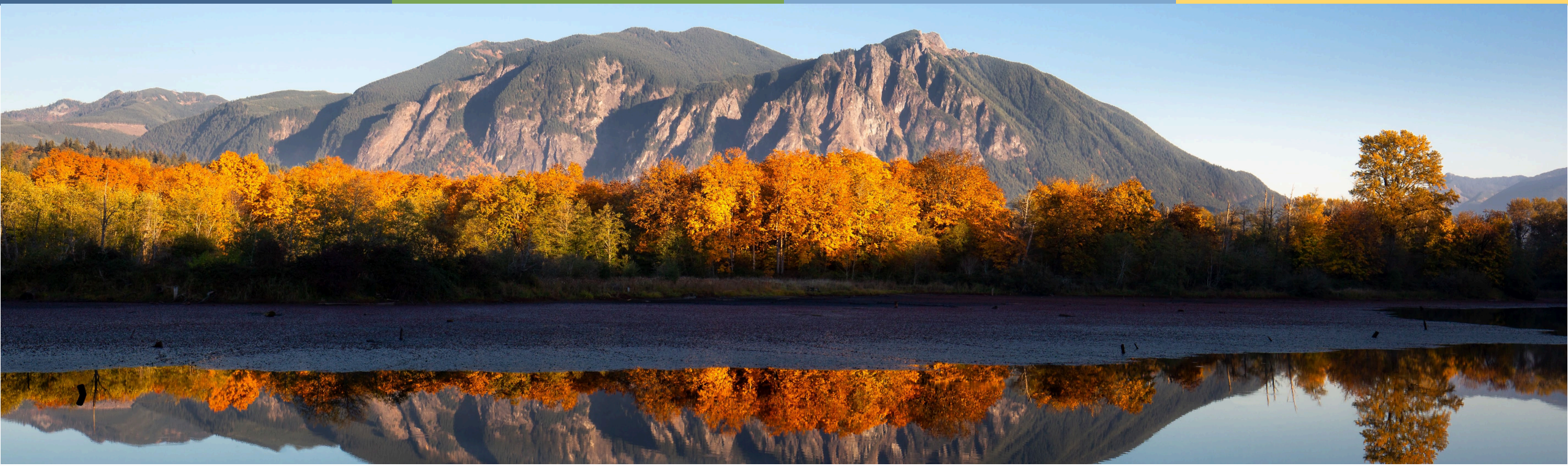


Cap-and-Invest Public Workshop: House Bill 1975

Public Meeting

October 15, 2025

Ecology staff introductions

- Surabhi Subedi– Rule Lead, Facilitator
- Lauren Sanner – Rulemaking Planner, Technical Host
- Derek Nixon – Auctions & Market Section Manager/ Presenter
- Mike Johnson – Auctions & Trading Unit Supervisor/ Presenter

Agenda topics

1. Clarifying elements of HB 1975 effective through statute versus implemented through rule
2. Price ceiling unit price provisions
3. APCR Tier 2 price
4. Adjusting APCR supply levels
5. Reductions limits for year ending December 31
6. Revising allowance budget timelines in alignment with greenhouse gas reduction limits

Clarifying elements of HB 1975 effective through statute versus implemented through rule

Effective through statute

Price Ceiling Provision

- Price ceiling for calendar years 2026 and 2027 shall be $80
  - Unless Ecology enters into a linkage agreement and amends rules
- Effective through statute, does not need rulemaking to modify Price Ceiling Unit Price to $80

Provisions effective through rule

Ecology intends to implement HB 1975's **sections 4, 5 and section 7** during the current rulemaking.

Seeking comments to inform rule development online: Cap-and-Invest Program Updates and Linkage Rulemaking Informal Comment Period

Section	Subject
Sec. 1	Allowance Market Forecast & Analysis
Sec. 2	Economic Modeling & Scenario Reporting
Sec. 3	Registration & Reporting of Emissions Sources
Sec. 4	Additional APCR Allowances / Adjusting APCR Supply Levels
Sec. 5	Reductions Limits for year ending December 31
Sec. 6	Emissions Reporting Deadline Adjustments
Sec. 7	Price Ceiling Unit Price, APCR Tier 2 Price

Price Ceiling Unit price provisions (statute)

Price Ceiling Unit provision

- Price ceiling unit price: Established at $80 for 2026 and 2027
- Section 7 of HB 1975 specifies this price in the event of an *unlinked market*
- After 2027, price escalates at the same rate as the floor price
- A linkage agreement in 2026 or 2027 may override this price

- Price ceiling unit sales only happen if:
  - Allowance Price Containment Reserve (APCR) supply is exhausted, and
  - It is immediately prior to the end of a compliance period (not annual)
- The soonest the next Price Ceiling Unit Sale could happen is Oct. 2027

Questions about Price Ceiling Unit provision from statute or Price Ceiling sales

Updating the Allowance Price Containment Reserve (APCR) Tier 2 price (rule)

Updating the APCR Tier 2 price

- Allowance Price Containment Reserve (APCR) tier 2 price
- To be adjusted "to reflect the 2026-27 price ceiling" unit price of $80
- The 2025 APCR *Tier 1* price is currently $60.43 and will increase by five percent plus the rate of inflation for 2026
- Original Floor, Tier 1 and 2, and Ceiling Price borrowed from CA in 2022
    - Tier 2 was the midpoint between Tier 1 and Ceiling Price

Updating the Allowance Price Containment Reserve (APCR) supply levels (rule)

Adjusting APCR supply levels

HB 1975 Sec. 4 (2)

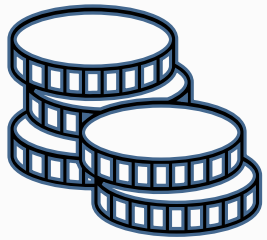
"Place no less than two percent and no more than five percent of the total number of allowances from the allowance budgets from 2027 to 2040 in the allowance price containment reserve."

Adjusting APCR supply levels

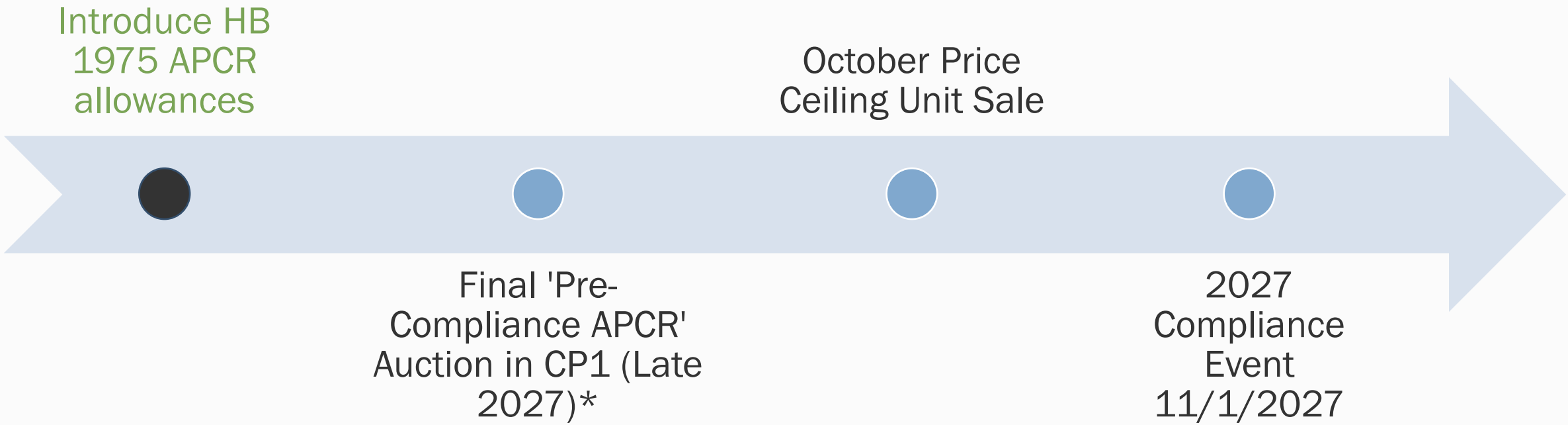
- Allowances will be made available in the APCR for the second compliance period
- Ecology selected 5% in the 2022 rulemaking
- Two percent:
  - More allowances available in quarterly auctions
  - Less near-term cost containment capacity
- Five percent:
  - Fewer allowances available in quarterly auctions
  - Greater near-term capacity for cost containment

Creation of APCR allowances

- Two Choices:
  - Option A: APCR supply before 2027 compliance event
  - Option B: APCR supply after 2027 compliance event

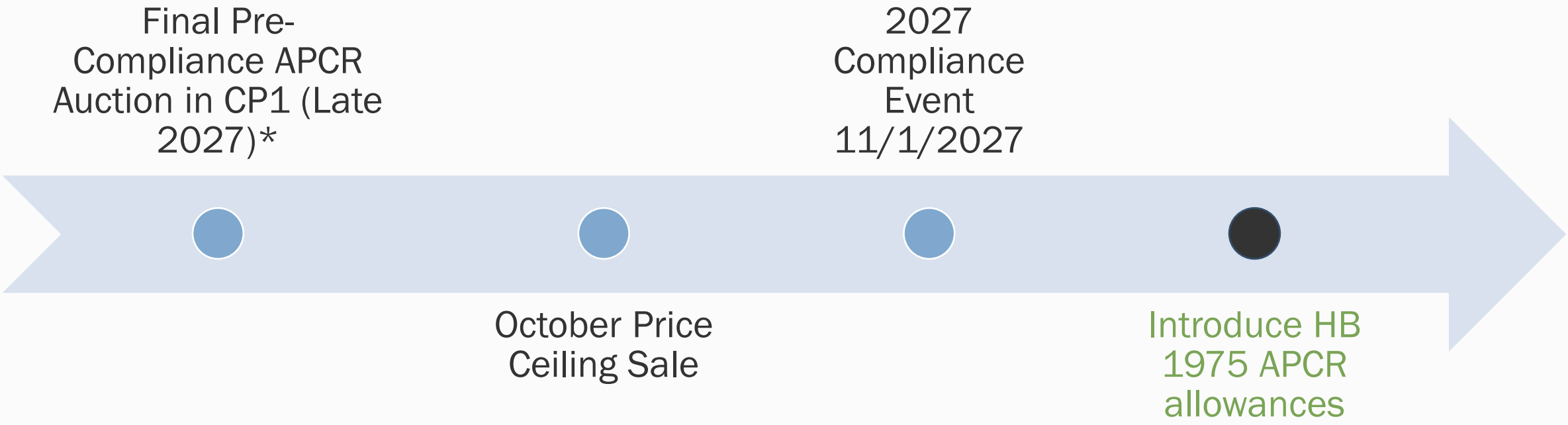


Option A: APCR Supply Before Nov. 2027 Compliance Event



* CP1 is Compliance Period 1

Option B: APCR Supply After Nov. 2027 Compliance Event



* CP1 is Compliance Period 1

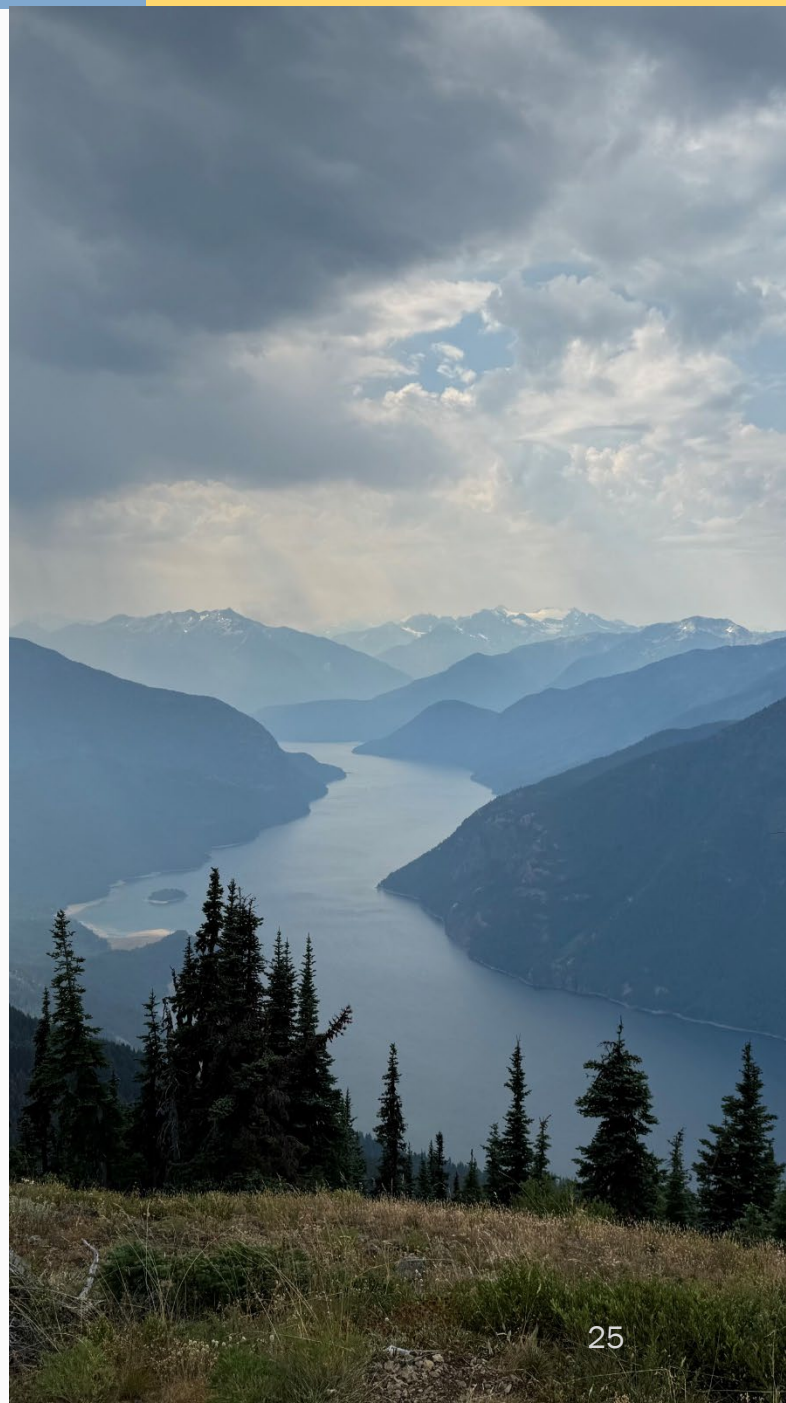
Questions about APCR

Annual allowance budgets (rule)

Emissions limits on Dec. 31

HB 1975 Sec. 5 (2)

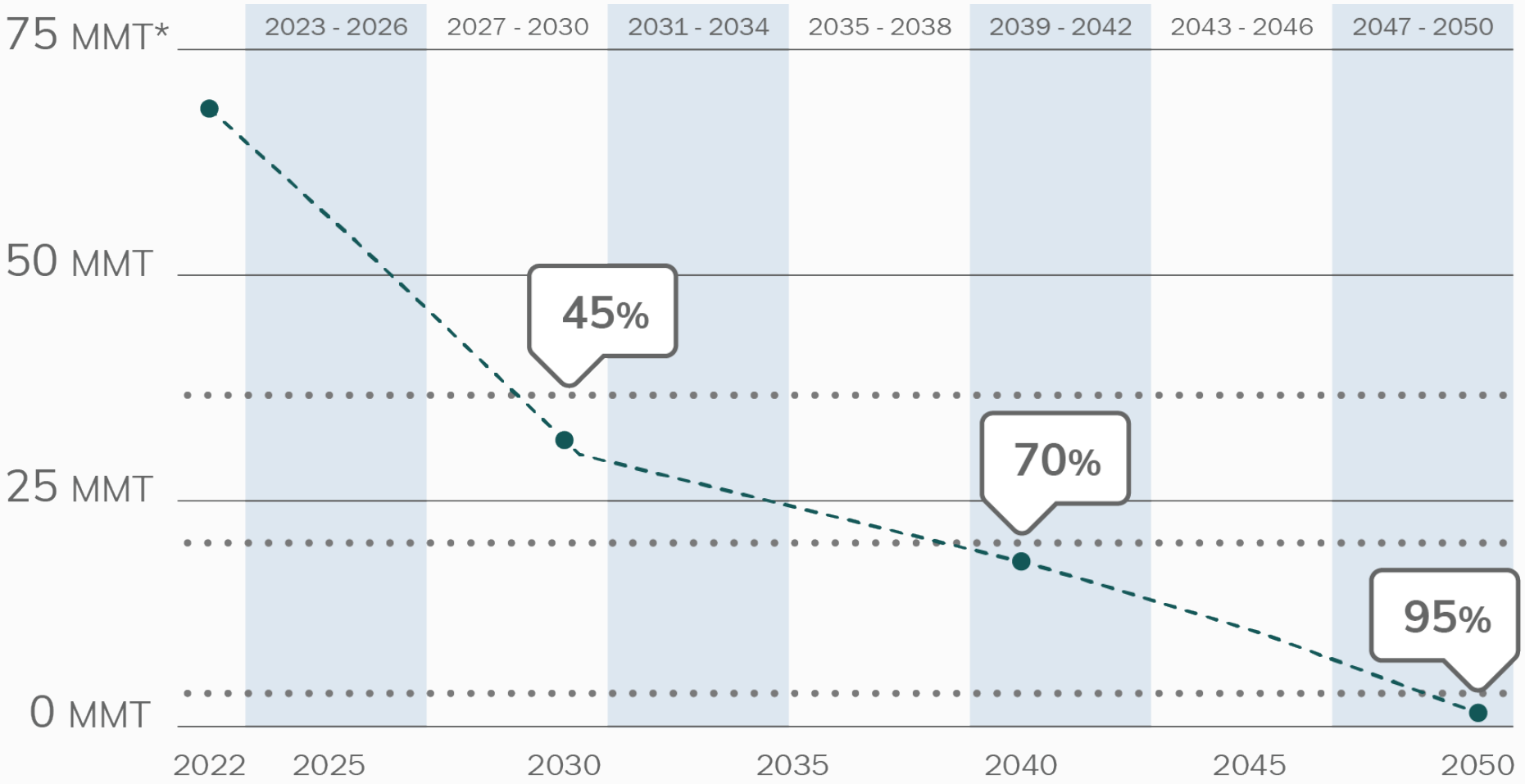
"The annual allowance budgets must be set to achieve the share of reductions by covered entities necessary to achieve the 2030, 2040, and 2050 statewide emissions limits established in RCW 24 70A.45.020 ***by December 31st*** of each of those years, based on data reported to the department under chapter 70A.15 RCW or provided as required by this chapter."



Cap-and-Invest Program

Projected Emissions Cap Over Time

* million metric tons of CO_2 equivalent

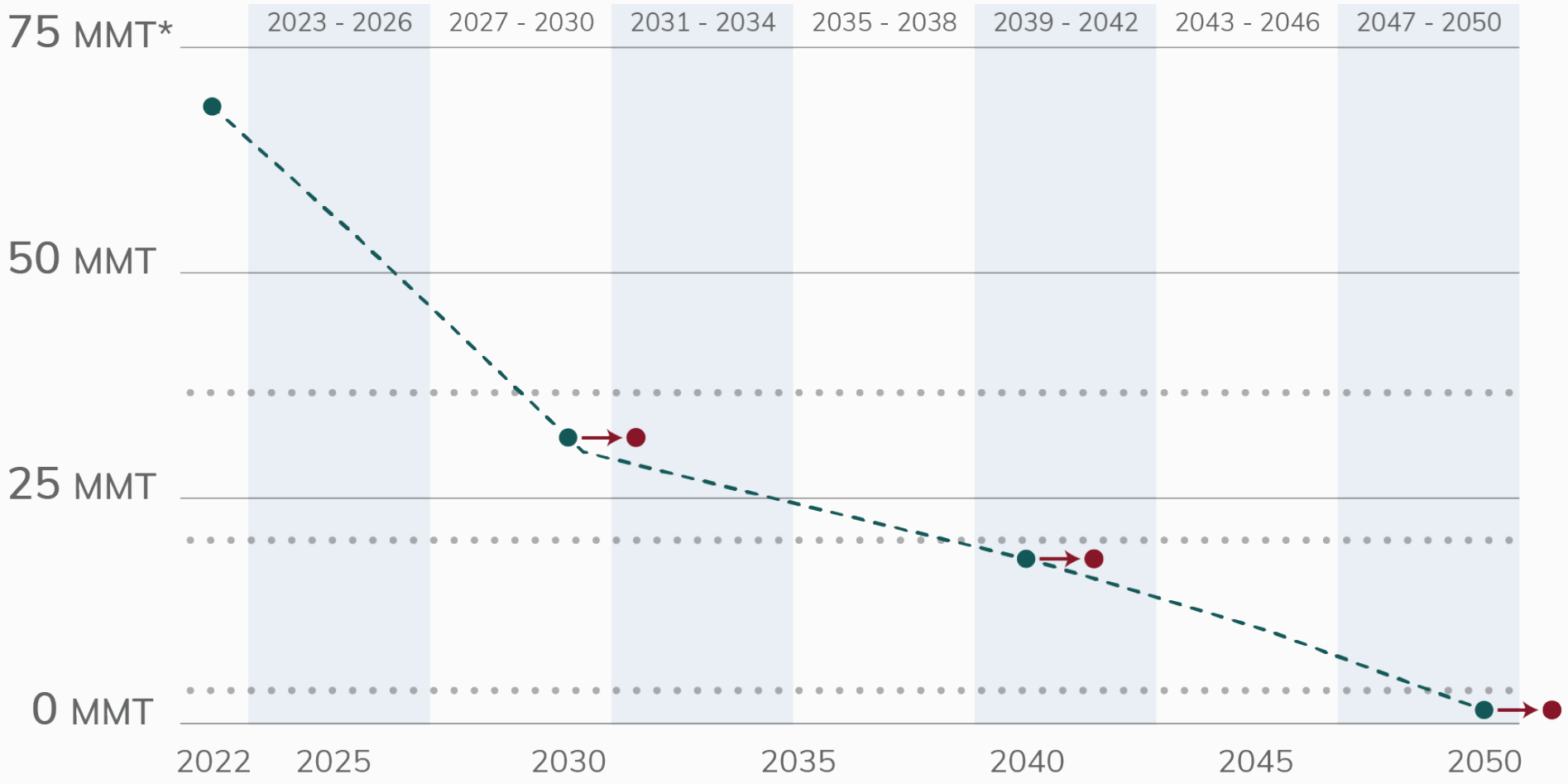


*MMT = million metric tons of carbon dioxide equivalent
Reductions based on 1990 emission levels

Cap-and-Invest Program

Projected Emissions Cap Over Time

* million metric tons of CO_2 equivalent



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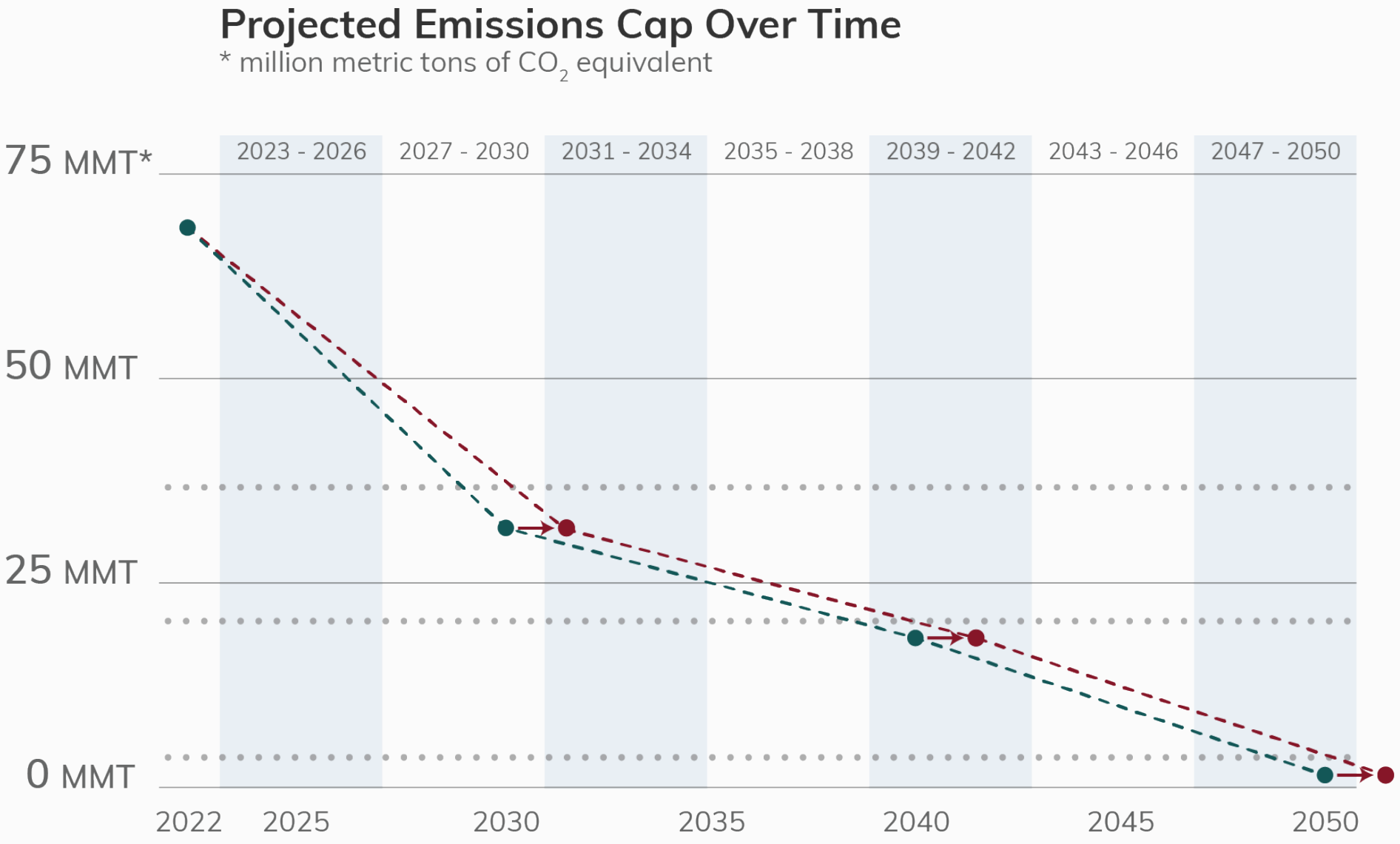
Reductions based on 1990 emission levels

Cap-and-Invest Program



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Cap-and-Invest Program

Projected Emissions Cap Over Time

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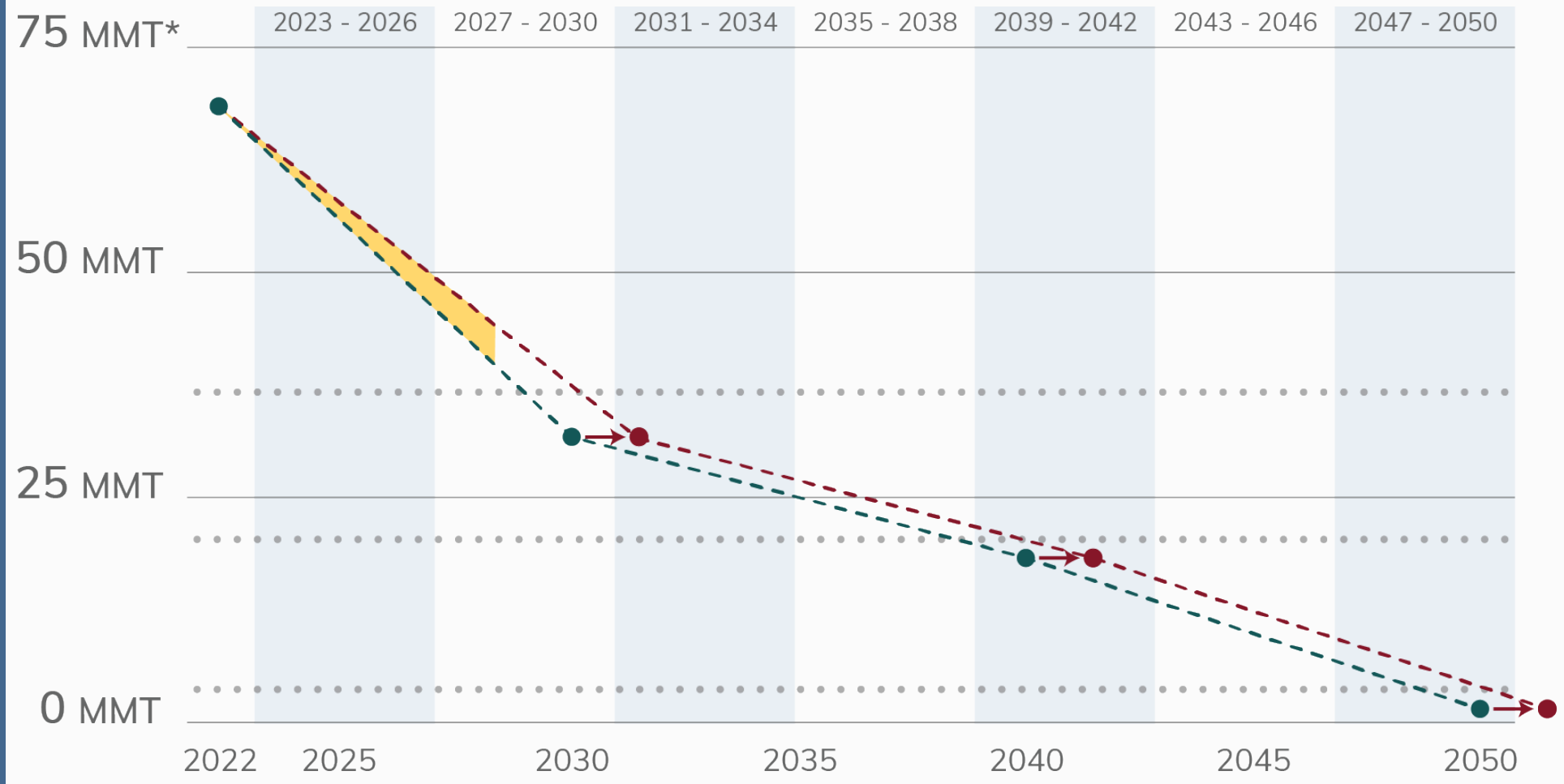


*MMT = million metric tons of carbon dioxide equivalent
Reductions based on 1990 emission levels

Questions about revised budget timeline

House Bill 1975 Economic Modeling

- Ecology to complete economic modeling by end of 2026 and 2027, then updates every two years
- Modeling allowance prices and greenhouse gas emissions
  - Standalone Washington market
  - Linked market with California-Québec
- Contracting with Western Washington University and University of California
- Plan to share initial modeling results next year

Cap-and-Invest exit poll

- In what capacity are you participating today?
- What do you wish we spent more time on?
- What do you still have questions about?
- What is your main takeaway from what your heard today?

Questions for feedback

- Number of future vintage allowances placed in APCR
  - Two percent of allowances
  - Five percent of allowances
  - Other % between 2 and 5 percent
- When APCR allowances introduced
  - Option A: Before compliance period 1 quadrennial compliance event
  - Option B: After compliance period 1 quadrennial compliance event
- Emissions limits (December 31 limits):
  - When / how should prior year vintage allowances be introduced?
- Tier 2 price revision
- Other feedback

How to comment

- Share comments during public meetings
- Email us: CPRRulemaking@ecy.wa.gov
- Submit comments online: Cap-and-Invest Program Updates and Linkage Rulemaking Informal Comment Period
- Mail: Department of Ecology
  Climate Pollution Reduction Program
  Attn: Surabhi Subedi
  PO Box 47600
  Olympia, WA 98504-7600

Comment period closes: **11:59 p.m. PST on October 31, 2025.**

This is the final opportunity for interested parties to comment on the full scope of rule language before rule proposal.

Upcoming CCA engagement opportunities

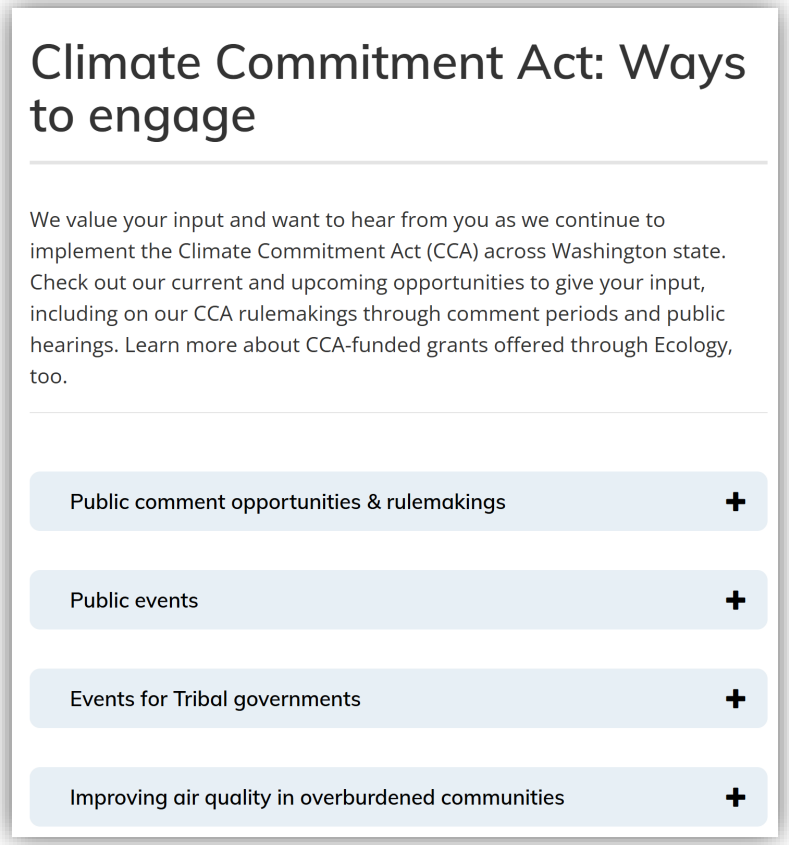
Events

- Cap-and-Invest Utility Allocation workshop (Oct. 30)

Comment opportunities

- Cap-and-Invest Program Updates and Linkage Rulemaking informal comment period (Oct. 6 - Oct. 31, 2025)

Visit the Rulemaking at Ecology webpage to view all open rulemakings and to learn more about the rulemaking process.



More details at ecology.wa.gov/air-climate/climate-commitment-act/cca-engage.
For updates on public events, sign up for the CCA email list.

Questions?

If you have additional questions, please send them to:

CPRRulemaking@ecy.wa.gov