



PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (October 2017) (Implements RCW 34.05.310)

Do NOT use for expedited rule making

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FILED

DATE: March 31, 2025

TIME: 9:09 AM

WSR 25-08-057

Agency: Department of Ecology AO #24-02

Subject of possible rule making: Ecology is considering amendments to Chapter 173-446 WAC and Chapter 173-441 WAC to make improvements to the implementation of the Cap-and-Invest Program, facilitate the linkage of Washington's carbon market with the California-Québec carbon market, as well as make other necessary updates.

Ecology is also considering amendments to ensure the rule aligns with any changes to the statute that are passed in the 2025 legislative session.

Statutes authorizing the agency to adopt rules on this subject: Chapter 70A.65 RCW (Greenhouse Gas Emissions—Cap and Invest Program), as amended, & RCW 70A.15.2200 (Greenhouse Gas Emissions Reporting-Washington Clean Air Act), as amended

Reasons why rules on this subject may be needed and what they might accomplish: Rulemaking is needed to make updates to improve implementation of the Cap-and-Invest Program and to ensure the rule aligns with statute.

As required by the Climate Commitment Act (CCA), the Washington Department of Ecology is exploring the option of linking Washington's Cap-and-Invest carbon market with the California-Québec carbon market. This linkage would create a unified carbon market across the three jurisdictions, allowing for joint allowance auctions, a common allowance price, and the free trading of allowances between jurisdictions. The Legislature's passage of Engrossed Second Substitute Senate Bill 6058 in 2024 further facilitated this process by modifying certain provisions in the CCA that need to be aligned to allow linkage.

This rulemaking is needed to update Chapters 173-446 WAC and 173-441 WAC in line with these legislative changes and make other updates to ensure the rules are consistent with a potential linked market. The rule changes will not in themselves automatically establish linkage but will set the stage for potential future actions.

Additionally, RCW 70A.65.070 requires the adoption of allowance budgets for the second compliance period (2027–2030), ensuring that emissions reductions align with Washington's 2030, 2040, and 2050 greenhouse gas emissions limits. This rule will also add one additional sector—waste to energy—to coverage under cap-and-invest as required by statute.

Ecology will also consider modifications to continue to address topics associated with imported electricity and centralized electricity markets, as required under RCW 70A.65.080. Ecology will consider amendments relevant to allowance allocation to electric utilities, under RCW 70A.65.120.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies: Pursuant to 70A.65.080, Ecology is required to consult with Department of Commerce and the Utilities and Transportation Commission to address imported electricity associated with a centralized electricity market. In addition, pursuant to 70A.65.120, Ecology will consult with the Department of Commerce and the Utilities and Transportation Commission for rules related to allowance allocation to utilities.

Process for developing new rule (check all that apply):

- Negotiated rule making
- Pilot rule making
- Agency study

Other (describe) Ecology will follow the standard process for the adoption of rules under the Administrative Procedure Act

(Chapter 34.05 RCW).

Interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication by contacting:

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(If necessary)

Name:

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

TTY:

Email: CPRRulemaking@ECY.WA.GOV

Email:

Web site: <https://ecology.wa.gov/Cap-and-Invest-Program-Updates-and-Linkage-Rule>

Web site:

Other: N/A

Other:

Additional comments: Interested parties can stay informed about the rulemaking and public involvement opportunities as described above. Ecology will extend an offer for government-to-government consultation with Tribal governments during each phase of rule development.

Ecology will conduct an Environmental Justice Assessment in accordance with RCW 70A.02.060 as a part of this rulemaking.

Date: March 31, 2025

Signature:

Name: Joel Creswell



Title: Climate Pollution Reduction Program Manager