



DEPARTMENT OF  
**ECOLOGY**  
State of Washington

# Cap-and-Invest Program Updates and Linkage Rulemaking

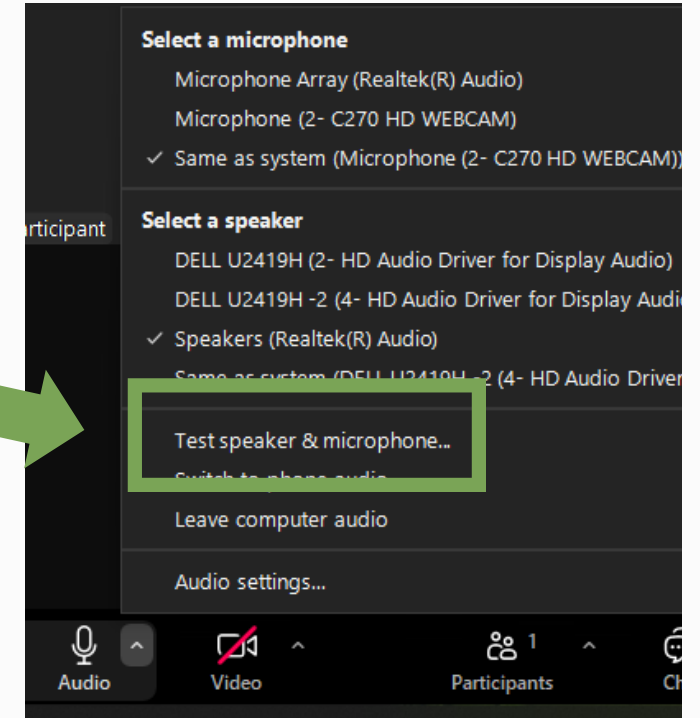
Public Meeting

4/30/2025

# Zoom audio tips



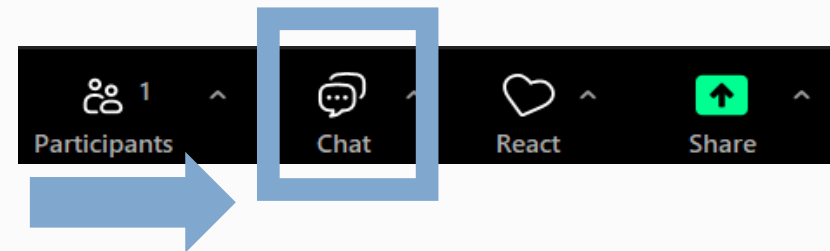
No sound? Click “Test speaker & microphone” in the audio settings to confirm the speaker and mic match the Zoom settings.



If you have a slow internet connection, consider calling in for clearer audio. Dial 253-215-8782. Input the meeting ID: 824 3984 4951



If you are experiencing technical difficulties, please message Nikki Harris in the chat.



# Zoom tips for participation

Raise your hand and we'll call on you to share your questions or comments. (Dial \*9 to raise your hand if you called in.)



Use the Q&A to ask questions and the chat for general comments. We'll read them out loud.



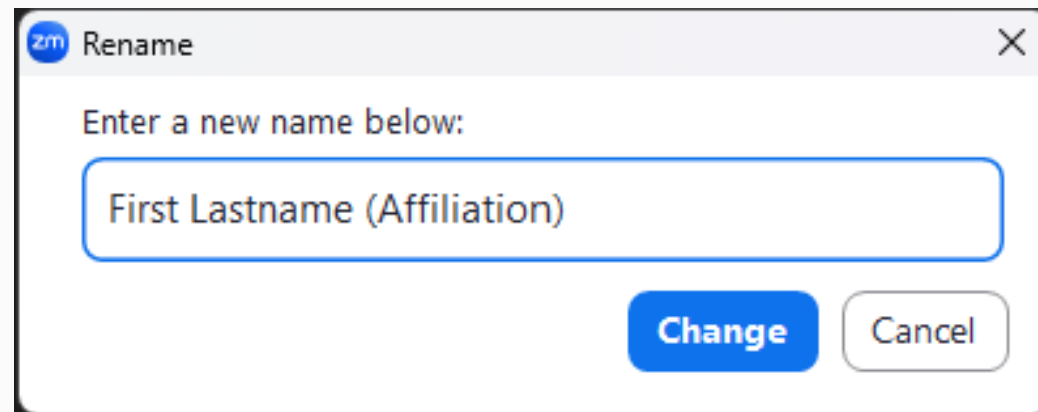
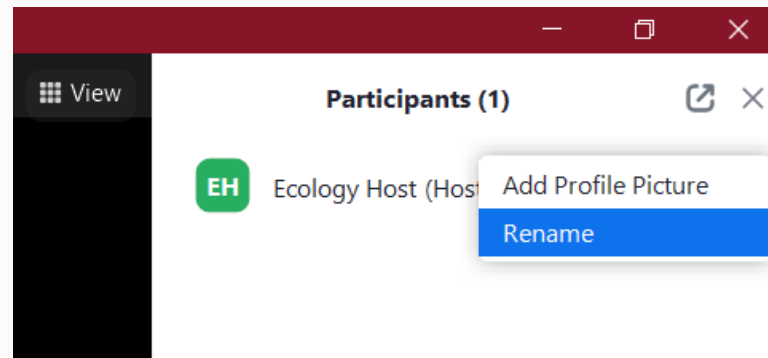
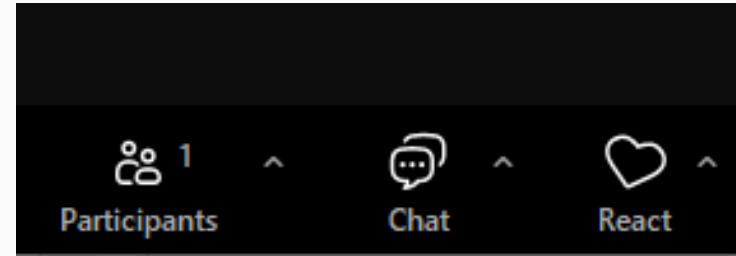
To view live, auto-generated captions, click the "captions" button.



# How to change your name

Click the “Participants” icon located at the bottom of the Zoom window.

Select the “...” next to your name to open the options menu. Click “Rename”



**This meeting will be recorded**







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# Cap-and-Invest Program Updates and Linkage Rulemaking

Public Meeting

4/30/2025

# Ecology staff introductions

- Meg Baker – Community Outreach Specialist, Facilitator
- Surabhi Subedi– Environmental Planner, Rulemaking Lead
- Nikki Harris– Rulemaking Coordinator, Technical Host
- Joshua Grice - Policy and Planning Section Manager
- Stephanie Potts – Environmental Planner for Linkage
- Derek Nixon – Auctions & Market Section Manager
- Eli Levitt– Greenhouse Gas Emissions Reporting & Verification Section Manager

# Agenda

- 1 Climate Commitment Act overview
- 2 Cap-and-Invest linkage overview
- 3 Rulemaking topics and timeline
- 4 Next steps and stay involved



# Climate Commitment Act

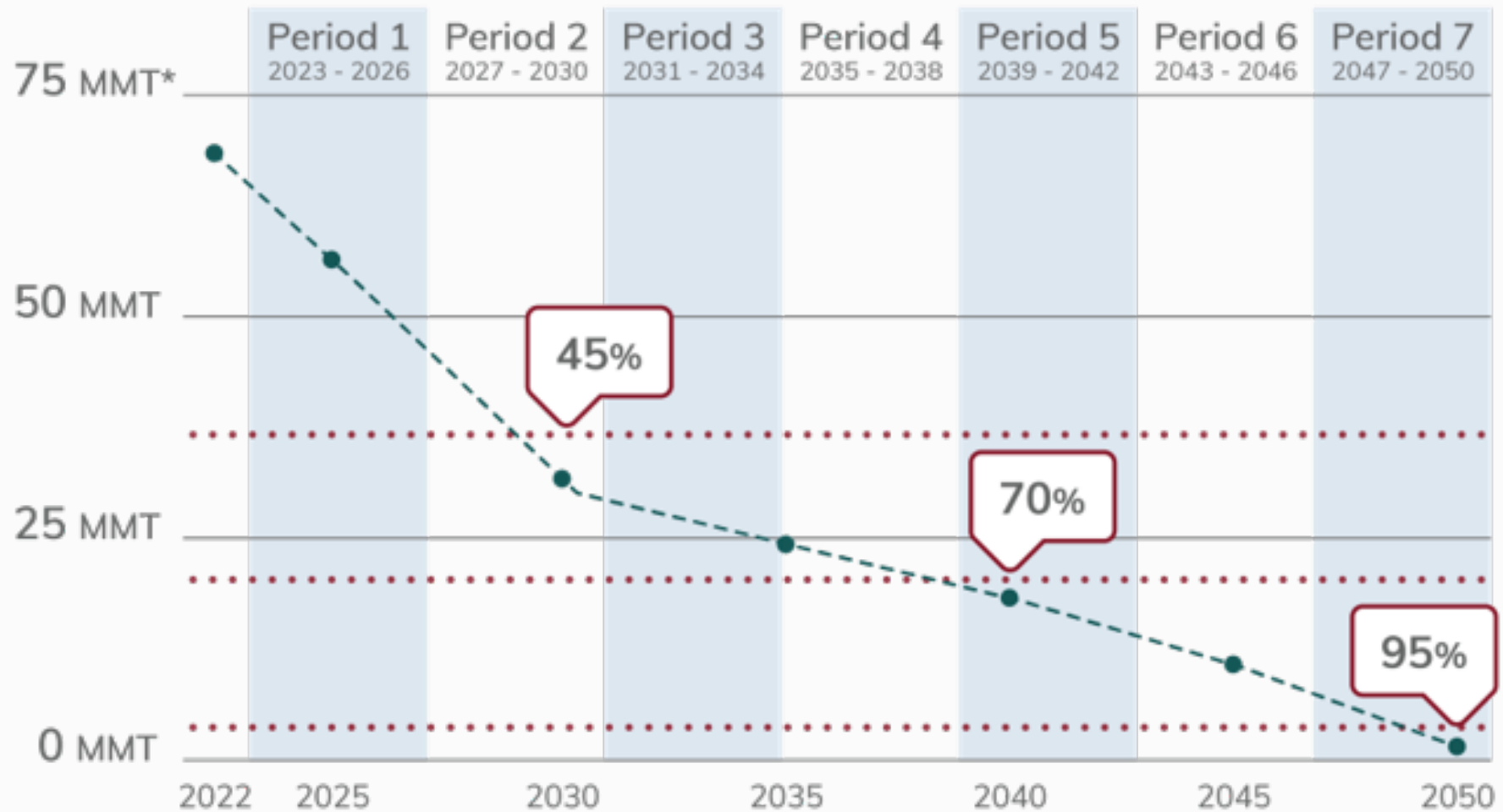


**Cap-and-Invest Program**



**Initiative to improve air quality**

# Cap-and-Invest Program



\*MMT = million metric tons of CO<sub>2</sub> equivalent

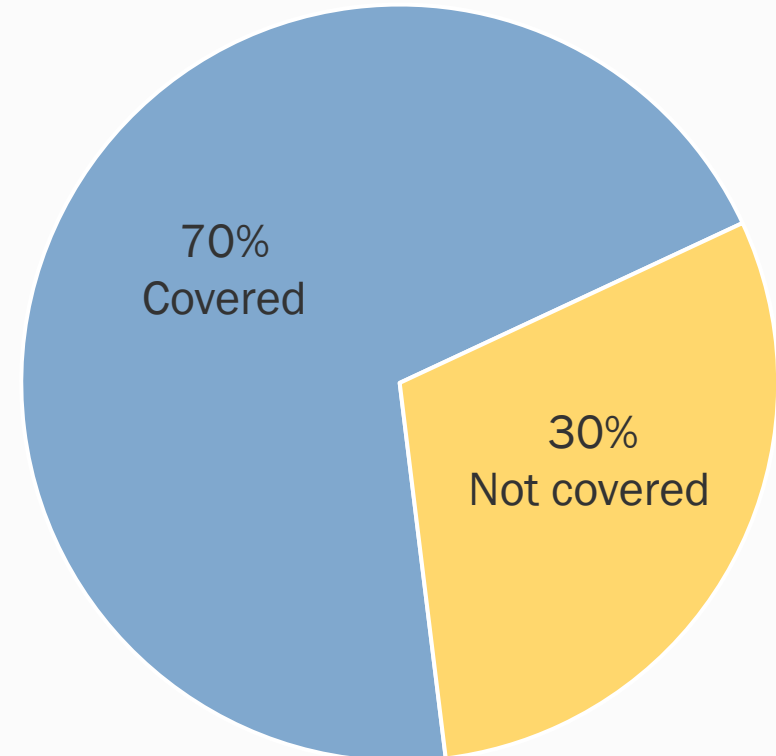
# Which emissions are covered?

## Covered emissions (~70%)

- Large facilities
- Fuel suppliers
- Electricity imported into the state
- Natural gas suppliers

## Not covered (~30%)

- Small facilities
- Fuels used for agricultural operations, maritime and aviation.
- Waste-to-energy facility\*
- Railroads\*



*\*will be added to covered emissions in the future*

# Cap-and-Invest participants



## Covered entities

Greenhouse gas emitters that meet the program thresholds; participation is required



## General market participants

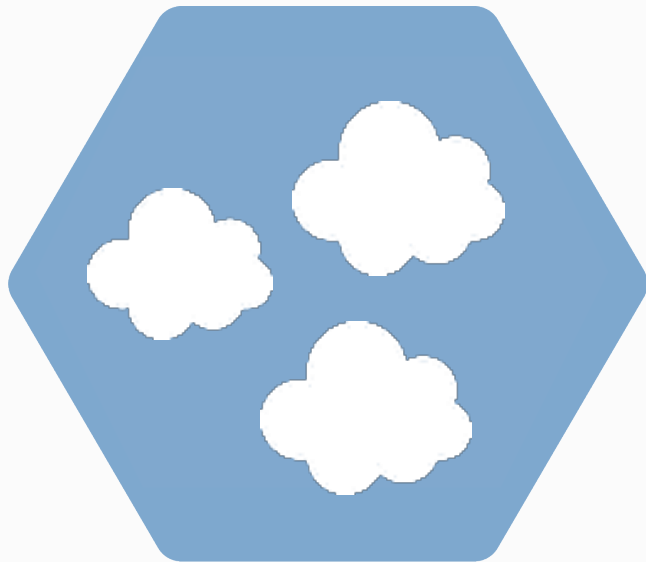
Person who wants to buy, sell, or trade allowances as a financial instrument



## Opt-in entities

Greenhouse gas emitters that don't meet the covered emission thresholds but choose to participate

# Ways to comply



Emissions allowances



Offset credits

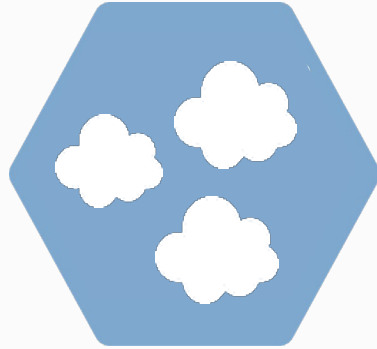


Reduce greenhouse gas emissions

Allowance or offset credit = 1 metric ton of carbon dioxide equivalent

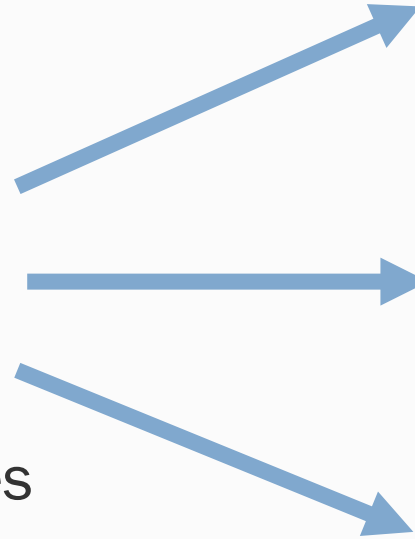


# Obtain emissions allowances



Emissions allowances

Allowance = 1 metric ton of  
carbon dioxide equivalent



Purchase at  
quarterly auction



Trade with other  
participants



No-cost allowances  
distributed by Ecology

# Offset credits

- Limits on offset credit usage
  - Up to 8% of emissions through 2026
  - Up to 6% of emission from 2027-2050
- ‘Under the cap’ – one allowance retired for every offset credit used
- Bought and sold between program participants



# Invest in communities







# Questions about the Cap-and-Invest Program

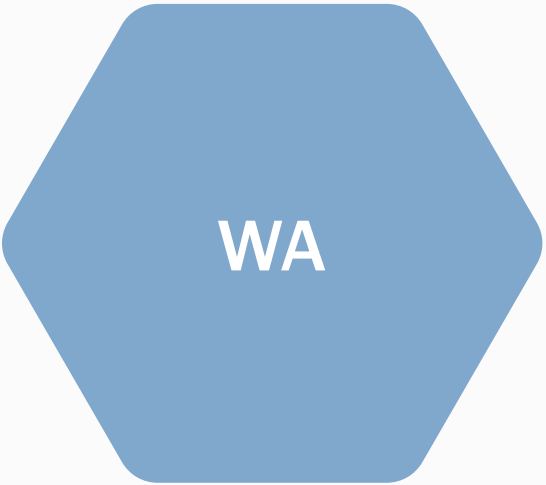




# Linkage process and timeline



# Washington's carbon market



Single jurisdiction



WA market



WA allowances purchased

# A linked carbon market



Linked jurisdictions

Linked market

Allowances purchased

# Linkage process & timeline

**First half of 2023**

Linkage exploratory process



**Fall 2023**

Decision to pursue linkage



**Started in 2024**

Align market policies  
Environmental Justice Assessment



**Likely in 2026**

Linkage agreement



**2026 or 2027**

Link markets



*\*tentative dates, timing still to be determined based on conversations with California and Québec*



# Questions about linkage





# Rulemaking 101



# Rulemaking terms

## Revised Code of Washington (RCW)

Laws enacted in Washington State

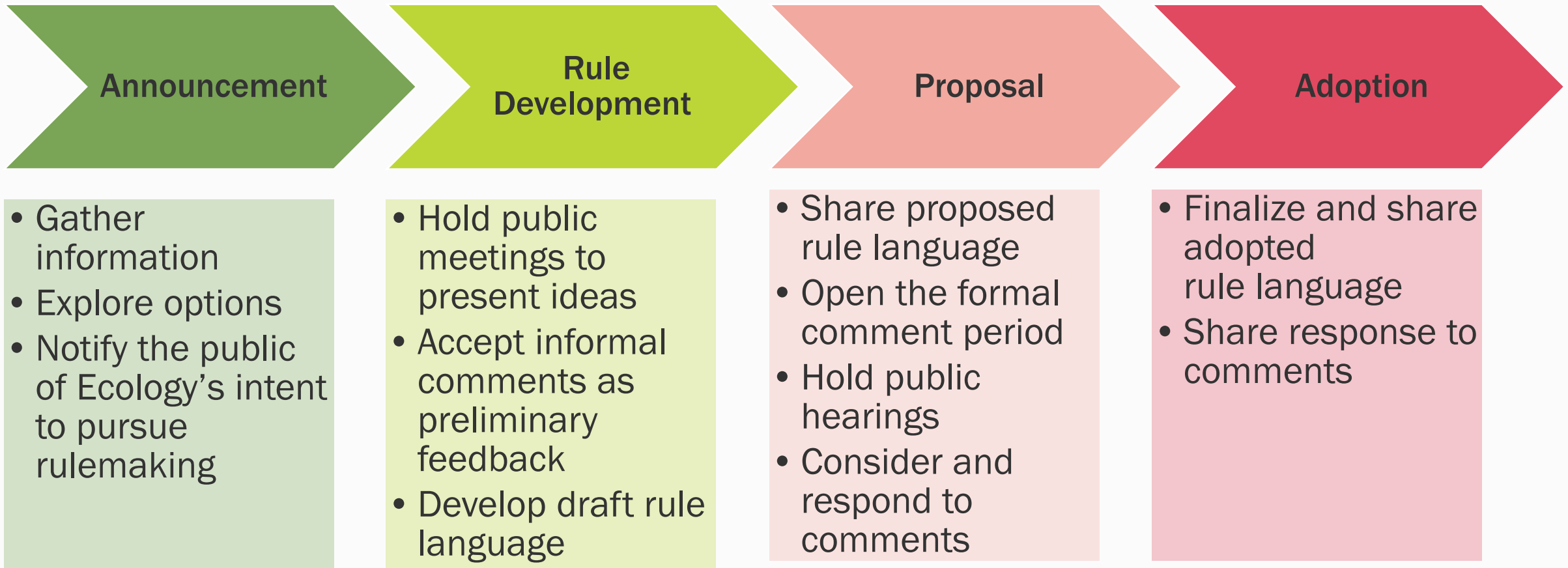
## Washington Administrative Code (WAC)

Codified regulations, i.e., “rules,” detailing how a state agency will implement a law

## Rulemaking

Administrative process for formulation and adoption of a rule (RCW 34.05.010)

# Rulemaking processes



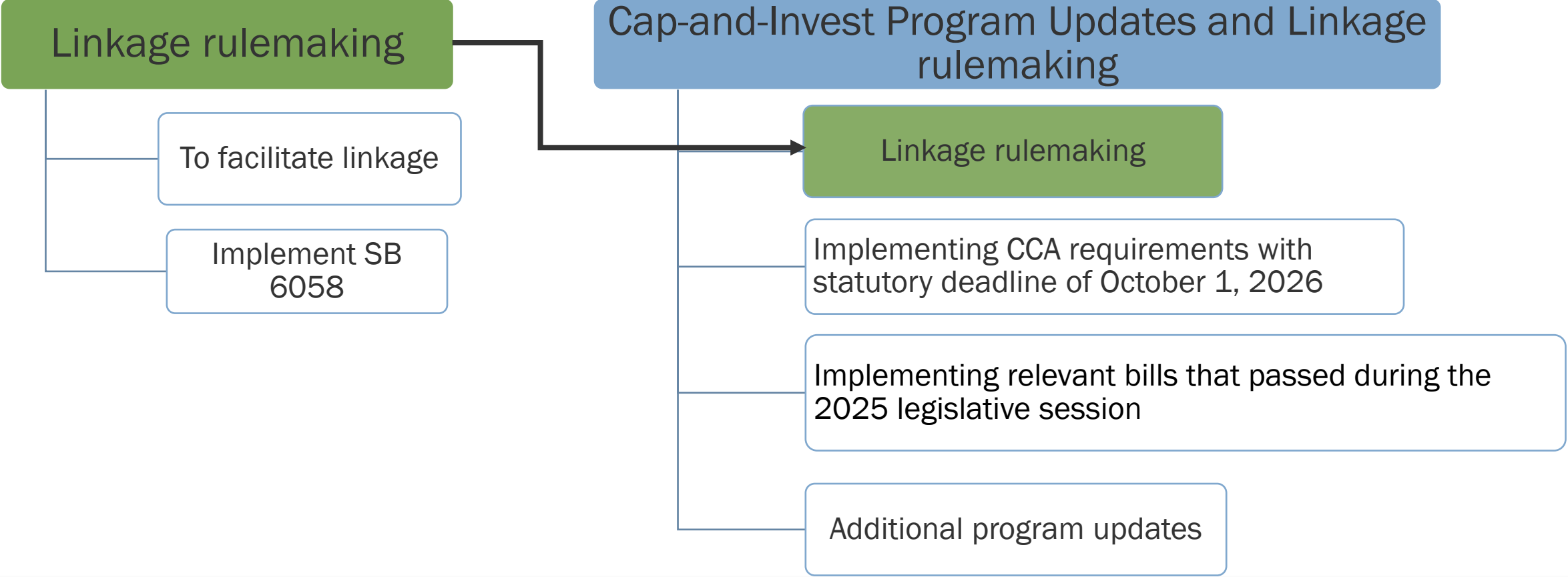


# Cap-and-Invest Program Updates and Linkage rulemaking



# Change in the rulemaking

Both amend Climate Commitment Act Program Rule (Chapter 173-446 WAC) and Reporting of Emissions of Greenhouse Gases (Chapter 173-441 WAC)



# Implementing CCA requirements

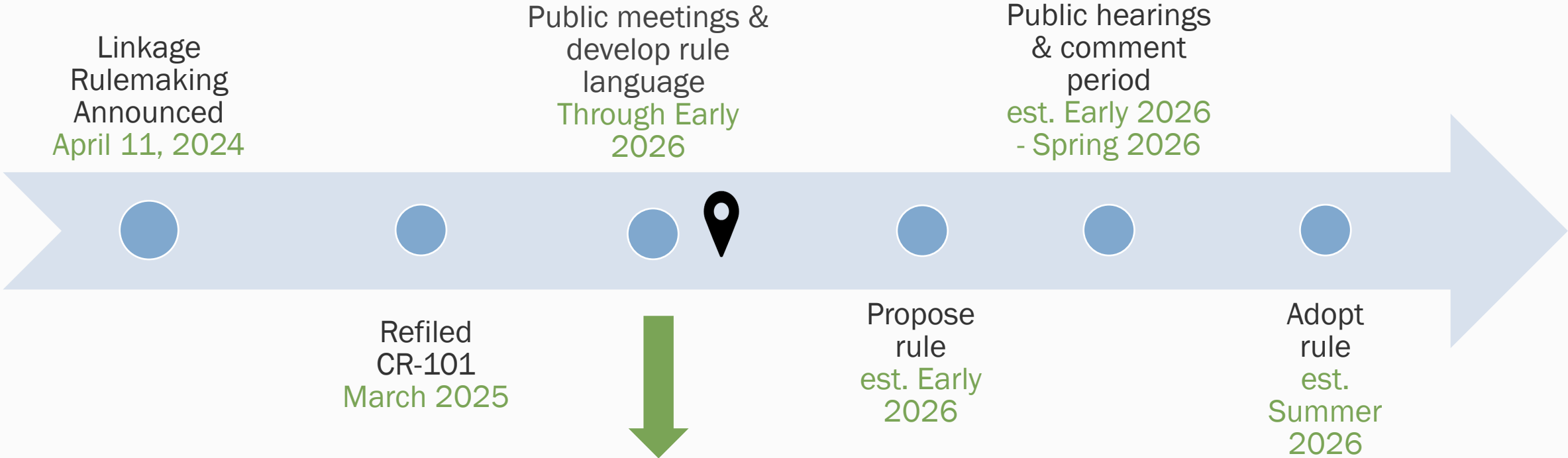
Greenhouse Gas Emissions—Cap and Invest Program (Chapter [70A.65](#) RCW)

- Adopt allowance budget for the second compliance period of the program period (2027–2030). [RCW 70A.65.070](#)
- Address updates to the emissions baseline to account for the proportionate share of greenhouse gas emissions from the new sectors covered in the second compliance period. [RCW 70A.65.070](#)
- Address imported electricity associated with a centralized electricity market. [RCW 70A.65.080](#)
- Amend rules relevant to allowance allocations to electric utilities. [RCW 70A.65.120](#)



# Cap-and-Invest rulemaking timeline

Summary of timeline posted on the [Cap-and-Invest rulemaking webpage](#).



**Upcoming meeting dates:**  
Community Forum scheduled May 5 at 2:30pm  
*Plan to schedule more public meetings*

# Rulemaking Topics

## **Auctions, allowances, and compliance**

- General Revisions
- Linkage Related Revisions

## **Greenhouse gas emissions reporting and verification**

## **Electricity**

- Electricity Imports
- Electric Utility Allocation

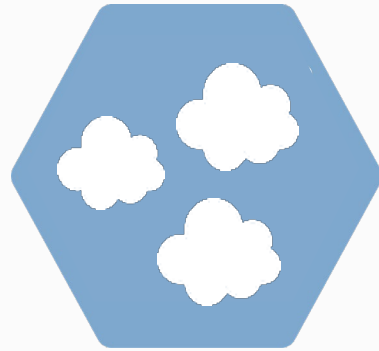
## **Offset credits for compliance**





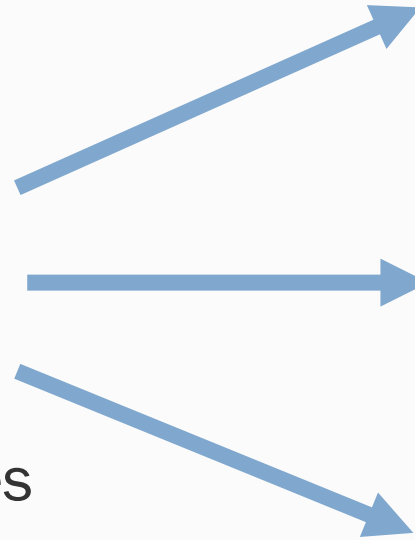
# Auctions, allowances, compliance

# Obtain emissions allowances



Emissions allowances

Allowance = 1 metric ton of  
carbon dioxide equivalent



Purchase at  
quarterly auction



Trade with other  
participants



No-cost allowances  
distributed by Ecology

# Auctions, allowances and compliance – General revisions

## Summary of changes

**Establish guidelines for exchange clearinghouses and federal power marketing administrations to participate in the program. [Partially Drafted]**

- Will include registration and transfer procedures.

**Update the program baseline and allowance budget for the second compliance period. [To be Drafted]**

- Establish the total program baseline for sectors entering the program.
- Update the program allowance budget.

**Clarify registration, disclosure, and participation requirements. [Partially Drafted]**

- Registered entities holding compliance instruments on behalf of another party.
- How Ecology will handle compliance obligations when a registered entity changes ownership.



# Auctions, allowances and compliance – Linkage-related revisions

## Summary of changes

Updates throughout Chapter 173-446 WAC to facilitate a linked market. [Drafted]

Updates to purchase and holding limits [Drafted]

- Align the purchase limits for covered entities and the holding limits for general market participants.

Aligning registration and disclosure requirements with potential linked jurisdictions. [Partially Drafted]

- Will include adjustments to Corporate Association Group requirements.

Aligning auction requirements and procedures. [Partially Drafted]

- Auction registration disclosures.
- Handling of unsold allowances.
- Future vintage allowance auctions.
- Deadlines to consign allowances.



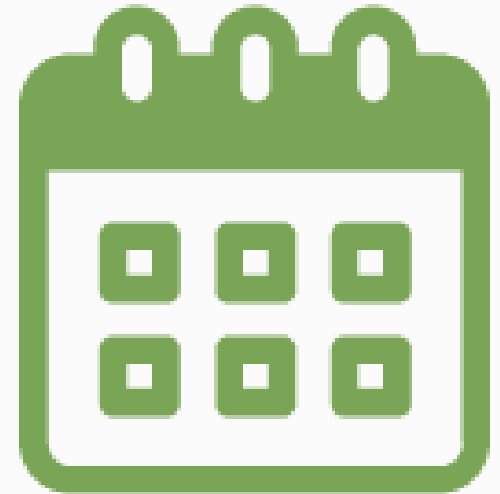
# Greenhouse gas emissions reporting and verification

# Greenhouse gas emissions reporting and verification

Entities emitting at least 10,000 metric tons of carbon dioxide equivalent, annually, are required to report their emissions to Ecology.

Cap-and-Invest Program covered entities emit at least 25,000 metric tons of carbon dioxide equivalent annually.

Covered entities are also required to complete a third-party verification of their emissions.



# Greenhouse gas emissions reporting and verification

## Summary of changes

**General updates throughout Chapter 173-441 WAC to facilitate a linked market. [Drafted]**

- Includes alignment of terminology and reporting methodologies.

**Aligning reporting requirements and procedures. [Partially Drafted]**

- Will include adjustments for current procedures.

**Aligning verification requirements and procedures. [To be Drafted]**

- Add verification-related definitions.
- Add requirements and deadlines for reporters to submit verification plans.
- Clarify verification requirements for covered entities.



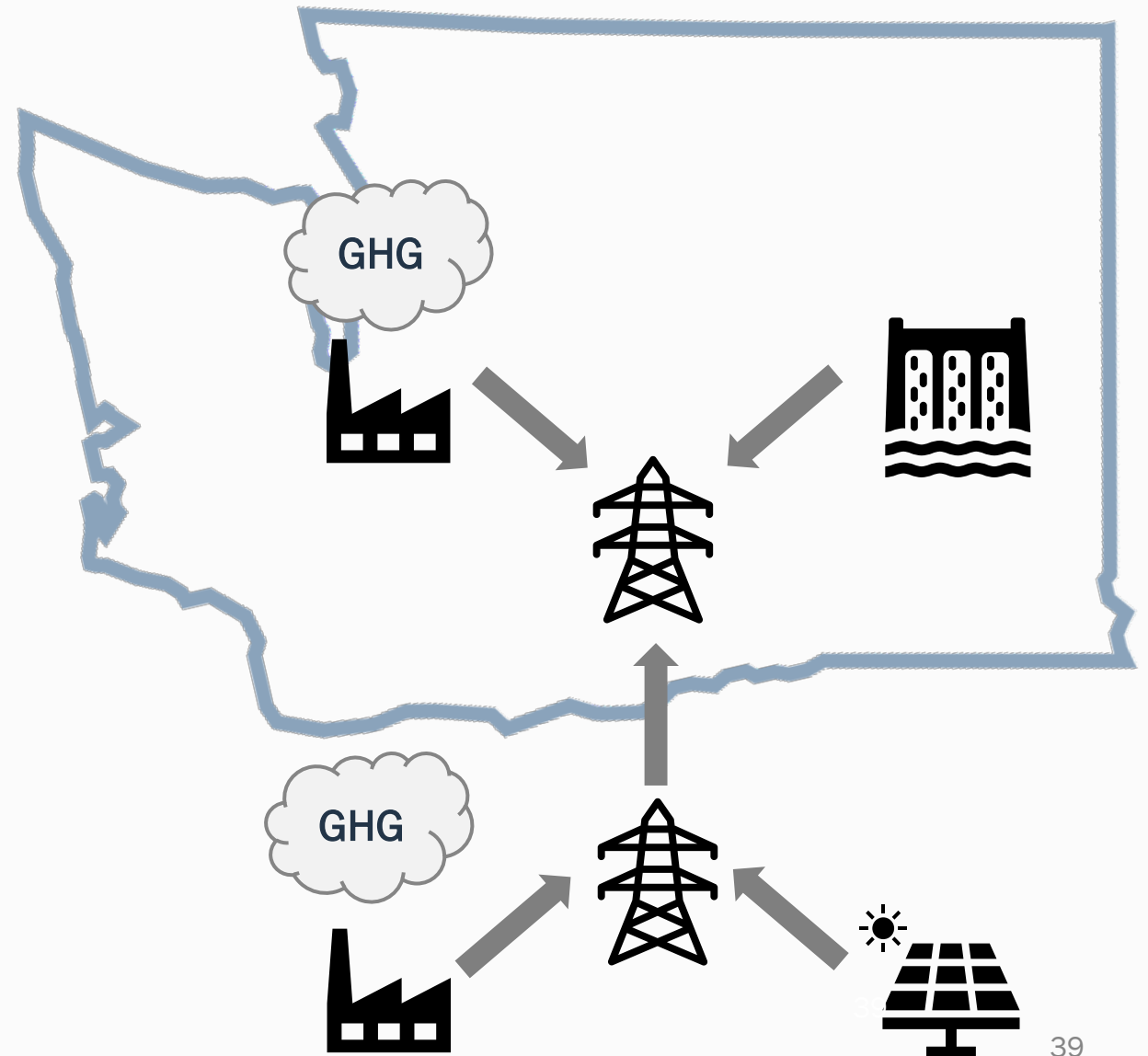
# Electricity



# Electricity coverage under CCA

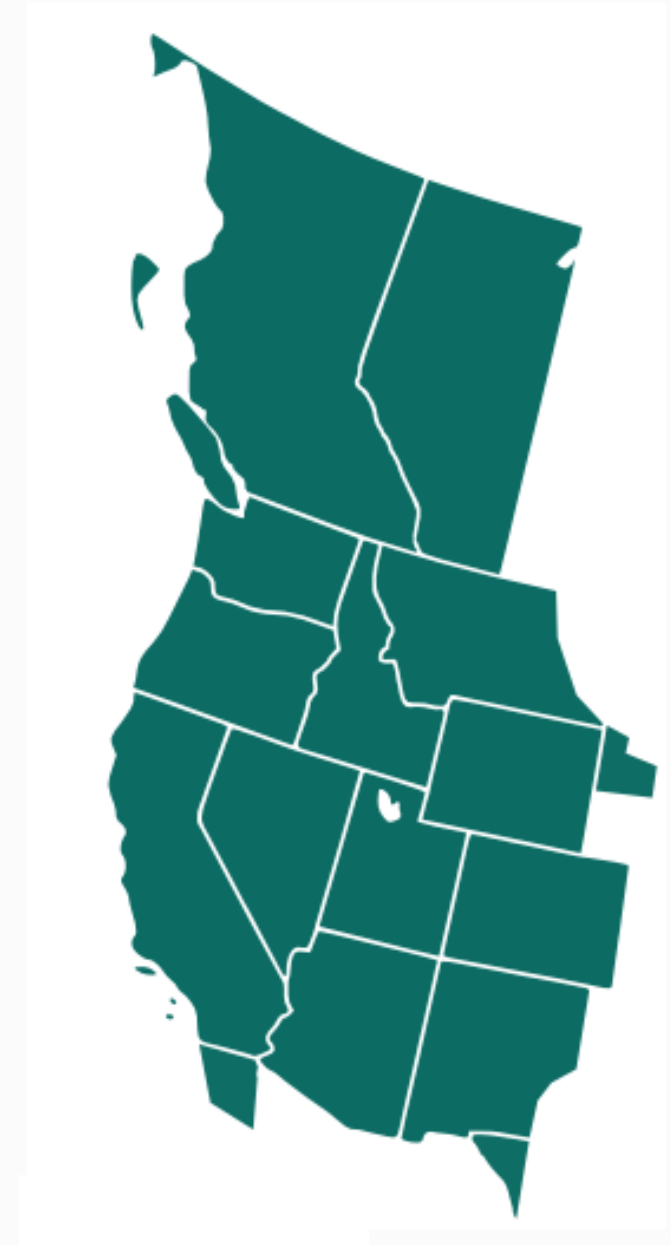
CCA directs Cap-and-Invest Program to cover both:

- In-state electricity generation
- Imported electricity into WA
  - Electricity generated outside the state of Washington with a final point of delivery within the state



# WA and Western power grid

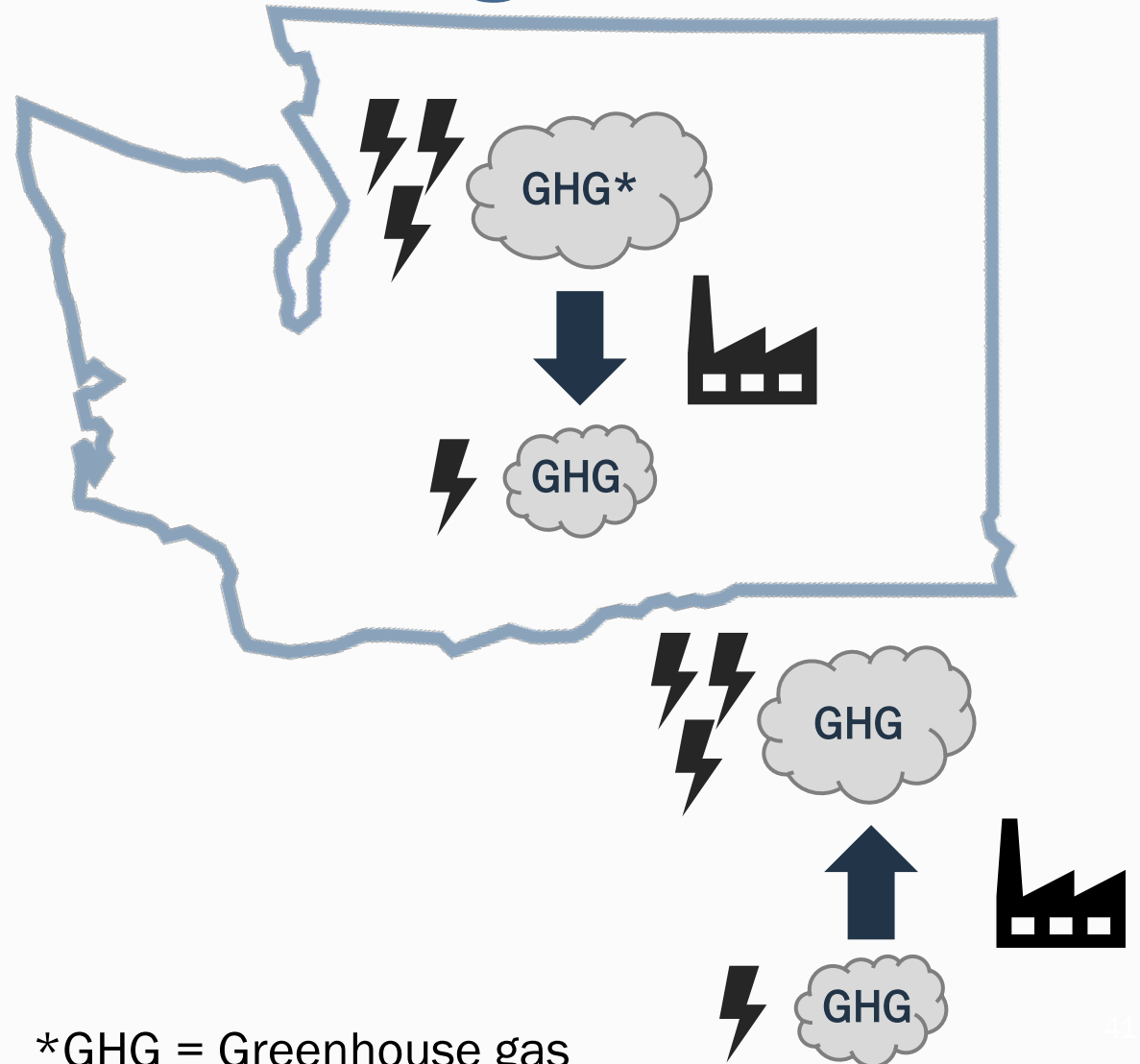
- Washington part of Western Interconnection
- Western Interconnection: Highly complex and interconnected power grid covering Pacific Coast to Rocky Mountain States
- Enables electricity from resources throughout West to help meet WA electricity demand



# Electricity and emissions leakage

Coverage of imported electricity is important protection against emissions leakage resulting from the Cap-and-Invest Program.

Emissions leakage is a reduction of greenhouse gas emissions in-state that is offset by an increase in greenhouse gas emissions outside WA or a linked jurisdiction.



\*GHG = Greenhouse gas

# Electricity Imports

## Summary of changes

**Update GHG threshold applicability rules for electricity importers. [Partially Drafted]**

- GHG reporting threshold
- Cap-and-Invest Program coverage threshold

**Update reporting rules accounting for electricity passing through Washington. [Partially Drafted]**

**Continue developing rules for electricity imports occurring through centralized electricity markets. [To be Drafted]**

- Compliance obligation and responsible entity for unspecified imports
- Accounting for emissions leakage
- Responsible entity if federal power marketing administration does not opt-in to Cap-and-Invest

# Electric utility allocation

Ecology allocates no-cost allowances to electric utilities to mitigate the cost burden of the Cap-and-Invest Program, protecting Washington consumers of electricity.

Utilities subject to the Clean Energy Transformation Act are eligible for allocation of no-cost allowances.





# Allowable uses of no-cost allowances

- Cap-and-Invest compliance
- Transfer to eligible generation facilities or federal system providing the utility power
- Offer for sale at quarterly auctions (consign)
- Hold for eligible uses

Electric utilities may not otherwise sell or trade no-cost allowances.



# Electric Utility Allocation

## Summary of potential rule changes or guidance

Considering updates addressing electric utility allocation, potentially inclusive of:

- Administrative allocation
- Rules for determining allocation
- No-cost allowance consignment and use rules

[To be Drafted]

- Ecology will hold further workshop(s) to develop allocation topics
- Discussions may result in guidance or changes in rule



# Offset credits for compliance

# Offsets

**Offset protocol**

```
graph TD; A[Offset protocol] --> B[Offset project]; B --> C[Offset credit];
```

**Offset project**

**Offset credit**

# Four offset protocols



U.S. Forest Protocol



Livestock Protocol



Urban Forest Protocol



Ozone Depleting Substances Protocol



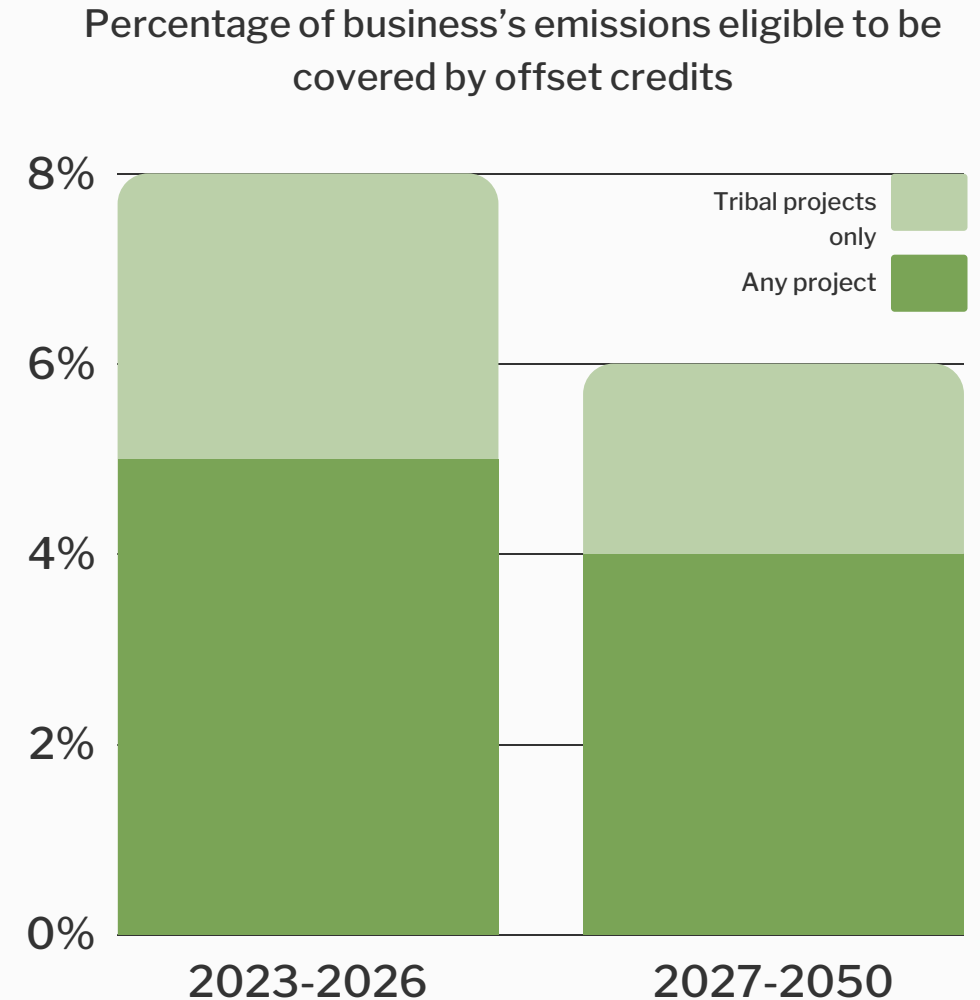
# Offset projects

- Result in greenhouse gas reductions or removals that are permanent, quantifiable, verifiable, and enforceable
- Avoid double counting emissions by targeting emissions not covered by Cap-and-Invest or other programs
- Reduce emissions beyond what would occur without the CCA's financial incentive
- Provide direct environmental benefits (DEBs) to the state
- Certified by a recognized 3<sup>rd</sup> party registry



# Offset credits

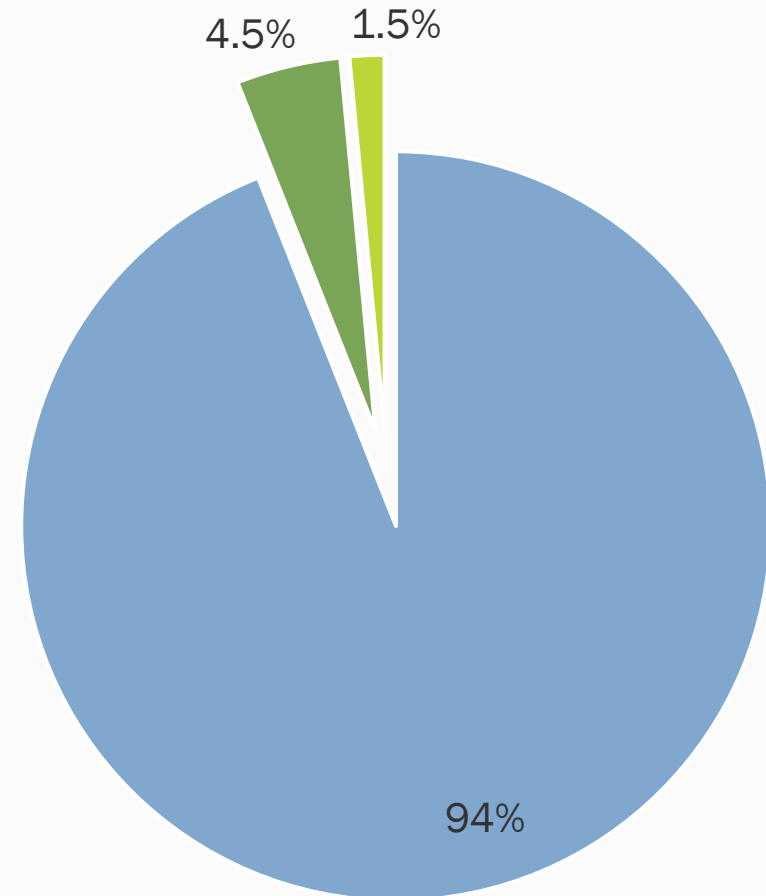
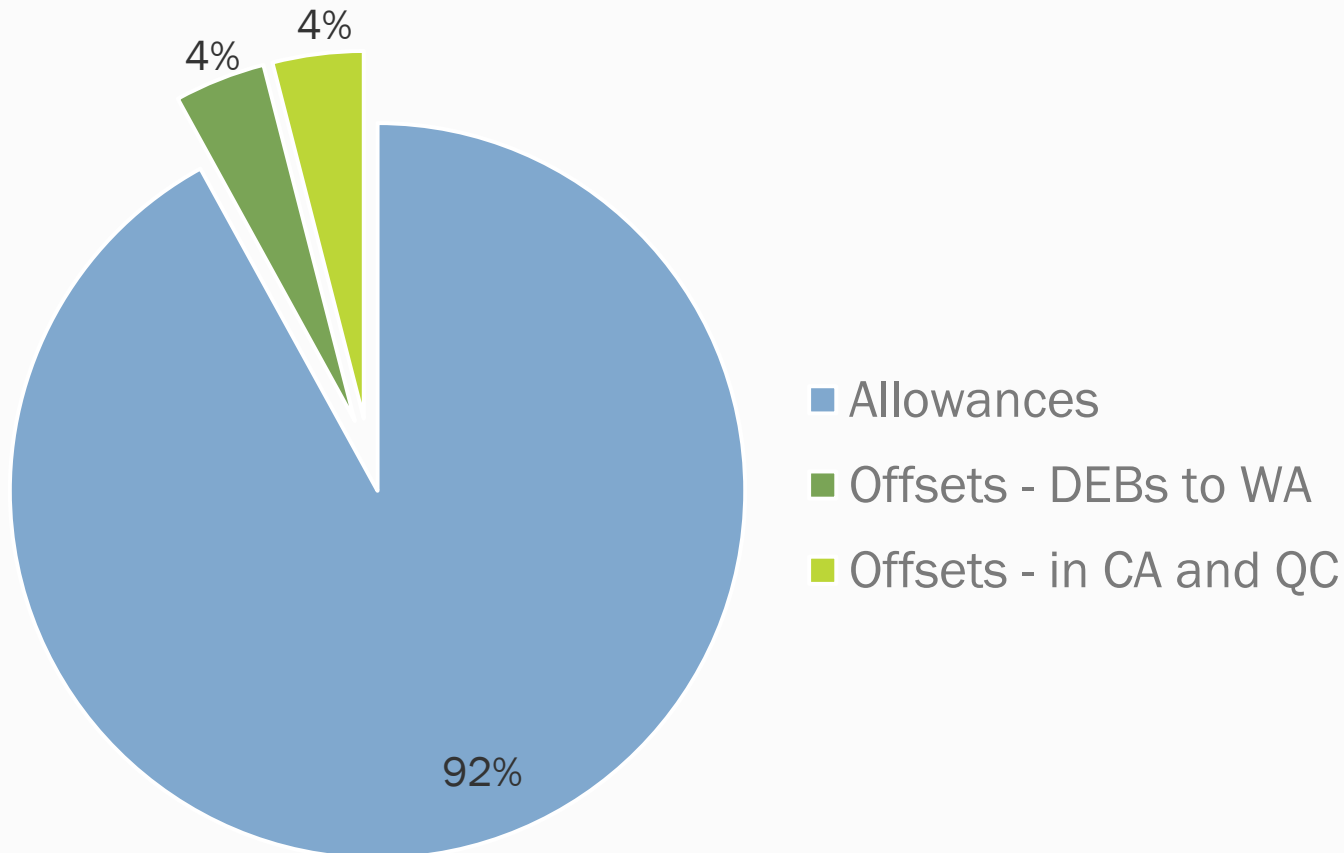
- One credit = emission reduction or removal of one metric ton of carbon dioxide equivalent
- Limits on offset credit usage
- Bought and sold between program participants
- ‘Under the cap’ – one allowance retired for every credit used



# Offset credits in a linked market

First compliance period – 2023-2026

Later compliance periods – 2027-2050



In a linked program, the rest of the offset credits must be from projects located in one of the linked jurisdictions.

# Offset credits for compliance

## Summary of changes

### **Clarify issue dates for offset credits used for compliance. [Drafted]**

- Must be issued for reporting periods wholly after July 25, 2021, or within two years prior to July 25, 2021. Includes those issued by other jurisdictions.

### **Clarifications related to projects on Tribal lands. [Drafted]**

- Increases ability to use offset credits from projects on Tribal lands for compliance.
- Maintain overall limit on use of offset credits for compliance (8% in first compliance period, 6% in later compliance periods).

### **Clarifications on offset usage by Emissions Intensive Trade Exposed industries (EITEs). [Drafted]**

- Updating the rule to include RCW 70A.65.110(5) regarding the use of offsets by EITEs.





Questions?



# How to comment

- Share comments during public meetings
- Email us: [CPRRulemaking@ecy.wa.gov](mailto:CPRRulemaking@ecy.wa.gov)
- Submit comments online:  
<https://ecology.commentinput.com?id=T45GCKEx2U>
- 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 May 16, 2025.**  
*We will have additional comment periods.*



# Upcoming Opportunities and Other CCA updates

## Community Forum

- Cap-and-Invest Program Updates and Linkage Community Forum - May 5

## Public meetings

- Air Quality in Overburdened Communities rulemaking public meetings – May 21
- EITEs and report to the Legislature on allowance allocation – August 6

## Comment opportunities

- Air quality in Overburdened Communities rulemaking
- Report to legislature on no-cost allowance allocation to industrial facilities ('EITEs')
- Environmental Justice Assessment for linkage

## Climate Commitment Act: Ways to engage

We value your input and want to hear from you as we continue to implement the Climate Commitment Act (CCA) across Washington state. Check out our current and upcoming opportunities to give your input, including on our CCA rulemakings through comment periods and public hearings. Learn more about CCA-funded grants offered through Ecology, too.

Public comment opportunities & rulemakings



Public events



Events for Tribal governments



Improving air quality in overburdened communities



More details at [ecology.wa.gov/CCA-engage](https://ecology.wa.gov/CCA-engage).



# Questions?

If you have additional questions,  
please send them to:

[CPRRulemaking@ecy.wa.gov](mailto:CPRRulemaking@ecy.wa.gov)