



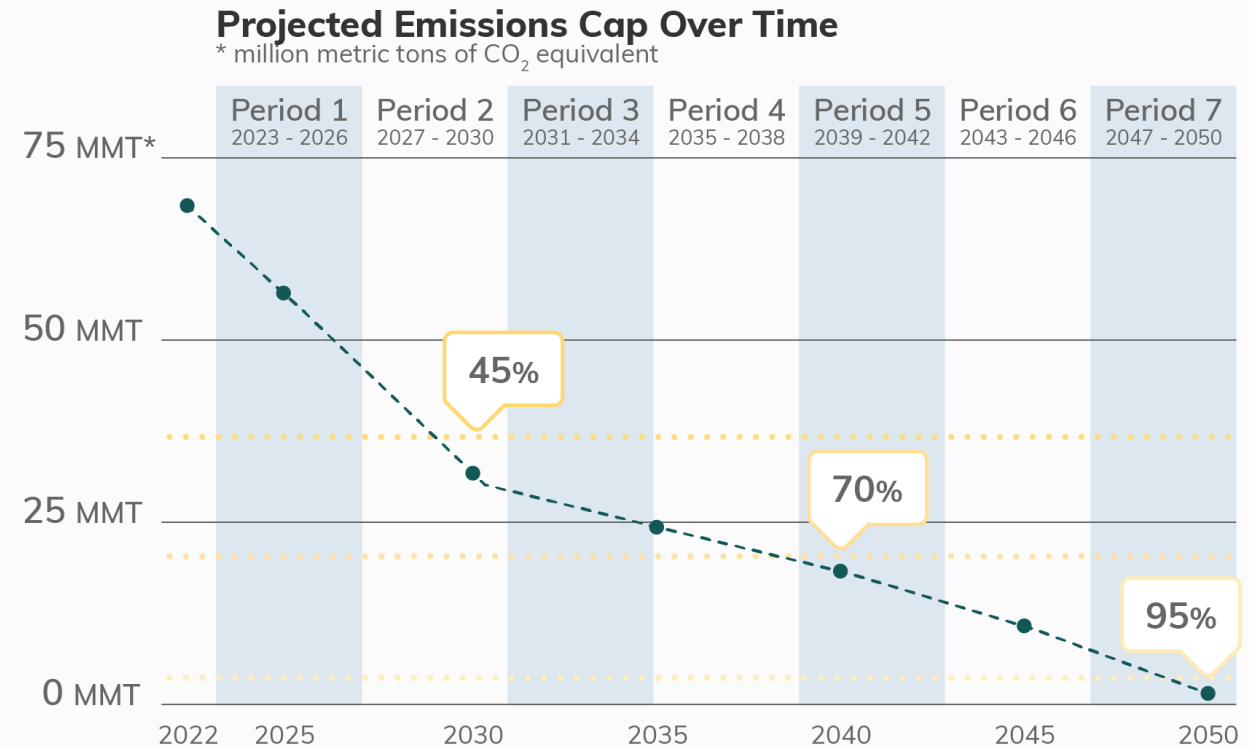
DEPARTMENT OF  
**ECOLOGY**  
State of Washington

# Ecology Proposed Agency Request Legislation

## Cap-and-Invest Program

# Climate Commitment Act

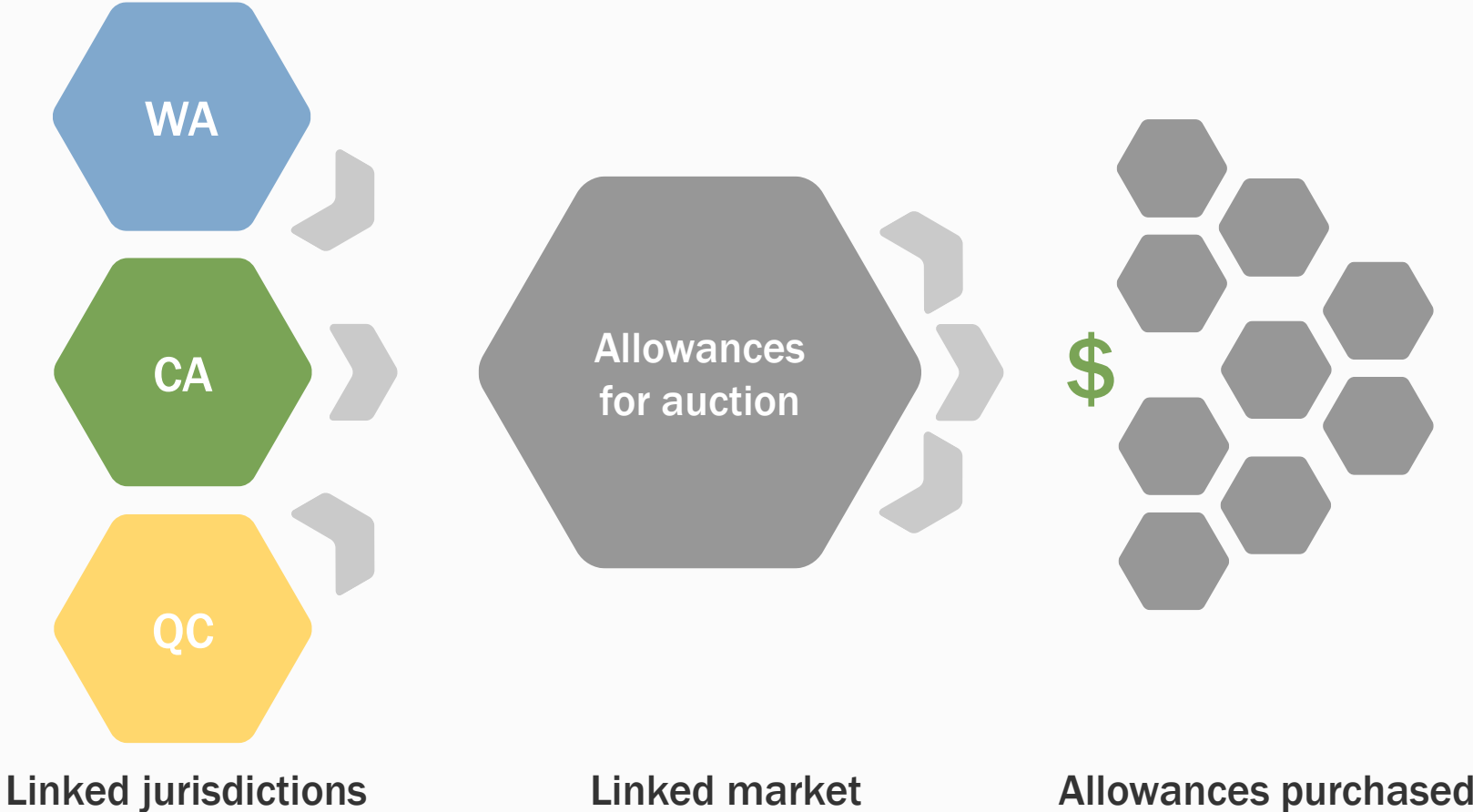
- Passed by Legislature in 2021.
- Started January 1, 2023.
- Creates cap-and-invest program to cap and reduces greenhouse gas emissions from Washington’s largest emitting sources and industries.
- Directs Ecology to explore linking carbon markets and create a cap-and-invest program that is “linkage ready.”



# Purpose of request legislation

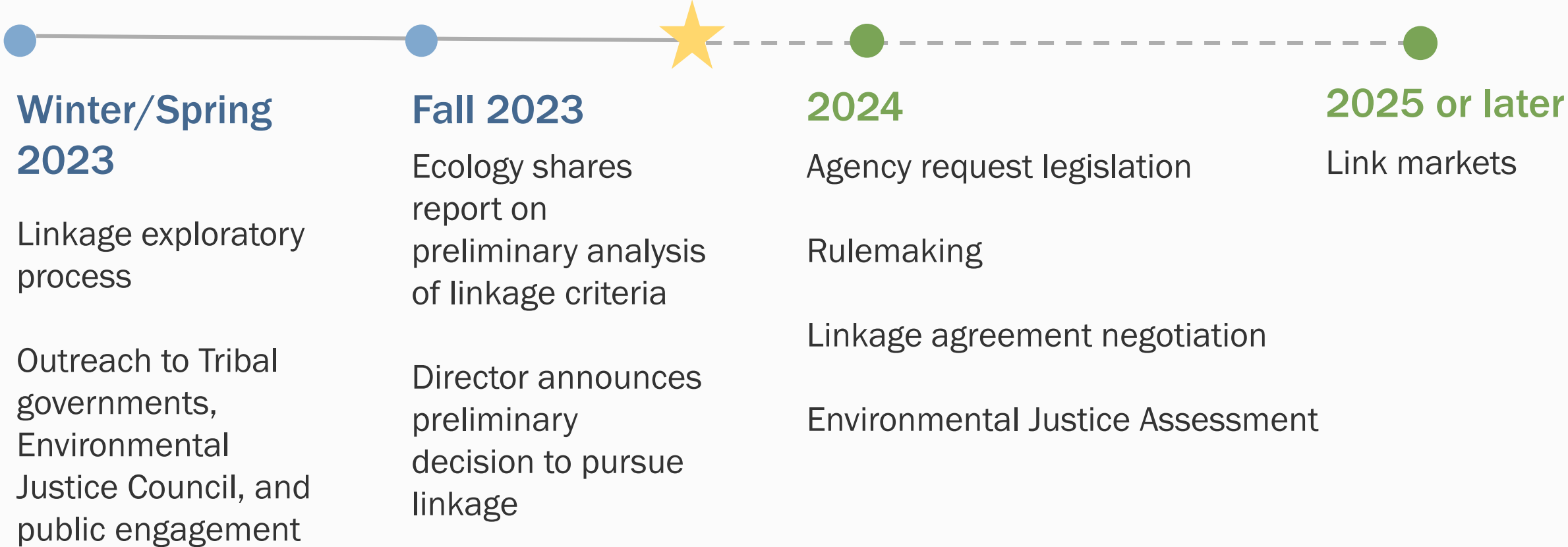
- Align cap-and-invest policies with California and Québec to remove barriers to linkage
- Make minor statutory adjustments to the program necessary to support a successful cap-and-invest market

# What is Linkage?



# Linkage process and timeline

## Decision to pursue linkage



# Proposed statutory changes



Topic	Purpose	Statute
Allowance purchase and holding limits	Alignment with California and Quebec and overall program improvement	RCW 70A.65.100(6)(a) RCW 70A.65.100(6)(b)
Offsets – credits from a linked jurisdiction	Linkage - implementation	RCW 70A.65.170(2)
Offsets – projects on Tribal lands	Overall program improvement	RCW 70A.65.170(3)
Electricity reporting and imports	Alignment with California and Quebec and overall program improvement	RCW 70A.15.2200(5)(a) RCW 70A.65.010(27) and (42) RCW 70A.65.080(1)(c)
Authority to modify in rule	Alignment with California and Quebec	
Reserve auction application timelines	Overall program improvement	RCW 70A.65.150(5)
EPA GHG reporting platform	Overall program improvement	RCW 70A.15.2200
Due Date of the CCA Spending Report	Overall program improvement	RCW 70A.65.300



# Proposed statutory changes – Allowance purchase and holding limits

Topic	Current law	Proposed change
<p><b>Allowance purchase limits for covered entities</b> RCW 70A.65.100(6)(a)</p>	<p>A covered entity or an opt-in entity may not buy more than 10% of the allowances offered during a single auction.</p>	<p>Increase the allowance purchase limit for covered entities from 10% to 25% per auction to align with the purchase limits in California and Québec.</p>
<p><b>Allowance holding limits for general market participants</b> RCW 70A.65.100(6)(b)</p>	<p>Ecology has set limits in rule on the number of allowances an entity may hold at any given time.</p> <p>In addition to holding limits set by rule, a General Market Participant (GMP) may not own more than 10% of the total allowances issued in any calendar year.</p>	<p>Remove the provision that says a GMP may not own more than 10% of the total allowances issued in any calendar year to align with holding limits in California and Québec.</p> <p>Currently, Washington’s statutory 10% holding limit is less stringent than the holding limits outlined in the program rules in all three jurisdictions, and therefore does not impose any actual limits on GMPs.</p>

# Proposed statutory changes – Offsets

Topic	Current law	Proposed change
<p><b>Offsets – projects on Tribal lands</b> RCW 70A.65.170(3)</p>	<p>1st compliance period (2023-2026): a covered entity may fulfill up to 8% of its compliance obligation using offset credits. No more than 3% from projects on federally recognized tribal land.</p> <p>2nd compliance period (2027-2030): a covered entity may fulfill up to 6% of its compliance obligation using offset credits. No more than 2% from projects on federally recognized tribal land.</p>	<p>Add flexibility to allow a covered entity to fulfill up to 5% of its compliance obligation using offset credits from any eligible offset project, whether on Tribal lands or not, with an additional 3% that must come from projects on Tribal lands. We would make similar changes to the requirements for offset credits during the second compliance period. Maintains overall limit on use of offset credits for compliance (8% in first compliance period, 6% in later compliance periods).</p>
<p><b>Offsets – credits from a linked jurisdiction</b> RCW 70A.65.170(2)</p>	<p>Offset credits used for compliance in Washington’s program must come from projects that provide direct environmental benefits (DEBs) to Washington or from projects “located in” a jurisdiction with which Washington has entered into a linkage agreement.</p>	<p>Add flexibility for offset credits that can come from California and Quebec - from projects within or <i>that provide direct environmental benefits</i> to those jurisdiction. Maintains requirement for amount of offset credits that provide DEBs to Washington (at least 50% in 1<sup>st</sup> compliance period, 75% in later compliance periods).</p>



# Proposed statutory changes – Electricity reporting and imports

Topic	Current law	Proposed change
<b>Electricity reporting</b> RCW 70A.15.2200(5)(a)	GHG emissions associated with electricity must be reported if they reach 10,000 MT CO <sub>2</sub> e per year.	Remove the 10,000 MT CO <sub>2</sub> e per year threshold for reporting.
<b>Electricity imports</b> RCW 70A.65.080(1)(c)	Electricity importers importing electricity with GHG emissions greater than 25,000 MT CO <sub>2</sub> e per year are covered entities.	Authorization to make changes through rule to lower threshold for importers of <i>unspecified</i> electricity to be covered entities.
<b>Electricity imports</b> RCW 70A.65.010(27)	Defines an “electricity importer” by listing eight different scenarios.	Add several omitted scenarios, as well as a catch-all provision allowing Ecology to identify specific electricity importers not defined in the current statute or by rule.
<b>“Netting” of electricity imports</b> RCW 70A.65.010(42)	Definition of “imported electricity” excludes “electricity imports of unspecified electricity that are netted by exports of unspecified electricity” in the same hour.	Remove the “netting” exclusion from the definition of “imported electricity.” Require that all imported electricity has a compliance obligation to match California.

# Proposed statutory changes – other linkage

Topic	Current law	Proposed change
<b>Authority to modify in rule</b>	Many cap-and-invest market policies are defined in statute, such as purchase limits.	Authority to resolve certain issues and/or modify certain provisions of the program via rule, as necessary, to implement linkage.

# Proposed statutory changes – overall program improvement

Topic	Current law	Proposed change
<p><b>Reserve auction application timelines</b> RCW 70A.65.150(5)</p>	<p>Same process as regular auctions: notify the Environmental Justice Council (EJC) 60 days in advance, and provide an application window of at least 30 days.</p>	<p>Allow for a 30-day advance notification to the EJ Council for APCR or ECR auctions, and to authorize Ecology to determine the registration deadline for reserve auctions by rule.</p>
<p><b>EPA GHG reporting platform</b> RCW 70A.15.2200</p>	<p>Washington’s GHG emissions reporting is currently required to mirror the U.S. EPA reporting requirements and to use the EPA reporting platform.</p>	<p>Authorize Ecology to deviate from EPA reporting requirements and use our own reporting platform.</p>
<p><b>Due Date of the CCA Spending Report</b> RCW 70A.65.300</p>	<p>Ecology is required to submit a report to the Legislature outlining the uses of “all distributions of money” from CCA funds by Sept. 30 of each year.</p>	<p>Change the annual due date to Nov. 20.</p>



## For more information:

- <https://ecology.wa.gov/about-us/budget-legislative-priorities/2024-legislative-priorities/carbon-market-linkage>
- [cca.wa.gov/linkage](https://cca.wa.gov/linkage)

## Contact:

Tamara Jones

Senior Legislative Planner

[Tamara.Jones@ecy.wa.gov](mailto:Tamara.Jones@ecy.wa.gov)