts

ESTIMATED Auction Receipts*

1st Compliance Period: January 1, 2023-December 31, 2026

CERA

Carbon Emissions Reduction Account

Subject to Legislative appropriation: Funding for carbon emissions reduction in the Transportation sector.

Per section 12, the auction proceeds identified below must first be deposited into the CERA each FY. The remaining proceeds are deposited into the CIA and AQHDIA.

FY23 (6 months)	\$127,341,000
FY24	\$356,697,000
FY25	\$366,558,000
FY26	\$359,117,000
FY27 (6 Months)	\$179,558,500
TOTAL 1st Compliance Period	\$1,389,271,500

All funding is subject to legislative appropriation

CIA

Climate Investment Account

Subject to Legislative appropriation: Funding is for projects that support the transition to clean energy, build ecosystem resilience, and support carbon sequestration. Funds in this account may also be used for cap and invest program administrative costs for agencies, up to 5% of auction revenue.

FY23 (6 months)	\$73,272,259
FY24	\$77,271,977
FY25	\$67,657,286
FY26	\$72,732,184
FY27 (6 Months)	\$50,708,058
TOTAL 1st Compliance Period	\$341,641,764

After administrative costs to implement the CCA are covered, the State Treasurer will distribute:

- 75% **Climate Commitment Account**
- 25% **Natural Climate Solutions Account.**

AQHDIA

Air Quality & Health Disparities Improvement Account

Subject to Legislative appropriation: Funding is for reducing criteria pollutants and health disparities in overburdened communities.

Funding intent in statute, section 31(3) - \$20M/biennium, beginning FY23.

FY23 (6 months)	\$20,000,000
FY24	\$10,000,000
FY25	\$10,000,000
FY26	\$10,000,000
FY27 (6 Months)	\$ 5,000,000
TOTAL 1st Compliance Period	\$55,000,000

Revenue is estimated on best assumptions and subject to change

Transportation Funding

Carbon Emissions Reduction Account

\$1.39 billion – Total first compliance period – FY2023-2027*

\$5.16 billion – Total FY2023-2037

Eligible categories:

- Reducing transportation emissions
- Investing in alternatives to single-occupancy vehicles
- Investing in emissions reduction programs for freight, ferries and ports

All funding is subject to legislative appropriation

Revenue is estimated on best assumptions and subject to change

** Includes only first half of FY2027*

Carbon Emissions Reduction Account

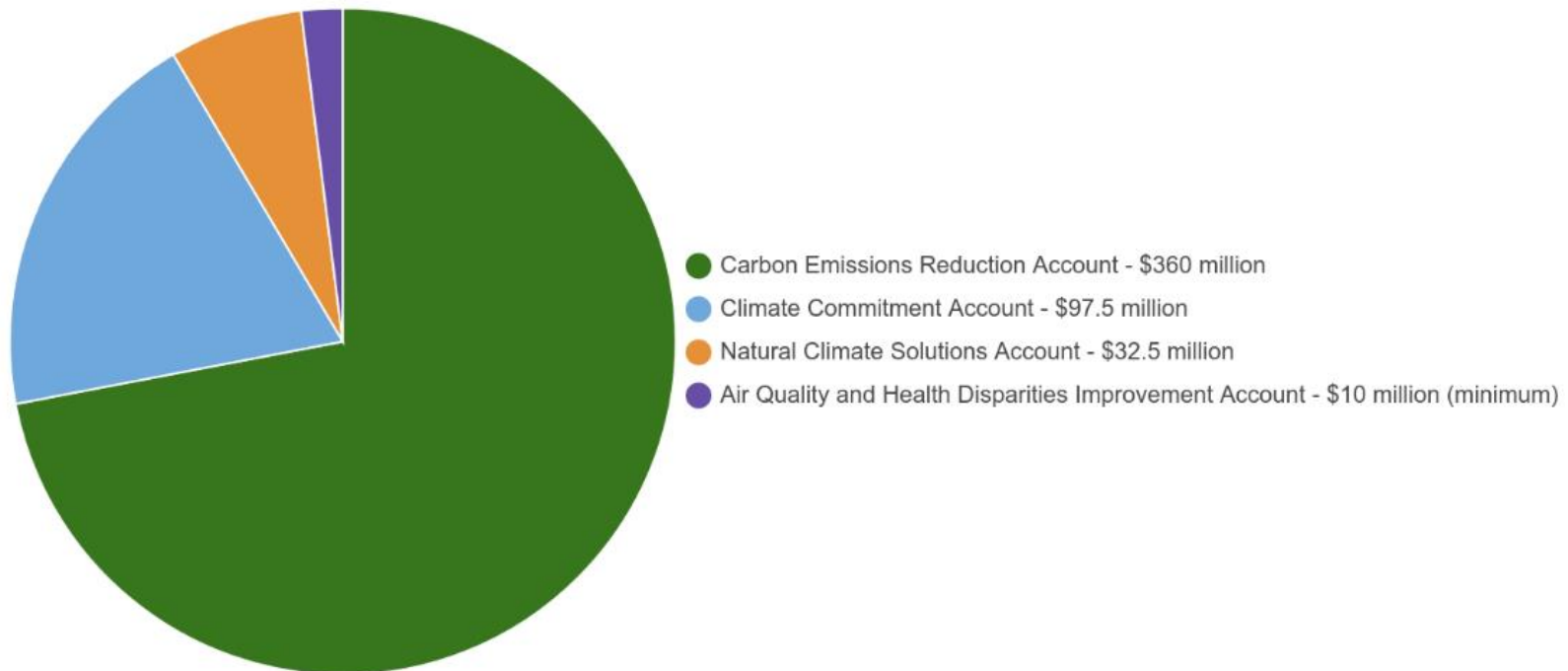
Fiscal Year*	Carbon Emissions Reduction Account Revenue
2022	
2023	\$127,341,000
2024	\$356,697,000
2025	\$366,558,000
2026	\$359,117,000
2027	\$359,117,000
2028	\$359,117,000
2029	\$359,117,000
2030	\$359,117,000
2031	\$359,117,000
2032	\$359,117,000
2033	\$359,117,000
2034	\$359,117,000
2035	\$359,117,000
2036	\$359,117,000
2037	\$359,117,000

Total 2023-2037
\$5.16 billion

*Auction revenue estimates for the Carbon Emissions Reduction Account are shown on a fiscal year (FY) basis.

Investing in carbon reduction and climate resilience

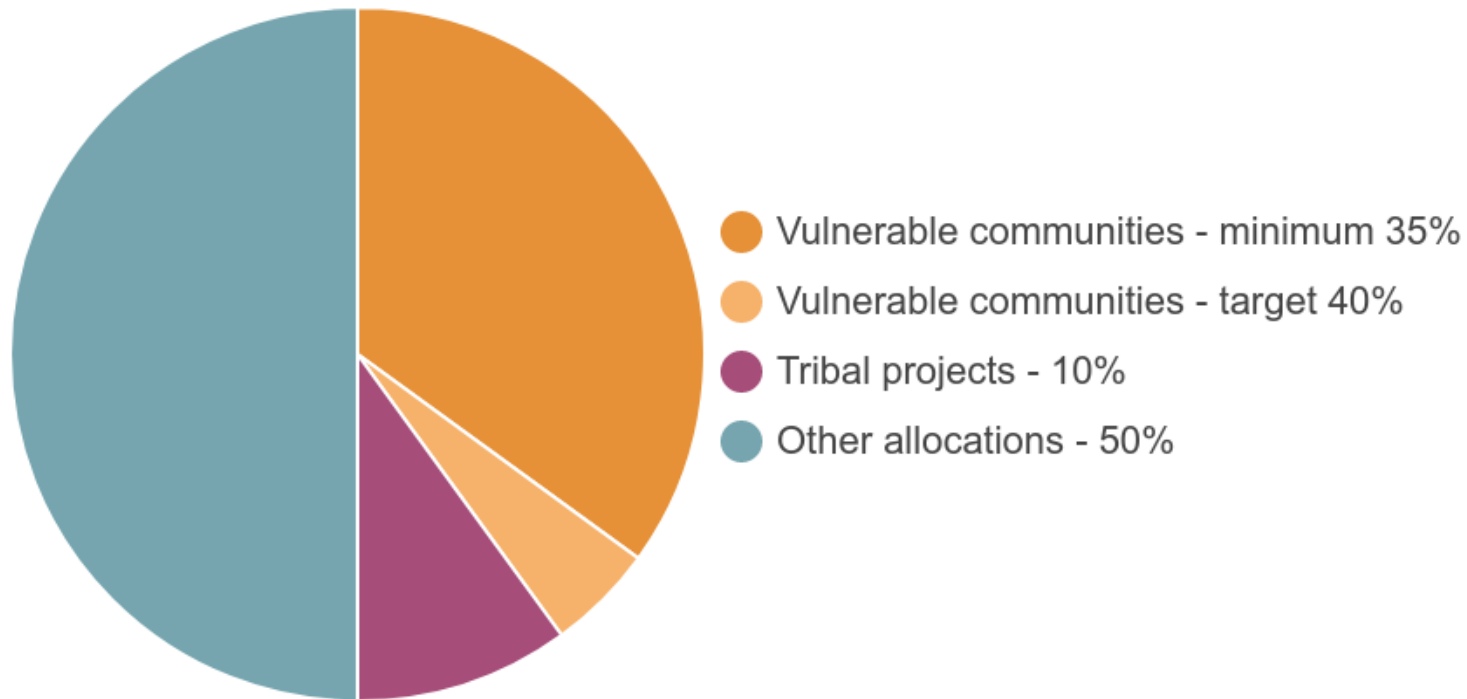
Allowance auction revenue distribution 2026-2037 (estimated)



\$500 million (annual)

*Spending is by legislative appropriation

Environmental Justice Investments



All spending is by legislative appropriation.

Implementing the CCA



Rulemaking

Shaded boxes indicate completed steps

	CR101 Announcement	Listening sessions	CR102 Proposal (Starts formal comment period)	CR103 Adoption
GHG Reporting Updating WAC 173-441	July 7, 2021	July 22, 2021	Oct. 13, 2021	February 2022
CCA Cap & Invest New Chapter WAC 173-446	Aug. 4, 2021	Nov. 8 & Dec. 16, 2021	Spring 2022	October 2022
EITEs New Chapter WAC 173-446a	Aug. 4, 2021	Sept. 21	Dec. 22, 2021	July 2022

To engage, please visit: www.ecology.wa.gov/ccs

Environmental Justice



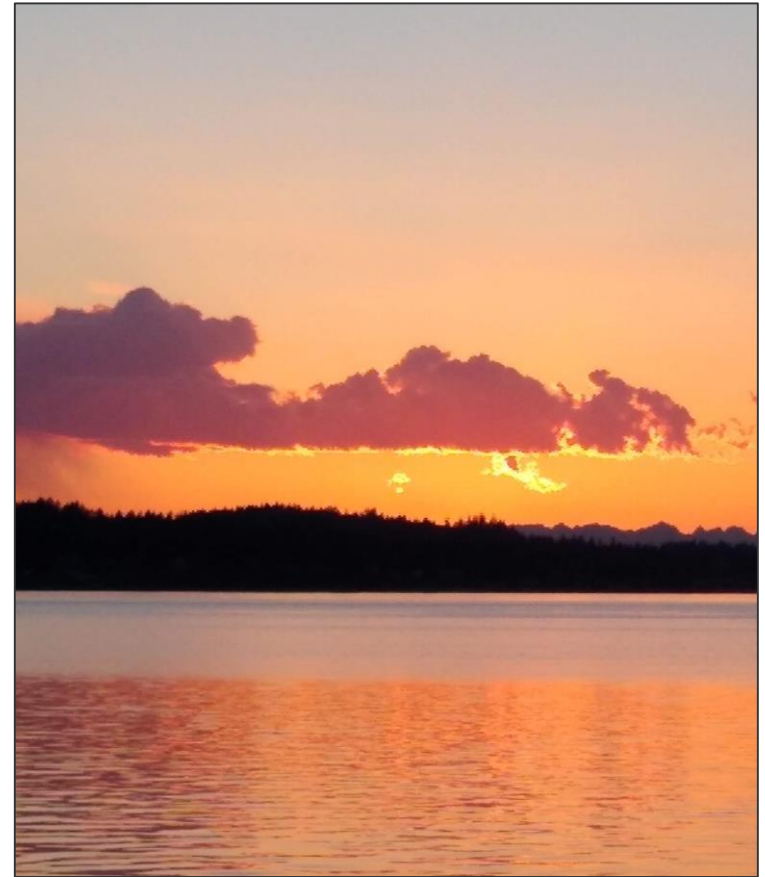
Environmental Justice in the Climate Commitment Act

- The Climate Commitment Act aligns with Washington's Healthy Environment for All (HEAL) Act.
- Environmental justice council, established in the HEAL Act, will make recommendations on program design, and projects and priorities for funding.
- Adds air quality monitoring and requires air pollution reduction in communities heavily affected by air pollution.



Improving Air Quality in Overburdened Communities

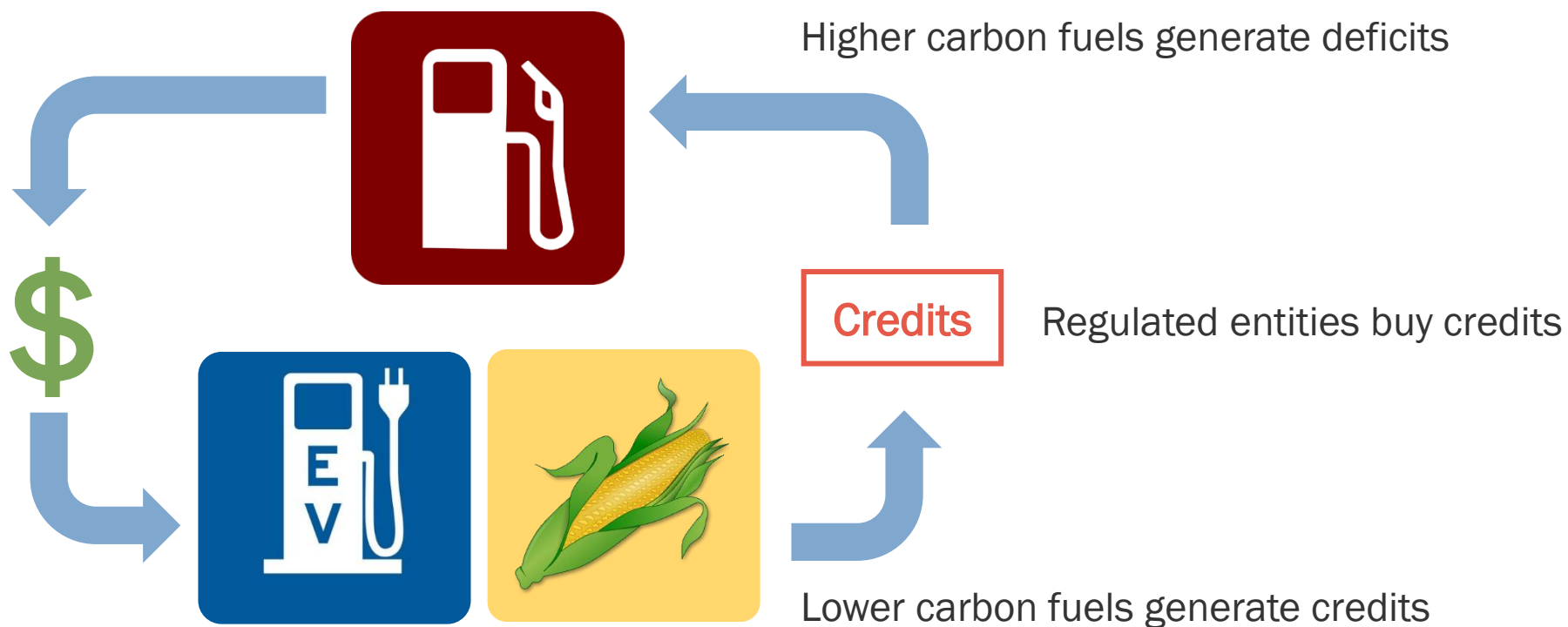
- Section 3 of the CCA requires:
 - Identifying communities bearing a disproportionate burden from air pollution;
 - Conducting monitoring in these areas; and
 - Developing plans to reduce air pollution to levels matching surrounding communities.
- Our air quality scientists are reviewing potential criteria and consulting with the Department of Health, and will be coordinating with the Environmental Justice Council.
- Public listening sessions to collect input on criteria and explain program:
Jan. 18, 19, 20



Zero Emission Vehicles and the Clean Fuel Standard



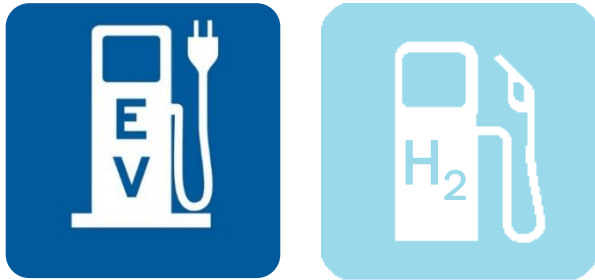
How does the Clean Fuel Standard work?



Zero Emission Vehicle credits in the Clean Fuel Standard

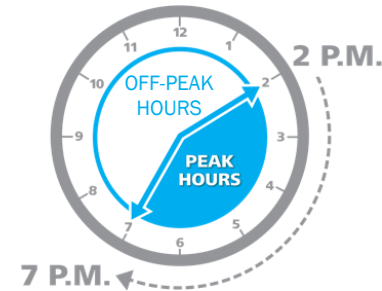
Section 6:

Rules must allow credit generation from:



Zero emission vehicle fueling infrastructure

Rules may allow credit generation from:

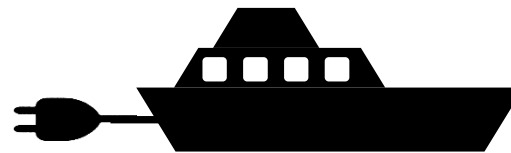


Smart charging when grid carbon intensity is low

Rules must allow credit generation from omnibus transportation appropriations act-funded activities that decarbonize the transportation sector, including but are not limited to:



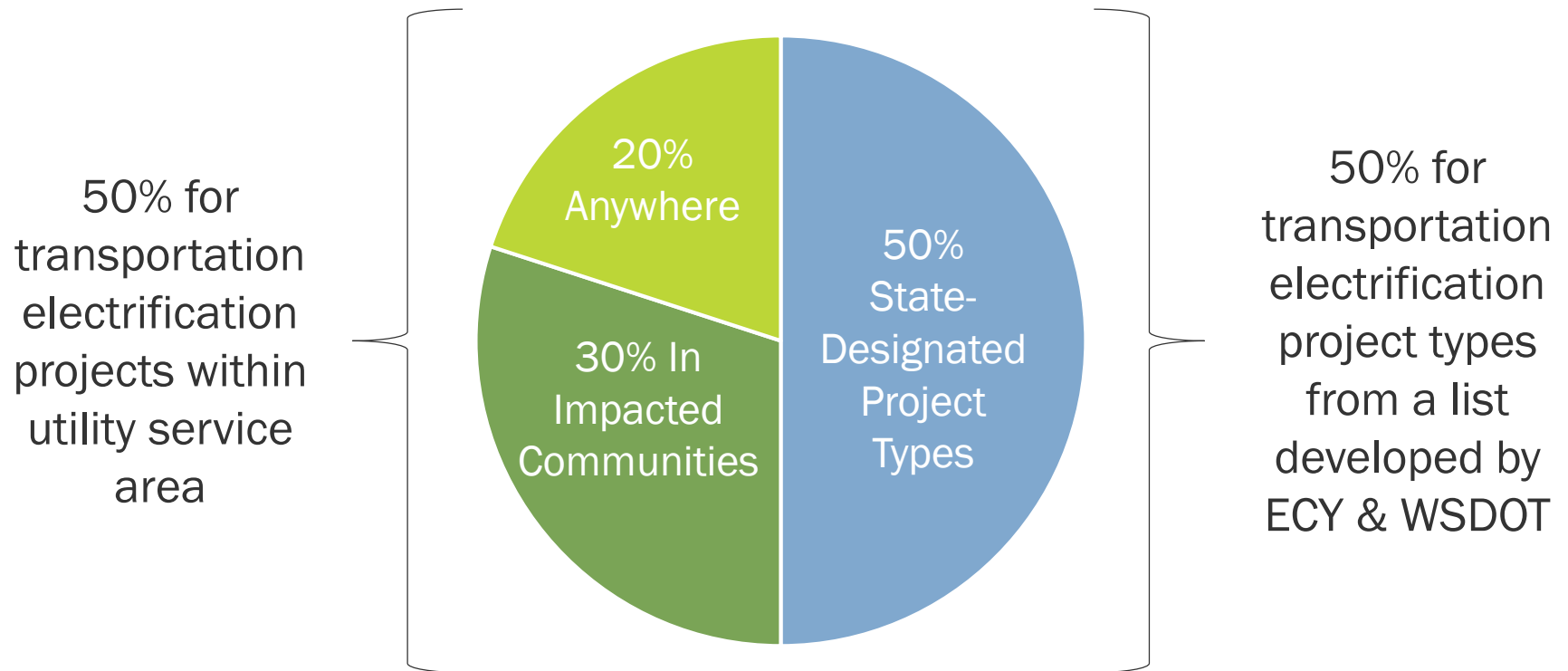
Electrical grid and hydrogen fueling infrastructure investments;



Ferry operating and capital investments; Electrification of the state ferry fleet

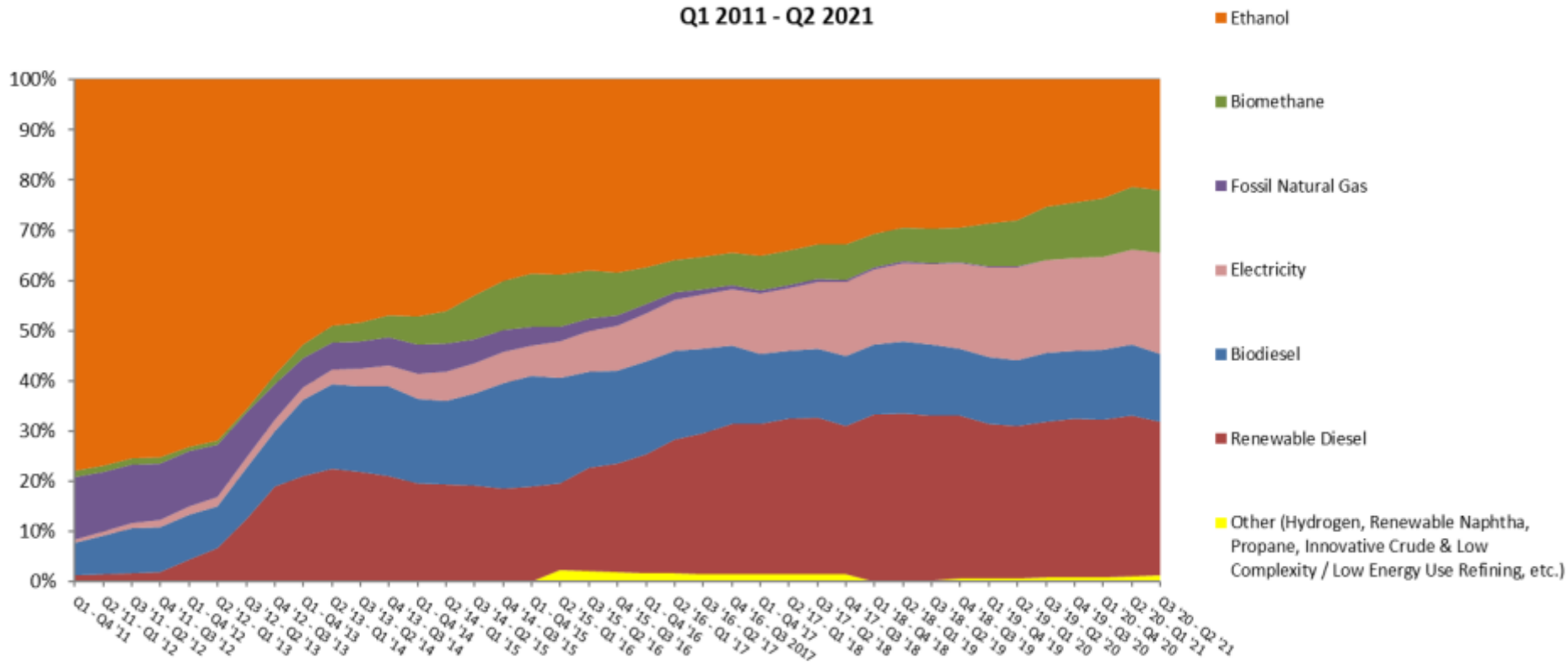
Zero Emission Vehicle credits in the Clean Fuel Standard

Section 9: Electric utility credit revenue requirements



Electricity credit generation - California

Fig 2. Credit Percentage by Fuel
Q1 2011 - Q2 2021



For more information & to engage on our
rulemakings, please visit:

<https://www.ecology.wa.gov/cca>

Kathy Taylor

Air Quality Program Manager

Kathy.Taylor@ecy.wa.gov

(360) 584-5104

Luke Martland

CCA Implementation Manager

Luke.Martland@ecy.wa.gov

(360) 764-3666

Joel Creswell

Clean Fuels, Climate Policy Section Manager

Joel.Creswell@ecy.wa.gov

(360) 972-5035

Carrie Sessions

Senior Legislative Planner

Carrie.Sessions@ecy.wa.gov

(360) 584-8602

Information & Contacts



Thank You!