

DEPARTMENT OF
ECOLOGY
State of Washington

Chapter 173-446 WAC – Climate Commitment Act Program Rulemaking

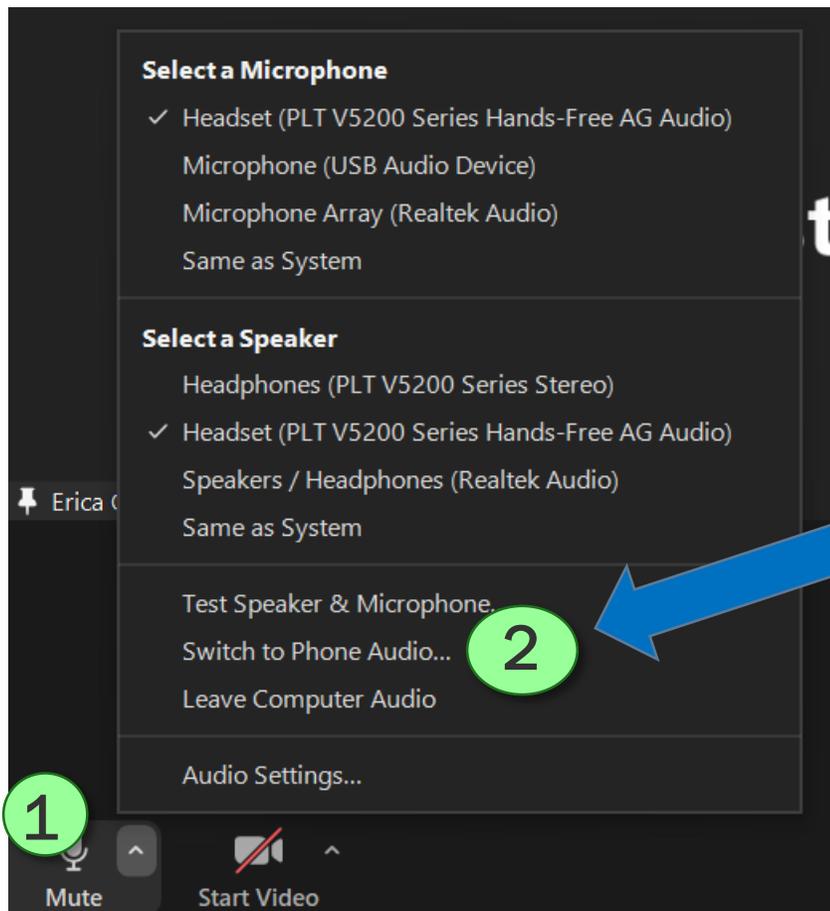
Air Quality Program

December 16, 2021

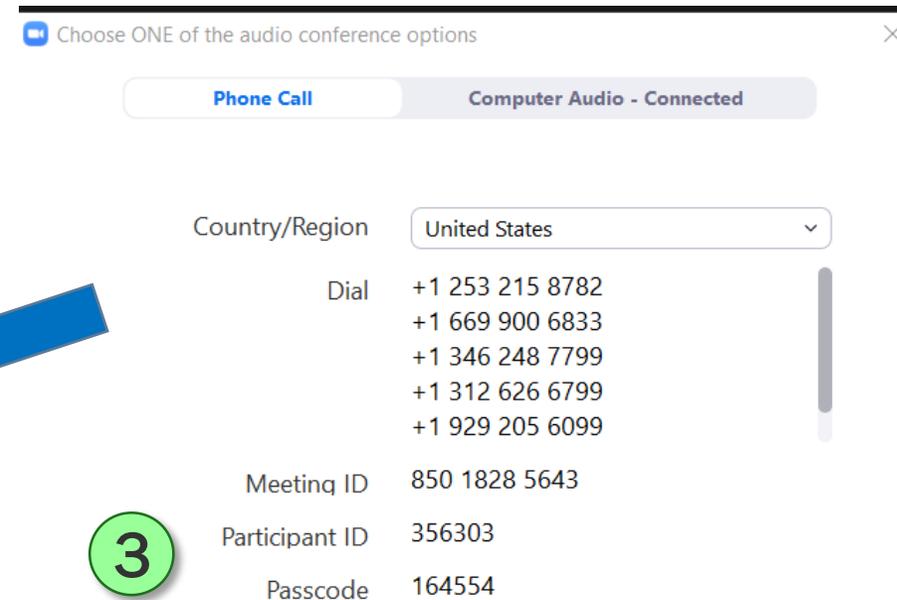
Sound Check

No sound? Connect your audio and listen for a sound check before we start.
All attendees are muted.

Confirm that speaker and mic you're using match those selected in your Zoom settings.

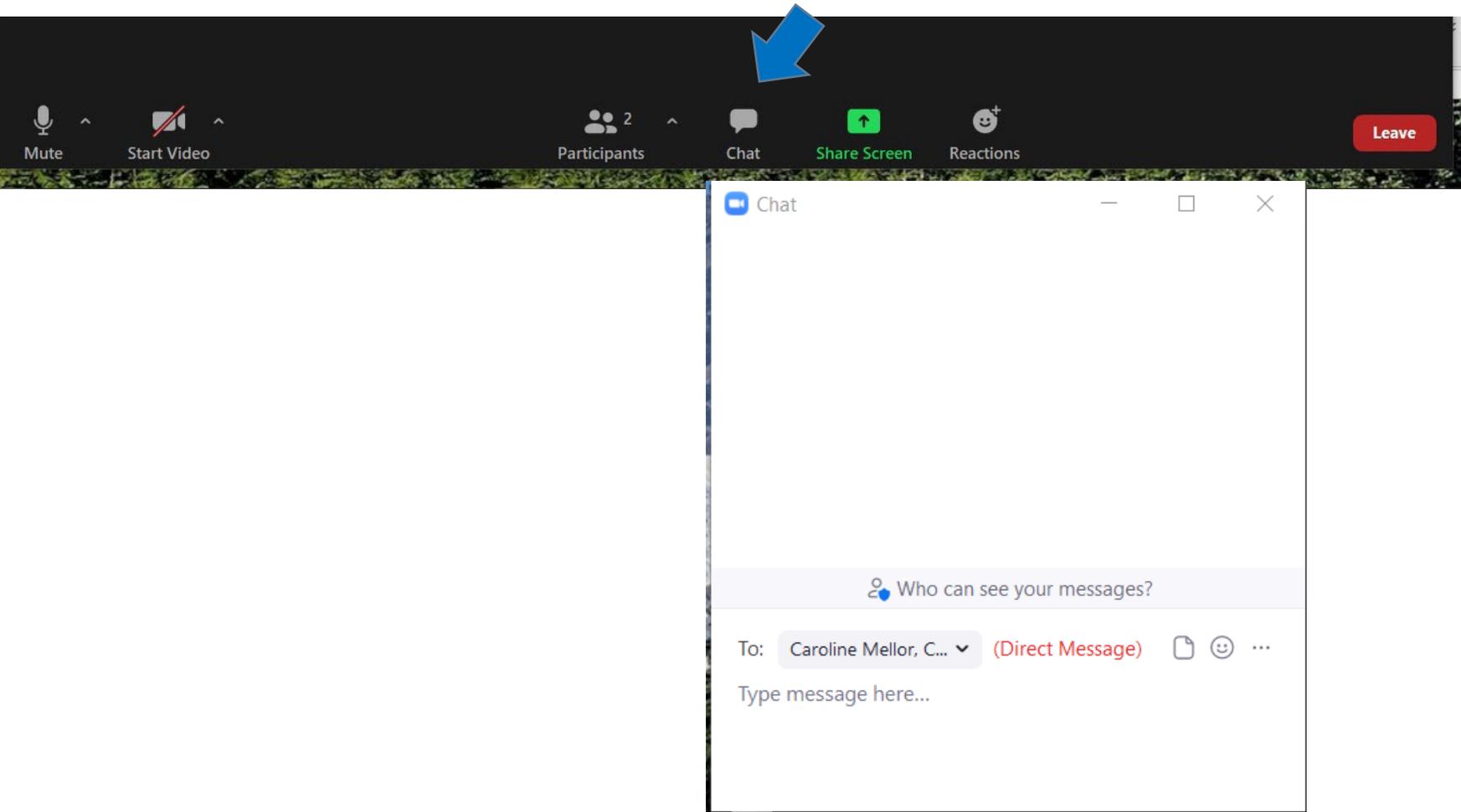


Is your internet low quality? If yes, then click "Switch to phone audio." Enter Participant ID when prompted for your phone to be associated with your video.

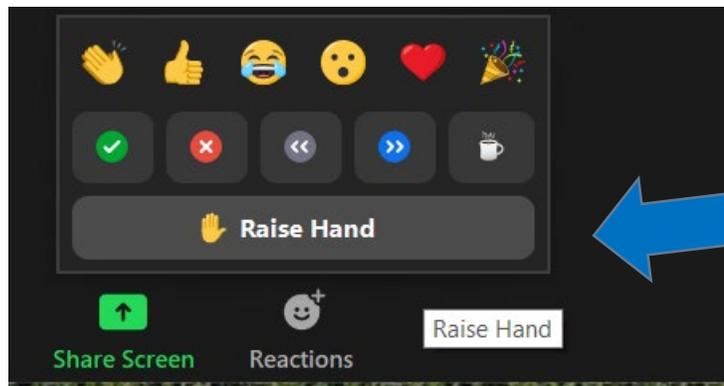
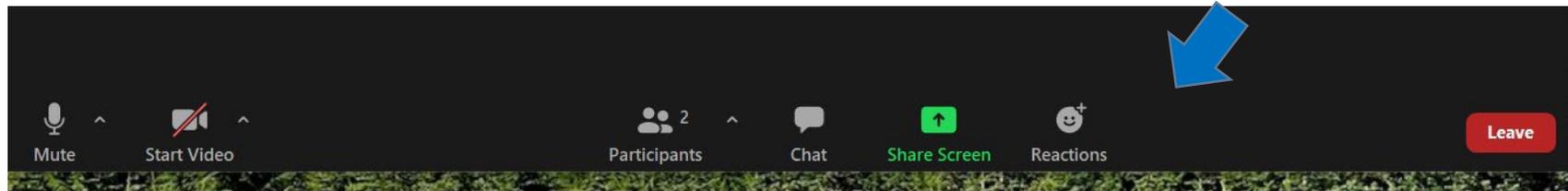


How To Use the “Chat” Function

Chat with the host for technical problems



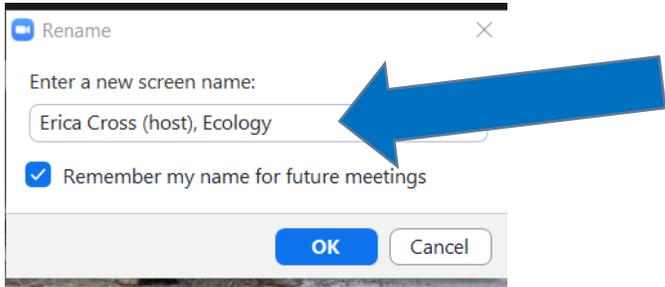
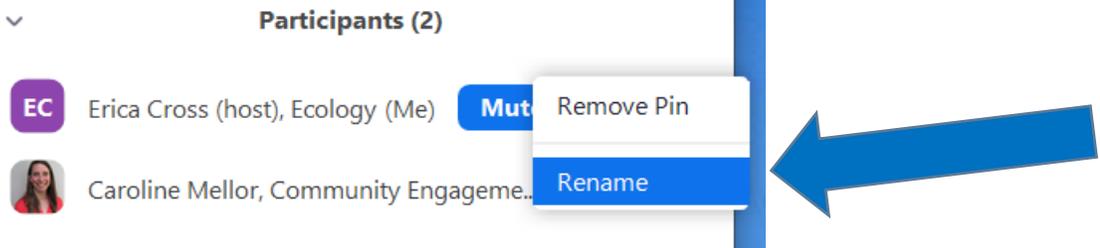
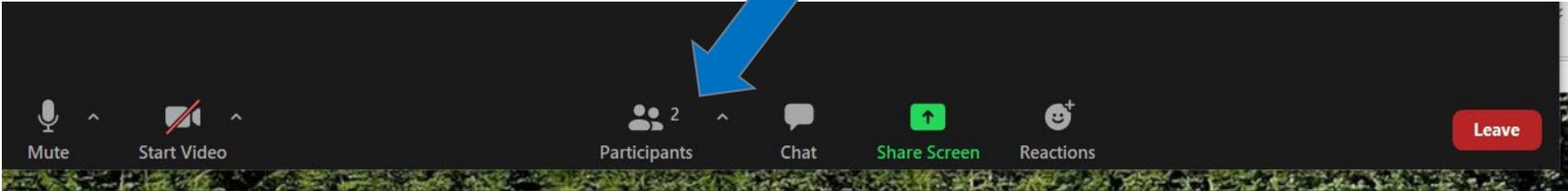
How To Use the “Raise Hand” Function



During today’s question-and-answer period:

- Participants using computer or mobile app: Use the “Raise Your Hand” button. This button is located in the reactions icon, “Raise Hand.”

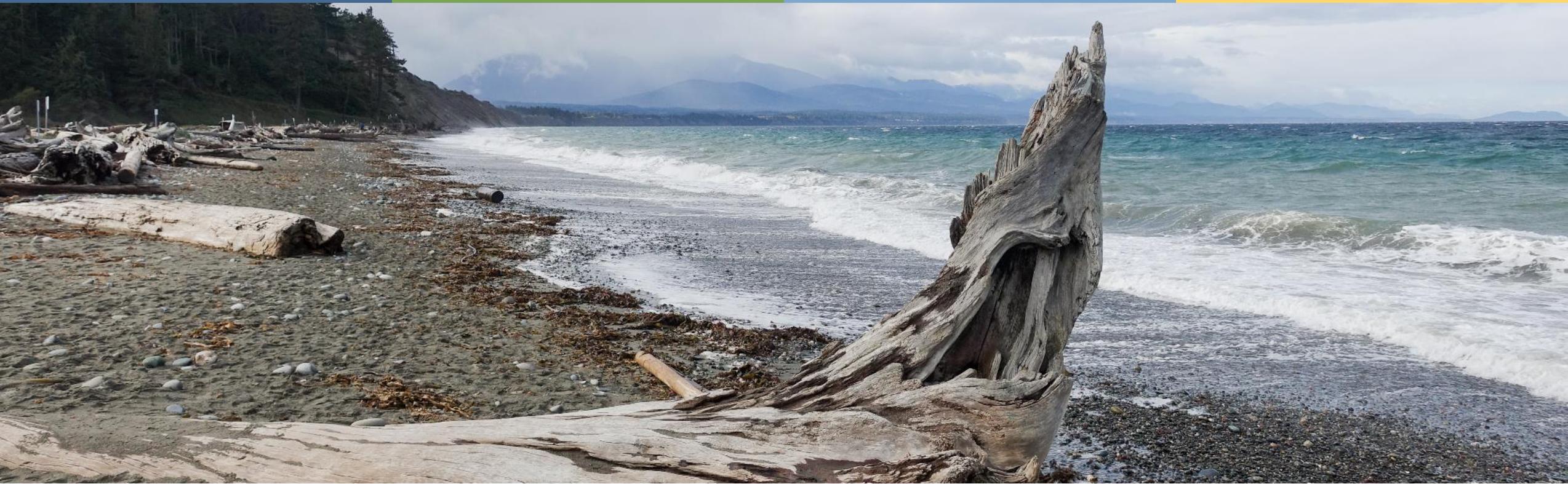
How To Change Your Name



Start Recording

We will begin recording at this time.





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Air Quality Program

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Ecology Staff



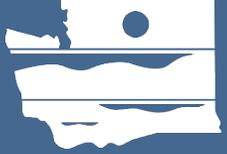
- Erica Cross – Technical host
- Martha Hankins – Policy and Planning Section Manager
- Luke Martland – CCA Implementation Manager
- Derek Nixon – Auctions Unit Supervisor (chat questions facilitator)
- Bill Drumheller – Technical Lead
- Neil Caudill – GHG Reporting Lead
- Emily Bruns – EITE Facility Lead and GHG Reporting Lead
- Kay Shirey – Rule Development Lead
- Cooper Garbe – Rulemaking Lead

Comments and Feedback

- Public participation
 - We are presenting a work-in-progress view of rule language
 - Input during the development phase is critical to a successful program
 - Informal comment period November 8 –January 18, may be submitted here: <https://aq.ecology.commentinput.com/?id=mgir9>

Offsets Agenda

- 1 What is an offset?
- 2 What is an offset in the Climate Commitment Act?
- 3 Proposed path forward for offsets
- 4 Elements of the draft rule language for offsets
- 5 Key questions to consider for comments
- 6 Listening session



What is an Offset?

Greenhouse Gas Emissions are Global

- Climate change is a global problem.
- Anthropogenic (human-caused) climate change results from the emission of greenhouse gases into the atmosphere.
- A reduction in greenhouse gases has the same impact on climate change no matter where on the globe that reduction takes place.
- This makes it possible to **offset** a greenhouse gas emission increase in one part of the globe, with a reduction in greenhouse gases in another, with each action having an effect regardless of location.
- Unique to greenhouse gases; does not usually apply to air pollution

How Are Offset Greenhouse Gases Reduced?

Reductions in greenhouse gases in the atmosphere occur through:

- **Direct reductions**
 - A source of greenhouse gas emissions creates less greenhouse gases
- **Removals** from the atmosphere
 - Greenhouse gases are captured through natural processes (sequestration) or through technological means
- **Avoided** emissions into the atmosphere
 - The release of greenhouse gases are avoided through an action or process
- Combinations of these actions are also possible

The Term “Offsets” Can Refer To

- **Offset projects**
 - An individual activity or operation undertaken to reduce, remove, or avoid greenhouse gas emissions for the purpose of offsetting emissions elsewhere
- **Offset programs**
 - An organized effort to provide offset projects a repository, registry, and standards to ensure a level of quality and review for those projects
- **Offset credits**
 - Commodities or instruments representing emission reductions offset by projects, normally issued by offset programs for use in carbon markets

Carbon Markets and Offsets

- Voluntary markets
 - Personal use to offset “carbon footprint”
 - Corporate use for supply chain or facility “carbon footprints”
 - Product offsets, sold with products or services (e.g., rental cars)
- Regulatory markets
 - Power plant emission standards (in Oregon and Washington)
 - Cap-and-trade/cap-and-invest programs
- International agreements
 - Kyoto Protocol
 - CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation)

Offset Registries

- Registries provide the foundational infrastructure for the creation, registration, verification, crediting, and tracking of offsets.
 - Most regulatory programs have an affiliated registry.
 - Voluntary carbon markets rely on non-profit registry organizations.
- Three primary registry organizations in North America
 - Climate Action Reserve
 - American Carbon Registry
 - Verra (formerly the Verified Carbon Standard)
- These registry organizations also are used by some (but not all) regulatory programs.

Offset Quality

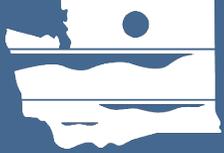
- Offset registries and offset programs seek to ensure that the offset projects they register or approve meet certain quality criteria.
- Different offset programs have different criteria.
- Most programs address the following
 - Accurately measured emission reductions or removals
 - Permanence of the emission reduction or removal
 - Ensure that the reductions or removals are counted only once
 - Social or environmental factors associated with the project
 - “Additionality” – whether the project would have happened anyway, in the absence of the offset market and the financial incentive that provides

Offset Protocols

- Criteria for ensuring offset quality are difficult to translate to actual projects and project categories.
- This is the role of the offset protocol document
 - How to measure emission reduction or removal for project
 - For sequestration projects (e.g., forestry), how permanence works
 - Requirements related to social or environmental issues
 - Tests for “additionality” – providing critical detail
 - Other necessary elements for a project or project category
- Historically, creation has been facilitated by offset registries, and adapted later by offset programs and regulatory bodies.

Questions About What Offsets Are?

- Project types or categories that might qualify as offsets will be discussed in the next section.
- Next: Offsets in the Climate Commitment Act



What is an Offset in the Climate Commitment Act?

Criteria for Offsets in the CCA

Result in greenhouse gas reductions or removals that:

- Are **real, permanent, quantifiable, verifiable, and enforceable**
- Are **in addition to** greenhouse gas emission reductions or removals otherwise required by law and other greenhouse gas emission reductions or removals that would otherwise occur
- Have been certified by a recognized registry after July 25, 2021 or within two years before July 25, 2021

Offset projects must:

- **Provide direct environmental benefits to the state** or be located in a jurisdiction with which Washington has entered into a linkage agreement

What Kinds Of Projects Can Be Offsets?

- "Offset project" means a project that reduces or removes greenhouse gases that are not **covered emissions** under this chapter.
- "Covered emissions" means the emissions for which a covered entity has a compliance obligation under RCW 70A.65.080 [program coverage of the CCA].
- If offsets were allowed from covered emissions, double-counting would result, as one emission reduction would result in both one less allowance needed for compliance, as well as generating an offset credit for the same reduction.

Requirements for Offsets in the CCA

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

- Take into consideration, standards, rules, or protocols for offset projects and offset credits established by other states, provinces, and countries with programs comparable to the program established in this chapter.
- Encourage opportunities for the development of offset projects in this state by adopting offset protocols that may include, but need not be limited to, protocols that make use of aggregation or other mechanisms to reduce transaction costs related to the development of offset projects and that support the development of carbon dioxide removal projects.

RCW 70A.65.170

Requirements for Offsets in the CCA

The protocols adopted by the department under this section must align with the policies of the state established under:

- RCW 70A.45.090: Any state carbon programs must support the policies stated in this section and recognize the forest products industry's contribution to the state's climate response [and]
- RCW 70A.45.100: It is the policy of the state to promote the removal of excess carbon from the atmosphere through voluntary and incentive-based sequestration activities in Washington including, but not limited to, on natural and working lands and by recognizing the potential for sequestration in products and product supply chains.

RCW 70A.65.170

Offset Compliance Obligation Limits

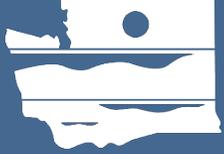
- A total of no more than five percent of a covered or opt-in entity's compliance obligation during the first compliance period may be met by transferring offset credits.
- A total of no more than four percent of a covered or opt-in entity's compliance obligation during the second compliance period may be met by transferring offset credits.
- Both of these limits (RCW 70A.65.170 (3)(a) and (b)) are qualified such that not all offset credits must be from projects that provide direct environmental benefits to the state, however RCW 70A.65.170 (2)(a) requires all offset projects to do so, or be in linked jurisdiction.

Tribal Offsets Have Separate Limit

- An offset project on federally-recognized tribal land does not count against the offset credit limits [for covered entities].
- No more than three percent of a covered or opt-in entity's compliance obligation may be met by transferring offset credits from projects on federally-recognized tribal land during the first compliance period.
- No more than two percent of a covered or opt-in entity's compliance obligation may be met by transferring offset credits from projects on federally-recognized tribal land during the second compliance period.

Summary of CCA Offset Requirements

- Offsets must meet standards of quality common to other programs.
- Offsets must reduce or remove emissions not covered by program.
- Offsets must provide direct environmental benefits to the state (unless linkage conditions are met).
- Certified offsets from July 25, 2019 onward
- Required to encourage, consider, or promote
 - Carbon dioxide removal projects
 - Offset protocols from other cap-and-invest/trade programs
 - Forestry and sequestration on natural and working lands
 - Aggregation and other transaction cost saving elements



Proposed Path Forward for Offsets

Two-Stage Approach

Short-term (for this rulemaking)

- Mirror rules from the California Air Resources Board (CARB) for their offset program as possible
- Adopt by reference some (but not all) of the CARB offset protocol category documents
- Adapt CARB rule language as necessary for CCA requirements

Long-term (future rulemakings)

- Maintain consistency with CARB rules, but update as needed to provide for linkage potential
- Begin multi-year process of developing or adapting offset protocols specific to Washington
- Adopt additional offset protocols that are now in development

Proposed CARB Protocols for Adoption

- U.S. Forest Projects – June 25, 2015 (and preceding versions)
- Urban Forest Projects – October 20, 2011
- Livestock Projects: Capturing and Destroying Methane from Manure Management Systems – November 14, 2014 (and preceding versions)
- Not adopted (for this rulemaking) as proposed
 - Ozone Depleting Substances Projects: Destruction of U.S. Ozone Depleting Substances Banks – November 14, 2014 (and preceding versions)
 - Mine Methane Capture Projects – July 1, 2014
 - Rice Cultivation Projects – June 25, 2015

Resulting Offset Project Types

The following specific offset project types would be immediately eligible using CARB protocols under this proposed pathway

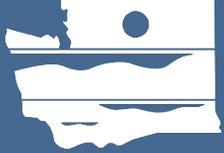
- Improved forest management
- Avoided forest conversion
- Reforestation
- Manure management on dairy cattle and swine farms
- Urban tree planting and maintenance activities

Benefits of Mirroring CARB Offset Rules

- Offset project developers and market participants already familiar with CARB rules would translate immediately to Washington program.
- Mirroring rules allows Washington to tap into existing pool of offset verification experts who know CARB rules, while providing time to grow the pool to accommodate future offset growth in Washington.
- Provides foundation for potential linkage since offsets would meet same or substantially similar criteria for quality, providing confidence in offset credits generated in Washington if used in linkage later.
- Expediency – creating a program from scratch extremely difficult

Near-Term Benefits of CARB Offset Approach

- CARB utilizes the existing offset registry infrastructure as a “first stop” for offset projects before they are transformed to CARB offset credits
 - Offset projects first register their projects with one of the existing registries
 - Climate Action Reserve
 - American Carbon Registry
 - Verra
 - Once those offset projects are approved and listed on those registries, they can apply to CARB to become registered as compliance instruments.
- Using the same approach in Washington would allow projects already on those registries going back to 2019 to provide offset credits and would facilitate Washington projects transitioning to serve the CCA



Elements of the Draft Rule Language for Offsets

General Approach to Translating CARB Rule

- This language is taken from the CARB cap-and-trade rule.
- California has a substantially different rule style.
- General structure is same, with some aggregation of sections
- Attempt to delete language related directly to protocols Ecology is not proposing to adopt (e.g., ODS destruction), but likely missed some
- Eliminate elements of CARB offset program not relevant to Climate Commitment Act (early action offset program no longer in effect)
- Eliminated language that seemed to be putting barriers on tribal offset projects or introducing legalisms related to California

General Requirements for Offsets

- WAC 173-446-500 – General Requirements for Offset Credits and Registry Offset Credits
- WAC 173-446-505 – Requirements for Compliance Offset Protocols
- WAC 173-446-510 – Requirements for Offset Projects Using Ecology Compliance Offset Protocols
- WAC 173-446-515 – Authorized Project Designee
- WAC 173-446-520 – Listing of Offset Projects Using Ecology Compliance Offset Protocols

Verification and Verifier Requirements

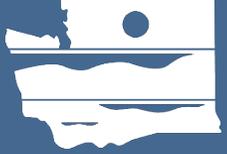
- WAC 173-446-525 – Monitoring, Reporting, and Record Retention Requirements for Offset Projects
- WAC 173-446-530 – Verification of GHG Emission Reductions and GHG Removal Enhancements from Offset Projects
- WAC 173-446-535 – Requirements for Offset Verification Services
- WAC 173-446-540 – Offset Verifier and Verification Body Accreditation
- WAC 173-446-545 – Conflict of Interest Requirements for Verification Bodies and Offset Verifiers for Verification of Offset Project Data Reports

Crediting and Tracking of Offsets

- WAC 173-446-550 – Issuance of Registry Offset Credit
- WAC 173-446-555 – Issuance of Ecology Offset Credits
- WAC 173-446-560 – Process for Issuance of Ecology Offset Credits
- WAC 173-446-565 – Registration of Ecology Offset Credits
- WAC 173-446-570 – Forestry Offset Reversals
- WAC 173-446-575 – Ownership and Transferability of Ecology Offset Credits
- WAC 173-446-580 – Invalidation of Ecology Offset Credits

Direct Environmental Benefits in the State

- WAC 173-446-585 – Approval Requirements for Offset Project Registries
- WAC 173-446-590 – Offset Project Registry Requirements
- WAC 173-446-595 – Direct Environmental Benefits in the State



Key Questions to Consider for Comments

Direct Environmental Benefit in the State

- Offset projects that are located within, or that avoid GHG emissions within the state of Washington are considered to provide direct environmental benefits in the state.
- Any project located outside the state of Washington may submit [information to demonstrate that] the offset project or offset project type provides for the reduction or avoidance of emissions of any air pollutant that is not credited pursuant to the applicable Compliance Offset Protocol in the state of Washington or a reduction or avoidance of any pollutant that is not credited pursuant to the applicable Compliance Offset Protocol that could have an adverse impact on waters of the state of Washington.

Tribal Considerations in Rule Language

- Original CARB language clearly focused on California law and nuances of California tribal considerations that go beyond air quality expertise
- Tribal guidance on any of the original language, or parallel type of language, that is important would be much appreciated.
- Guidance on any additional, new, or modified language that would assist or facilitate tribal offsets would also be very helpful.
- Several of the largest existing offset projects in Washington are tribal projects, interesting to hear about any barriers to transitioning those projects to CCA offset projects in the future

Protocols for Immediate Adoption

- Proposing to bring three CARB offset protocols into the program immediately – forestry, urban forestry, and livestock.
- Concerns and comments about not adopting other CARB protocols
 - ODS destruction
 - Mine methane destruction
 - Rice cultivation
- Comments and thoughts about other protocols that are believed to be ready for immediate adoption
- Also useful to hear thoughts about other protocols that may be ready in the near term for adoption as a regulatory offset protocol

Listening Session

- We would like to hear your thoughts about offsets in the cap-and-invest program.
- We will also answer what questions we can.
- 3-minute time limit on comments and questions.

We Welcome Your Feedback

- Stakeholder meetings are designed to provide you with the information you need to give Ecology your considered feedback.
 - The informal comment period for this rulemaking is November 8, 2021 – January 18, 2022.
- The most effective way for you to submit your comments and suggestions is through <https://aq.ecology.commentinput.com/?id=mgir9>
- Contact Cooper Garbe at cooper.garbe@ecy.wa.gov or 360-485-7216

Wrap Up

- Additional stakeholder meeting planned for January 11, 2022
 - Presenting draft rule text regarding auctions and price containment mechanisms
- Recordings are available on request
 - cooper.garbe@ecy.wa.gov

Questions?

Cooper Garbe

cooper.garbe@ecy.wa.gov

360-485-7216