



# PROPOSED RULE MAKING

## CR-102 (December 2017) (Implements RCW 34.05.320)

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FILED

DATE: October 06, 2021

TIME: 10:56 AM

WSR 21-20-137

Agency: Department of Ecology AO #21-07

Original Notice

Supplemental Notice to WSR \_\_\_\_\_

Continuance of WSR \_\_\_\_\_

Preproposal Statement of Inquiry was filed as WSR 21-14-087 ; or

Expedited Rule Making--Proposed notice was filed as WSR \_\_\_\_\_; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW \_\_\_\_\_.

Title of rule and other identifying information: (describe subject) Chapter 173-441 WAC, Reporting of Emissions of Greenhouse Gases.

For more information on this rulemaking visit: <https://ecology.wa.gov/Regulations-Permits/Laws-rules-rulemaking/Rulemaking/WAC-173-441>

Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
Nov. 9, 2021	10:00 a.m. PST	Webinar	<p>Presentation, question and answer session followed by the hearing.</p> <p>We are holding this hearing via webinar. This is an online meeting that you can attend from any computer using internet access.</p> <p>Join online and see instructions: <a href="https://watech.webex.com/watech/onstage/g.php?MTID=edd3abbe82235916235a28b0384338561">https://watech.webex.com/watech/onstage/g.php?MTID=edd3abbe82235916235a28b0384338561</a></p> <p>For audio call 415-655-0001 or US Toll free number 1-855-929-3239 and enter access code 177 547 4858. Or to receive a free call back, provide your phone number when you join the event.</p>

Date of intended adoption: Feb. 9, 2022 (Note: This is NOT the effective date)

Submit written comments to:

Name: Rachel Assink

Address: Send US mail to:  
Department of Ecology  
Air Quality Program  
P.O. Box 47600, Olympia, WA 98504-7600

Or

Send parcel delivery services to:  
Department of Ecology  
Air Quality Program  
300 Desmond Dr. SE, Lacey, WA 98503

Email: Submit comments by mail, online, or at the hearing.

Fax: N/A

Other: Online: <https://aq.ecology.commentinput.com/?id=9m3jh>

By (date) Nov. 16, 2021

**Assistance for persons with disabilities:**

Contact Ecology ADA Coordinator

Phone: 360-407-6831

Fax: N/A

TTY: For Washington Relay Service or TTY call 711 or 877-833-6341.

Email: [ecyADAcoordinator@ecy.wa.gov](mailto:ecyADAcoordinator@ecy.wa.gov)

Other: Visit <https://ecology.wa.gov/accessibility> for more information.

By (date) Nov. 6, 2021

**Purpose of the proposal and its anticipated effects, including any changes in existing rules:**

In 2021, the legislature passed the Climate Commitment Act (CCA). The CCA establishes a cap and invest program to meet Washington's greenhouse gas (GHG) emissions limits.

This rulemaking is proposing amendments to Chapter 173-441 WAC (Reporting of Emissions of Greenhouse Gases) to expand persons subject to reporting and improve reporting requirements. Specifically, this rulemaking:

- Adds natural gas suppliers, carbon dioxide suppliers, and electric power entities to the existing GHG reporting program.
- Replaces the existing transportation fuel supplier program with a CCA-compatible fuel supplier program.
- Updates GHG reporting requirements to support the CCA and facilitates program linkage with other jurisdictions.
- Adds program elements to support the verification of GHG reporting data.
- Modifies administrative provisions such as deadlines and GHG reporting fees.
- Includes requirements necessary to support the above items, the overall objectives of the statute or chapter, or the goals of the CCA.
- Makes administrative changes for correction or clarification.

**Reasons supporting proposal:** The CCA (Chapter 70A.65 RCW) amends Chapter 173-441 WAC to support new CCA requirements. Approximately 75 percent of the emissions included in the cap and invest program are currently not reported or are reported using methods inconsistent with the CCA. Ecology will create an accurate system for reporting GHGs by adding new reporters to the program, improving data verification processes, and modifying reporting requirements and reporting fees.

**Statutory authority for adoption:** RCW 70A.15.2200)

**Statute being implemented:** Climate Commitment Act (CCA) (Chapter 316, Laws of 2021), codified as Chapter 70A.65 RCW and RCW 70A.15.2200

**Is rule necessary because of a:**

Federal Law?

Yes  No

Federal Court Decision?

Yes  No

State Court Decision?

Yes  No

If yes, CITATION:

**Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:** N/A

**Name of proponent:** (person or organization) Department of Ecology

Private

Public

Governmental

**Name of agency personnel responsible for:**

	Name	Office Location	Phone
Drafting:	Neil Caudill	300 Desmond Dr SE, Lacey, WA 98503	360-764-9733
Implementation:	Neil Caudill	300 Desmond Dr SE, Lacey, WA 98503	360-764-9733
Enforcement:	Neil Caudill	300 Desmond Dr SE, Lacey, WA 98503	360-764-9733

**Is a school district fiscal impact statement required under RCW 28A.305.135?**  Yes  No

If yes, insert statement here:  
  
The public may obtain a copy of the school district fiscal impact statement by contacting:  
Name: N/A  
Address: N/A  
Phone: N/A  
Fax: N/A  
TTY: N/A  
Email: N/A  
Other: N/A

**Is a cost-benefit analysis required under RCW 34.05.328?**

Yes: A preliminary cost-benefit analysis may be obtained by contacting:  
Name: Rachel Assink  
Address: Department of Ecology  
Air Quality Program  
P.O. Box 47600  
Olympia, WA 98504-7600  
Phone: 360-407-6827  
Fax: N/A  
TTY: For Washington Relay Service or TTY call 711 or 877-833-6341  
Email: rachel.assink@ecy.wa.gov  
Other:  
 No: Please explain:

**Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:**

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

<input type="checkbox"/> RCW 34.05.310 (4)(b) (Internal government operations)	<input type="checkbox"/> RCW 34.05.310 (4)(e) (Dictated by statute)
<input type="checkbox"/> RCW 34.05.310 (4)(c) (Incorporation by reference)	<input type="checkbox"/> RCW 34.05.310 (4)(f) (Set or adjust fees)
<input type="checkbox"/> RCW 34.05.310 (4)(d) (Correct or clarify language)	<input type="checkbox"/> RCW 34.05.310 (4)(g) ((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit)

This rule proposal, or portions of the proposal, is exempt under RCW \_\_\_\_\_.  
Explanation of exemptions, if necessary:

**COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES**

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

No Briefly summarize the agency's analysis showing how costs were calculated. \_\_\_\_\_

Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

**WA Department of Ecology**

**Small Business Economic Impact Statement**

**Proposed amendments to WAC 173-441 Reporting of Emissions of Greenhouse Gases**

This Small Business Economic Impact Statement (SBEIS) presents the:

- Compliance requirements of the proposed rule.
- Results of the analysis of relative compliance cost burden.
- Consideration of lost sales or revenue.
- Cost-mitigating action taken by Ecology, if required.
- Small business and local government consultation.
- Industries likely impacted by the proposed rule.
- Expected net impact on jobs statewide.

A small business is defined by the Regulatory Fairness Act (chapter 19.85 RCW) as having 50 or fewer employees. Estimated costs are determined as compared to the existing regulatory environment—the regulations in the absence of the rule. The SBEIS only considers costs to “businesses in an industry” in Washington State. This means that impacts, for this document, are not evaluated for government agencies. The existing regulatory environment is called the “baseline” in this document. It includes only existing laws and rules at federal and state levels.

*This information is excerpted from Ecology's complete set of regulatory analyses of the proposed rule. For complete discussion of the likely costs, benefits, minimum compliance burden, and relative burden on small businesses, see the Regulatory Analyses (Ecology publication no. 21-02-022, October 2021)*

**COMPLIANCE REQUIREMENTS OF THE PROPOSED RULE, INCLUDING PROFESSIONAL SERVICES**

**Baseline**

The baseline for our analyses generally consists of existing rules and laws and their requirements. This is what allows us to make a consistent comparison between the state of the world with and without the proposed rule amendments.

For this rulemaking, the baseline includes the:

- Existing rule: chapter 173-441 Reporting of Emissions of Greenhouse Gases.
- Authorizing statute: Climate Commitment Act (Engrossed Second Substitute Senate Bill 5126), Chapter 316, Laws of 2021.
- Federal Clean Air Act, 42 U.S.C. §§ 7401 et seq.
- Washington Clean Air Act, chapter 70A.15 RCW.
- Limiting Greenhouse Gas Emissions, chapter 70A.45 RCW.
- Existing federal and state regulations, including those covering GHG reporting at the federal level.

**Separability of baseline from proposed rule requirements**

Ecology included some of the proposed rule amendments as explicitly part of the baseline, while it based others on Ecology's discretion. In some cases, however, it is difficult to conceptually and analytically separate the baseline from discretionary elements of the proposed rule – for example, where the baseline CCA establishes reporting scope and some definitions, but the proposed rule amendments include additional definitions, methods, or references needed to fully define the reporting program and facilitate compliance. When this is the case, the actual impacts of proposed amendments Ecology chose to include are not separable from the impacts of the overall program established under the baseline. To avoid underestimating costs in these cases, Ecology estimates the costs and benefits of the overall program, accounting for individual elements of the baseline wherever possible.

**Proposed rule amendments**

The proposed rule amendments would make the following changes:

- Applicability and definitions: The rule would require facilities, suppliers, and electric power entities emitting at least 10,000 metric tons of carbon dioxide equivalent (MTCO<sub>2e</sub>) GHG per year to report GHG emissions to Ecology. Many already report under the existing rules, but the amendment adds electric power entities and some suppliers.
- Reporting: Expands calculation and report content, including production, fuel use, and electricity use.
- Third party verification: Reporters emitting at least 25,000 MTCO<sub>2e</sub> per year or with a compliance obligation under the CCA would need to have verification performed by a third party.

- Fees: While the rule would continue to base total fees on program administration costs, it would reallocate fees based on degree of third party verification required.
- Administrative changes such as changing the reporting deadline to match the new deadline set in statute and various clarifications and corrections.

### **Applicability and definitions**

The proposed rule amendments would make the following definition changes to the existing rule.

- Add definitions consistent with statute.
- Remove references to the Washington State Department of Licensing, as they are no longer relevant.
- Amend the definition of facility to account for other specifications in rule.
- Remove overlap of facility and supplier terminology.
- Add fuel-related definitions necessary for implementation, and assumptions for consistency with statute.
- Add definitions specific to the CCA program, per statute.
- Add definitions consistent with statutory requirements for consistency with federal definitions.

The proposed rule amendments would make the following applicability changes to the existing rule.

- Add electric power entities, per statute.
- Add reporting threshold of 10,000 MTCO<sub>2e</sub> per year for suppliers and electric power entities, from all source categories, per statute.
- Amend supplier reporting basis to be the statutory threshold, based on all source categories.
- Add electric power entity reporting basis to be the statutory threshold, based on all source categories.
- Add specification that reporters with a compliance obligation under the CCA program must report for any year with an obligation, per statute.

The proposed rule amendments would affect the definition of GHG and listed GHGs.

### **Reporting**

The proposed rule amendments would make the following changes to the baseline rule:

- Set a universal reporting deadline of March 31, for mandatory and voluntary reporters, per statute.
- Allow electric power entities to submit a provisional report by March 31, followed by a final report by June 1.
- Added report contents.
- Require reporters to use the same emission calculation methods for all reports, but provide a process to request approval to change the method.
- Specify that reporters must cooperate with Ecology verification efforts.
- Extend recordkeeping from three years to 10 years. This is consistent with California reporting, per statute.
- Specify a limit of 15 business days to provide Ecology with records upon request.
- Monitoring plan.
- Clarify that “days” refers to calendar days unless otherwise specified.
- Increase the number of days a reporter has to request an extension from two days to five days before the report is due and reduce the length of the extension from 30 days to 15 days.
- Calibration and accuracy.
- Clarify that facilities use emissions calculations to determine their reporting requirements.
- Specify which emissions calculation equations municipal solid waste landfills must use for reporting.
- Specify that entities must report supplied CO<sub>2</sub> from facilities but it does not count toward the reporting threshold.
- Add calculation methods for suppliers. This is consistent with California reporting, per statute.
- Add calculation methods for electric power entities. This is consistent with California reporting, per statute.
- Require electric power entities that import or export electricity to prepare GHG Inventory Program documentation, in lieu of a GHG Monitoring Plan.

The proposed rule amendments would not affect elements of the existing rule related to:

- Designated representatives.
- Certification.
- Report submittal.
- Standardized methods and conversion factors incorporated by reference.
- Petition for alternative methods.

### **Third party verification**

The proposed rule amendments would make the following changes to the baseline rule:

- Require third party verification for some reporters.
- Require third party verification for some years.
- Specify that previously verified emissions factors meeting certain standards do not need reverification, but reports using them do.
- Allow a maximum 5 percent discrepancy between reported emissions and verified emissions.

- Require full third-party verification (including site visit), except for reporters without compliance obligation under CCA, once every three years. Use the subsequent two years for less-intensive verification.
- Add a list of what verification data checks must include.
- Set a deadline for corrections after verification.
- Verification report.
- Limit eligible verifiers to those accredited under the California Air Resources Board (CARB) program.
- Clarify that conflict of interest does not include working for a reporter to verify GHG emissions in another jurisdiction.
- Specify that Ecology may assign an emissions level in cases of discrepancy, per statute.
- Specify that Ecology may assign the emissions level used under the CCA program, per statute.

**Fees**

The proposed rule amendments would not affect the total program budget (this is not specified in rule), but would change how fees are allocated across reporters. A reporter’s fee would depend on whether their GHG emissions report is subject to third party verification.

Current estimates of likely annual fees are:

- \$700 for reporters not subject to third party verification.
- \$4,000 for reporters subject to third party verification.

**Administrative changes**

The proposed rule amendments make administrative changes that are specifically from the baseline or have no material impact other than ensuring the rule is clear and consistent, such as clarifications and updating references.

**COSTS OF COMPLIANCE: EQUIPMENT, SUPPLIES, LABOR**

Compliance with the proposed rule, compared to the baseline, is not likely to impose additional costs of equipment, supplies, or labor. We estimated all labor costs to be based on contracting to professional services (see below).

**COSTS OF COMPLIANCE: PROFESSIONAL SERVICES**

**Reporting**

We expect the proposed rule amendments to reporting to increase the time and effort necessary to report. For existing reporters, this would be an incremental change in reporting costs. For new reporters the cost would be of the entire reporting effort.

Many elements of calculation methods and reporting are part of the baseline, while Ecology based others on its discretion. Elements of costs and benefits that are a result of statutory requirements are not costs and benefits of the proposed rule amendments, but it is not possible to separate the discretionary choices made by Ecology from the statutory requirements. To avoid underestimating costs, we considered the impacts of proposed reporting changes as a whole.

To estimate the costs of proposed amendments to reporting, including applicability expansion, we used the list of current facility and fuel supplier reporters, as well as identifying likely new facility, supplier, and electric power entity reporters. The table below summarizes them.

Reporter Type	Low Count	High Count
Existing facilities	159	159
New facilities	0	0
Existing suppliers	42	42
New suppliers	16	26
New electric power entities	50	60
Ceasing reporting (statutory change)	5	5
<b>Total</b>	<b>272</b>	<b>292</b>

Since electric power entities and many suppliers are not currently required to report, we could not identify all specific entities that would likely become reporters under the proposed amendments:

- In addition to six likely new suppliers identified, based on Ecology staff professional judgment and experience implementing the GHG reporting program, we assumed between 10 and 20 additional suppliers would become reporters.
- Based on professional judgement and experience, as well as corroborating information from the Bonneville Power Administration and Washington Utilities and Transportation Commission (UTC), we assumed between 50 and 60 electric power entities would become reporters.

Based on past estimates of necessary reporting workload, as well as assessments by the US EPA, we assumed how much additional time it would take various positions to complete the reporting required under the proposed amendments. Loaded wages reflect overhead costs such as benefits, equipment, and administrative support, based on median wages by

employment type in Washington. Overhead costs conservatively potentially overestimate labor costs, corresponding to hiring outside contractors for reporting. Existing internal staff hourly wages would not reflect overhead. For existing reporters, this would be the increase in costs from current reporting, and new reporters would incur the full cost.

Based on the above numbers of reporters and reporting costs, we estimated total reporting costs:

- Facilities (all existing reporters):
  - \$5,824 in the first year.
  - \$2,229 in subsequent years.
- Existing supplier reporters:
  - \$54,499 in the first year.
  - \$52,680 in subsequent years.
- New supplier reporters:
  - \$24,591 – \$39,960 in the first year.
  - \$23,702 – \$38,515 in subsequent years.
- Electric power entities (all new reporters):
  - \$76,846 – \$92,215 in the first year.
  - \$74,068 – \$88,881 in subsequent years.

**Third party verification**

We expect the proposed rule amendments to third party verification to result in additional verification costs for some reporters. Reporters emitting at least 25,000 MTCO<sub>2e</sub> per year or with compliance obligations under the CCA would incur these additional costs.

The third party verification requirements in the proposed rule are largely as required by statute, but Ecology used its discretion to add specifications that would help implement the rule. Elements of costs and benefits that are a result of statutory requirements are not costs and benefits of the proposed rule amendments, but it is not possible to separate the discretionary choices made by Ecology from the statutory requirements. To avoid underestimating costs, we considered the impacts of proposed applicability and definition changes as a whole.

We estimated the costs of third party verification based on estimated costs of full (including site visit) verification and less-intensive verification, of \$22,195 and \$701, respectively. According to the proposed rule amendments, reporters subject to third party verification:

- Must undergo full verification the first year of each three-year compliance period, followed by less-intensive verification the remaining two years, if they have a compliance obligation under the CCA.
- Must undergo less-intensive verification if they emit over 25,000 MTCO<sub>2e</sub> per year and do not have a compliance obligation under the CCA.

Verification Type	Low Count	High Count
Third party required	201	221
Third party NOT required	71	71
<b>Total</b>	<b>272</b>	<b>292</b>

To simplify calculations around uncertainty ranges, we conservatively assumed all new suppliers and electric power entities were subject to full third party verification.

**COSTS OF COMPLIANCE: ADMINISTRATIVE COSTS**

Where applicable, Ecology estimates administrative costs (“overhead”) as part of the cost of labor and professional services, above.

## **COSTS OF COMPLIANCE: OTHER**

### **Applicability and definitions**

We expect the proposed rule amendments to applicability and definitions to increase the number of reporters subject to GHG reporting requirements. These new reporters would incur costs of reporting, verification, and fees, which are all addressed in the relevant sections below.

Based on past implementation of the reporting rule, the total number of reporters remains relatively stable over time, if not decreases. Given the requirements and provisions of the CCA, the number of new electric power entity reporters in the future may increase. That would increase the total number of reporters beyond the current expanded scope of the proposed amendments. This would scale both costs and benefits.

The statute largely expands the scope of the proposed rule, but Ecology used its discretion to add specifications and definitions that would help implement the rule and clarify who must comply with the rule. Elements of costs and benefits that are a result of statutory requirements are not costs and benefits of the proposed rule amendments, but it is not possible to separate the discretionary choices made by Ecology from the statutory requirements. To avoid underestimating costs, we considered the impacts of proposed applicability and definition changes as a whole.

### **Fees**

We expect the proposed rule amendments to fee allocation to result in both individual fee increases and decreases. The direction of an individual fee change depends on whether a reporter is an existing facility or supplier, and whether it would likely be subject to third party verification under the proposed amendments. New reporters (see section 2.3.1) would experience only fee increases, of the full fee amount. The rule does not dictate the total program budget. Any change in total costs will result from additional sources required to report and any increased effort required for administration of the expanded program.

Current fees are:

- \$2,635 per facility.
- \$0 per transportation fuel supplier.

Current estimates of likely fees under the proposed rule amendments are:

- \$700 for reporters not subject to third party verification.
- \$4,000 for reporters subject to third party verification.

Across the entire population of likely reporters, this would result in increased annual costs of \$431,235 – \$511,235, accounting for both positive and negative cost impacts.

## **COMPARISON OF COMPLIANCE COST FOR SMALL VERSUS LARGE BUSINESSES**

We calculated the estimated per-business costs to comply with the proposed rule amendments, based on the costs estimated in Chapter 3 of this document. In this section, we estimate compliance costs per employee. We note that costs of compliance are potentially significantly different, as compared to the baseline, for existing reporters that are largely facilities. We therefore considered costs per employee separately for a median facility, supplier, and electric power entity.

The median affected small business likely covered by the proposed rule amendments employs between five and ten people. The largest ten percent of affected businesses employ a median of between 500 and 3,150 people. The table below summarizes them.

Based on annual cost estimates above, we estimated the following annual compliance costs per employee.

<b>Reporter Type</b>	<b>Median Cost per Employee Small Businesses</b>	<b>Median Cost per Employee Largest 10 Percent of Businesses</b>
Electric power entities	\$2,188	\$44
Facilities	\$208	\$1
Suppliers	\$2,334	\$23



We conclude that the proposed rule amendments are likely to have disproportionate impacts on small businesses, based on median values and industry attributes, and therefore Ecology must include elements in the proposed rule amendments to mitigate this disproportion, as far as is legal and feasible. As discussed above, however, the degree of disproportion is likely smaller than quantified here, based on conservative underestimation of employment numbers.

### **CONSIDERATION OF LOST SALES OR REVENUE**

Businesses that would incur costs could experience reduced sales or revenues if the proposed rule amendments significantly affect the prices of the goods they sell. Each business's production and pricing model (whether additional lump-sum costs would significantly affect marginal costs) strongly determine the degree to which this could happen. It also relates to the specific attributes of the markets in which they sell goods, including the degree of influence each firm has on market prices, as well as the relative responsiveness of market demand to price changes.

We used the REMI E3+ model for Washington State to estimate the impact of the proposed rule amendments on directly affected markets, accounting for dynamic adjustments throughout the economy. The model accounts for: inter-industry impacts; price, wage, and population changes; and dynamic adjustment of all economic variables over time.

Based on E3+ model runs for low and high cost estimates aggregated to the 4-digit North American Industry Classification System (NAICS) level, we estimated potential impacts to price levels and output value over time. This allowed us to estimate the degree to which businesses would be able to pass costs on to their customers through increased prices, as well as to what degree customers would be able to substitute to less-expensive goods. Together, these impact the likelihood that businesses would experience impacts to sales or revenue.

Model results did not indicate significant immediate or long-run impacts to overall price levels in the state (0 to 0.001 percent increase), but did forecast relatively small aggregate impacts to the value of output statewide. Most of the median \$6 million per year statewide impact was concentrated in the following industries, likely due to minor increases in energy costs impacting broad sectors. For context, total annual output in the state is worth over \$600 billion.

- Manufacturing: \$1 million to \$1.2 million.
- Construction: \$600,000 to \$1.2 million.
- Utilities: \$600,000 to \$1.2 million.

### **MITIGATION OF DISPROPORTIONATE IMPACT**

We considered all of the above options, the goals and objectives of the authorizing statutes (see Chapter 6), and the scope of this rulemaking. We limited compliance cost-reduction methods to those that:

- Are legal and feasible.
- Meet the goals and objectives of the authorizing statute.
- Are within the scope of this rulemaking.

The proposed rule amendments maintain or add elements from the above list provided in the RFA:

- The baseline rule and proposed amendments are reporting rules only. They do not contain substantive regulatory requirements, and we are not proposing any for addition.
- Recordkeeping and reporting requirements would rely largely on maintaining consistency with other programs, using known operations data and information, and using standardized common calculations.
- If we consider the equivalent of inspections for the proposed amendments to the reporting rule to be third party verification, the proposed rule amendments limit this verification to where it is necessary for data quality assurance in its support of the CCA program (as required by statute). Smaller reporters are less likely to have compliance obligations or emissions over the threshold that would require third party verification.
- As part of this rulemaking, Ecology received information that electric power entities (many of which are small) desired later deadlines. While the statute specifies the reporting deadline, the proposed rule amendments require electric power entities to submit a provisional report by the statutory deadline, followed by a final report two months later as proposed by stakeholders. Ecology also made changes to third party verification to streamline the process for smaller utilities.

The statute specifies many elements related to noncompliance, and could not be changed.

## **SMALL BUSINESS AND LOCAL GOVERNMENT CONSULTATION**

We involved small businesses and local governments in development of the proposed rule amendments as part of our overall communications and rule development strategy.

- Rule announcement notice sent via email to:
  - Rules and State Implementation Plan (SIP) listserv.
  - GHG reporting listserv.
  - CCA listserv.
  - Current GHG reporters.
  - WAC track (rulemaking).
- Stakeholder meeting materials sent on 7/15/21 to:
  - Registered participants.
  - GHG reporting listserv.
  - Current GHG reporters.
- Stakeholder meeting on 7/22/21 to provide overview of rule changes and get feedback on draft rule language.

Email recipients and meeting attendees included potential reporters, business associations, and industry associations across all three categories of proposed reporter. These included or represented small businesses unable to participate. Local governments (cities, counties) were also direct participants.

## **NAICS CODES OF INDUSTRIES IMPACTED BY THE PROPOSED RULE**

The proposed rule amendments likely impact the following industries, with associated NAICS codes. NAICS definitions and industry hierarchies are discussed at <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2017>.

- 1121 Cattle Ranching and Farming
- 2123 Nonmetallic Mineral Mining and Quarrying
- 2131 Support Activities for Mining
- 2211 Electric Power Generation, Transmission and Distribution
- 2212 Natural Gas Distribution
- 2213 Water, Sewage and Other Systems
- 3112 Grain and Oilseed Milling
- 3114 Fruit and Vegetable Preserving and Specialty Food Manufacturing
- 3115 Dairy Product Manufacturing
- 3116 Animal Slaughtering and Processing
- 3119 Other Food Manufacturing
- 3211 Sawmills and Wood Preservation
- 3212 Veneer, Plywood, and Engineered Wood Product Manufacturing
- 3219 Other Wood Product Manufacturing
- 3221 Pulp, Paper, and Paperboard Mills
- 3222 Converted Paper Product Manufacturing
- 3241 Petroleum and Coal Products Manufacturing
- 3251 Basic Chemical Manufacturing

- 3253 Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing
- 3272 Glass and Glass Product Manufacturing
- 3273 Cement and Concrete Product Manufacturing
- 3274 Lime and Gypsum Product Manufacturing
- 3311 Iron and Steel Mills and Ferroalloy Manufacturing
- 3313 Alumina and Aluminum Production and Processing
- 3314 Nonferrous Metal (except Aluminum) Production and Processing
- 3321 Forging and Stamping
- 3344 Semiconductor and Other Electronic Component Manufacturing
- 3359 Other Electrical Equipment and Component Manufacturing
- 3364 Aerospace Product and Parts Manufacturing
- 4247 Petroleum and Petroleum Products Merchant Wholesalers
- 4251 Wholesale Electronic Markets and Agents and Brokers
- 4451 Grocery Stores
- 4471 Gasoline Stations
- 4811 Scheduled Air Transportation
- 4862 Pipeline Transportation of Natural Gas
- 4881 Support Activities for Air Transportation
- 4921 Couriers and Express Delivery Services
- 4931 Warehousing and Storage
- 5621 Waste Collection
- 5622 Waste Treatment and Disposal
- 6113 Colleges, Universities, and Professional Schools
- 9241 Administration of Environmental Quality Programs
- 9281 National Security and International Affairs

**IMPACT ON JOBS**

We used the REMI E3+ model for Washington State to estimate the impact of the proposed rule amendments on jobs in the state, accounting for dynamic adjustments throughout the economy.

The proposed rule amendments would result in transfers of money within and between industries, as compared to the baseline. The modeled impacts on employment are the result of multiple small increases and decreases in employment, prices, and other economic variables across all industries in the state. We define a job as one year of a full-time equivalent job, and may not reflect the ongoing or accumulating loss of entire employment positions.

Compliance cost impacts on jobs

Industry	Initial Jobs Impact	Jobs Impact in Year 20
All Industries	-19 to -21	-18 to -20
Construction	-4 to -5	-2
Retail trade	-2 to -3	-1
Manufacturing	-2	-2
Health care and social assistance	-1 to -2	-1 to -2

These employment impacts are based only on compliance costs incurred as a result of the proposed rule amendments (internal costs, payments to consultants), and do not account for benefits resulting from the reporting program's support of the CCA.

Accounting for the employment impacts of transfer payments to other industries – payments for consulting services – the total employment impact across all industries would be lower, while employment impacts to industries incurring costs, or their customers sensitive to small price impacts, would remain largely the same.

Net impacts on jobs


Industry	Initial Jobs Impact	Jobs Impact in Year 20
All Industries	-1 to -8	-16 to -18
Construction	-4	-2
Retail trade	-2	-1
Manufacturing	-2	-2
Health care and social assistance	-1	-2
Professional, scientific, and technical services	+5 to +7	-1 to +1

For context, the REMI E3+ model forecasts the Washington State economy to have over 4.7 million FTEs in 2022, increasing to nearly 5.4 million FTEs over the next 20 years.

By supporting the CCA cap-and-invest program, the proposed rule amendments would also contribute to the effectiveness and efficiency of benefits resulting from the program, such as reductions in greenhouse gas emissions, avoided social costs of climate change, and investment in GHG reduction projects and industries. These benefits, supported indirectly by the proposed rule, would result in additional employment increases as the state shifts toward a green economy under the CCA.

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

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