

DEPARTMENT OF  
**ECOLOGY**  
State of Washington

# CFS Rulemaking Updates

Climate Pollution Reduction Program

September 9 and 12, 2024

# Workshop Agenda

- **Schedule Updates**
- **Indirect Accounting**
  - The draft rule text does not include changes in Part 6 on carbon intensity pathways (WAC 173-424-600 through 630). However, we will provide general updates on rule language under discussion re: indirect accounting (book-and-claim, mass balance) and related issues
- **Rule Changes Overview**
- **Q&A, comments, and discussion**

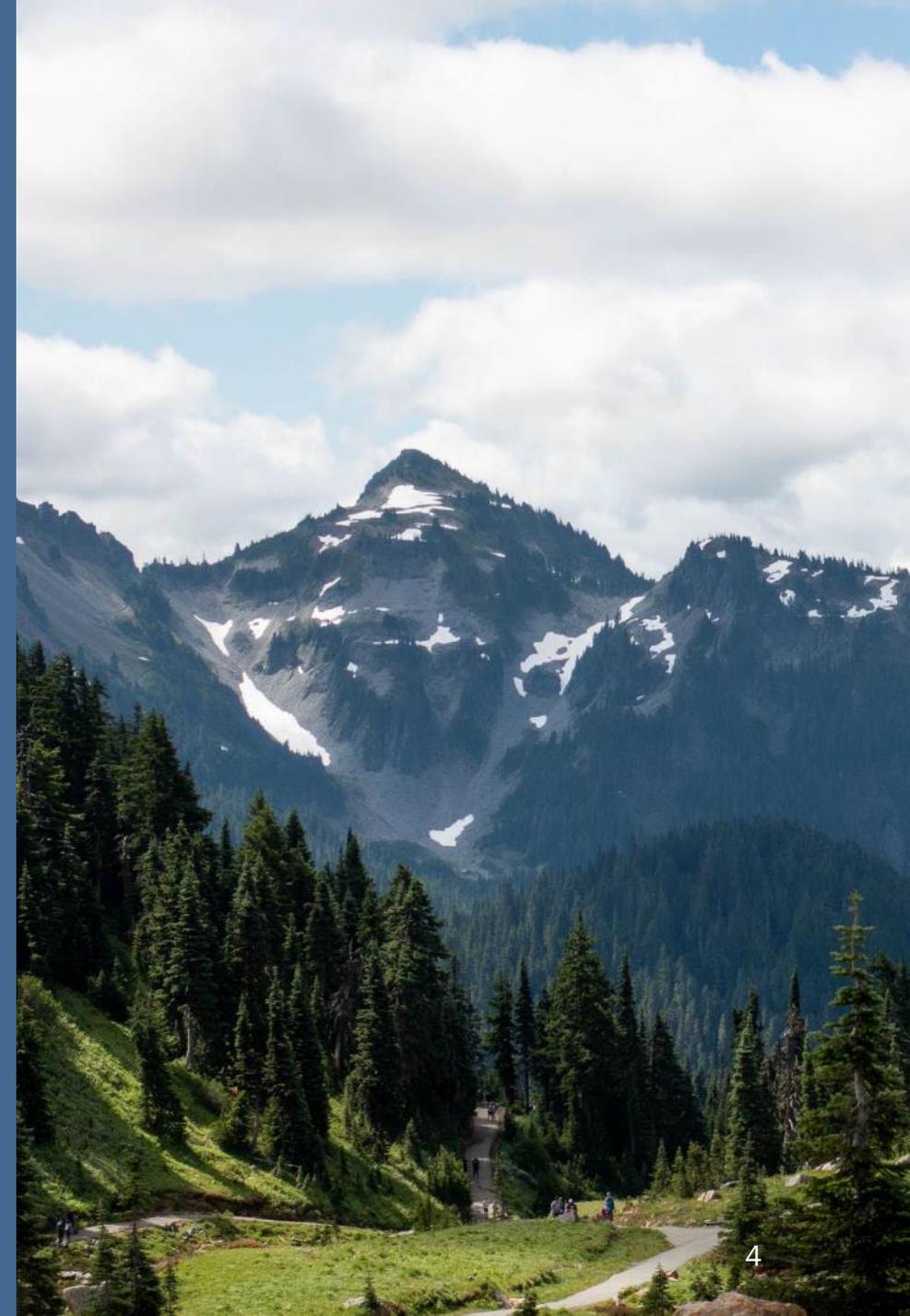
# Timeline Overview

- Initial draft language released on August 29.
  - Links can be found on our [rulemaking website](#).
- Environmental justice discussion on September 26 at 1 PM.
- Comment period open through October 3, at 11:59PM.
  - Next rule language draft and dates for workshops/informal comment periods to be released soon after the end of the comment period.
  - CR-102 (formal rule proposal) in early 2025.



# Upcoming Amendments to Indirect Accounting

Update to book-and-claim and mass balance accounting



# Why are we making these updates?

- Ensure that credits are granted for **additional** environmental benefits, and that we are incentivizing growth of new clean energy.
- Prioritize environmental benefits in Washington, while recognizing potential logistical constraints with distributing fuels and feedstock supply, and siting clean energy facilities.
- Incentivize new alternative fuels (especially those in hard-to-decarbonize sectors) while supporting a robust credit market.

# Renewable Natural Gas – Avoided Methane

- We do not plan to eliminate avoided methane crediting, but to establish timeframes for allowing credit generation.
- We want to incentivize *new* methane capture projects while reducing credits allocated towards preexisting projects (i.e., before the CFS program) that do not create an additional environmental benefit.
- Our proposal does not exclude pre-2023 projects from avoided methane credit generation completely, but would reduce the credit over time.

# Renewable Natural Gas – Avoided Methane

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## Proposal

Pre-2023 projects would have their avoided methane credits phased out over time, with older projects receiving fewer credits.

Post-2023 projects would receive full avoided methane credits on a rolling basis from the project's operational date.

# Electricity Book-and-Claim

- We plan to add **additionality** and **regionality** provisions to promote the generation of new renewable energy projects in and around Washington State, without overly limiting eligible REC resources.
- General goals:
  - Reduce use of RECs from old hydroelectricity projects.
  - Promote renewable generation in the Pacific Northwest.
  - Align, when possible, with other state clean energy regulations.

# Electricity Book-and-Claim

Proposal	Notes
<b>Additionality.</b> Require RECs to be generated from sources built on or after a cutoff date to be determined.	Considering aligning with other WA clean energy policies, such as the Clean Energy Transformation Act.
<b>Regionality.</b> Require RECs to be generated in the Pacific NW region, with a short phase-in period before implementation.	Goal is to promote regional renewable electricity production without overly limiting potential resources.

# Other Amendments

- **RNG deliverability:** we are discussing internally adding deliverability requirements similar to those proposed by CARB in their LCFS rulemaking.
- **SAF and hydrogen:** still under discussion internally, but more details will be available shortly.
- **Mass balance accounting:** as noted in our June 12 listening session, we are still planning to align with Oregon's language on this topic, at a minimum, with respect to fuel transactions.
  - OAR 340-253-0640(6)

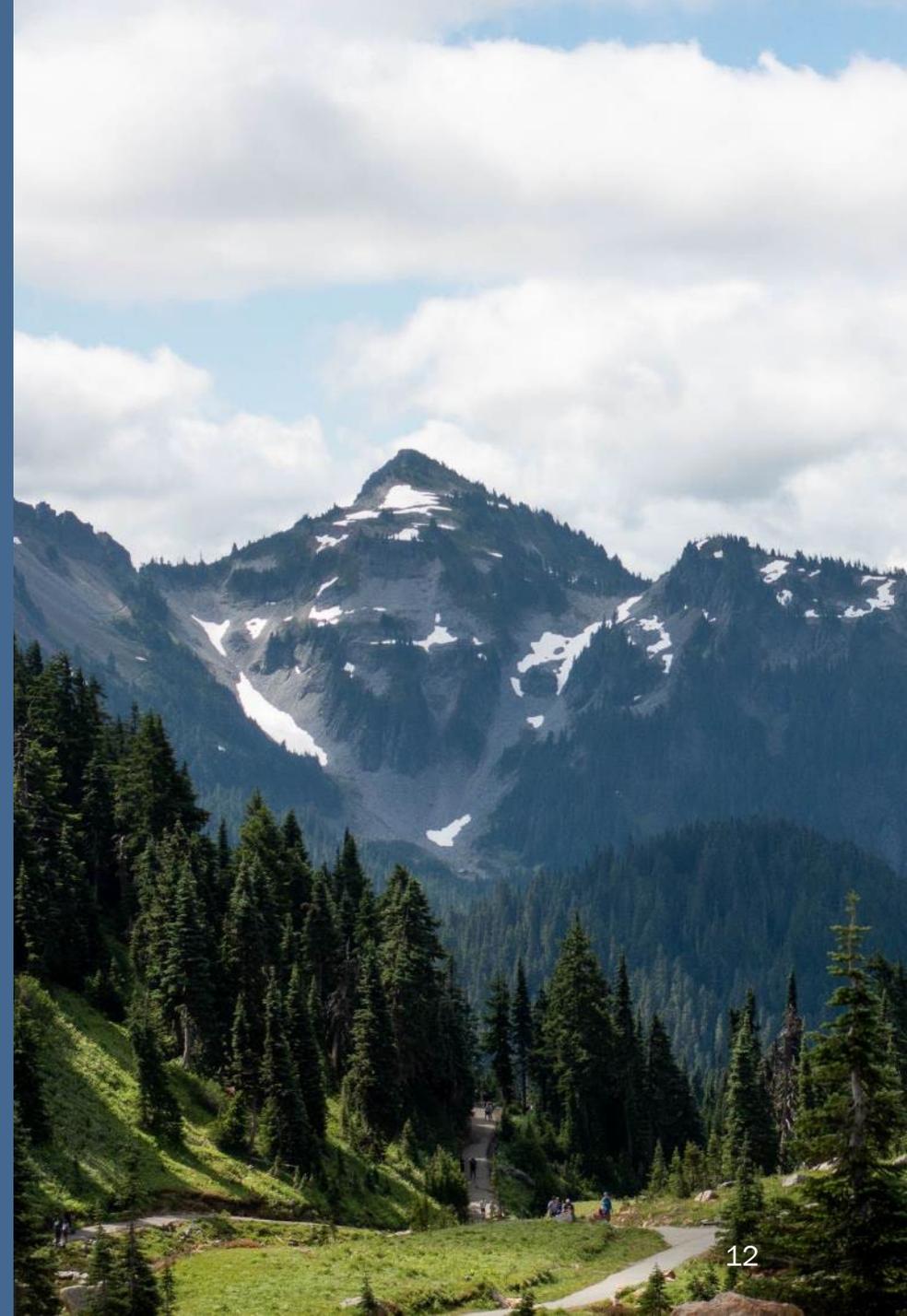
# Further Engagement & Rule Changes

- We plan to release **all** of these rule proposals during the next round of informal feedback, which we are hoping to begin before the end of October.
- We plan to hold additional workshops, time for meetings and feedback, etc. on these topics before the CR-102 filing in early 2025.



# Rule Amendments

Overview of Proposed Rule Language



# FCI/HRI Capacity Credits

- Definitions for “shared” stations/charging sites have been added under WAC 173-424-110(160) and (161).
- Shared sites are those that are not “open to the public”, but can be accessed by multiple fleets under separate ownership and control.
- We are not planning to open credit eligibility to *private* sites at this time.

# FCI Capacity Credits Proposal – Cont'd

- Separates between light-duty (<8,500 lbs.) and medium- and heavy-duty (>= 8,501 lbs.), rather than LMD and HD.
- Sets a December 31, 2026, cut-off date for LD applications, after which all applications will be required to be MHD.
  - Reasoning: greater infrastructure need for MHD charging.
  - We would like feedback on this proposal.
- Single applicant would be limited to 20% of the overall capacity credit pool.
  - Supersedes prior requirements about charging adapters, connectors, etc. if entities exceed this cap.

# FCI Capacity Credits Proposal – Cont'd

- General requirements for MHD include:
  - Max 10 MW per site.
  - Minimum 120 kw nameplate power rating.
  - No location requirements.
- We also made several administrative and recordkeeping edits to this subsection, most of which apply to both LD and MHD public and shared sites.
  - These edits are summarized on the Rule Changes Summary doc and are mostly based on CARB's rule amendments.

# Third-Party Verification (3PV)

- This is the only part of our rule that is entirely new; we are striking out the current language under 173-424-800 and inserting a full 3PV rule, included as sections 173-424-800 through 850, in its place.
- The draft is primarily based on CARB and OR-DEQ's adopted/proposed rules, with minor differences in certain areas.
- Program would start in 2027, using operational data from 2025 and 2026 for fuel pathway reports and 2026 for fuel transactions data.

# 3PV General Rules

- Verification statements due by September 15 of the year a report is submitted.
- Fuel pathway holders generating below 6,000 credits and/or deficits are eligible for deferred verification for up to two years, except if the pathway involves RNG or hydrogen using book-and-claim accounting.
- Less intensive verification allowed (for up to two years of every three-year period) under certain conditions.
- Applies to all major fuel types except nonmetered residential charging.

## 3PV General Rules – Cont'd

- Rotation of verification bodies/verifiers is required after **six years** of consecutive verification, at which a three-year prohibition applies before re-engagement is allowed.
- Recertification requirements for pathways certified by CARB or OR-DEQ are provided in WAC 173-424-820(2)(b)(iv).
  - No further verification is needed, provided these criteria are met.
  - Entities must provide Ecology with the verification statement submitted to CARB or OR-DEQ.

# Credit and Deficit Modifications

- Under 173-424-700(3), we added a section allowing Ecology to assign credit or deficit modifications in response to the generation illegitimate credits or unclaimed deficits from erroneous reporting.
- Modifications “scale up” with each successive error/violations, and self-reported errors/violations would be subject to less stringent modifications than those identified by Ecology.
- Reasoning: we aim to reduce reporting errors, ensure accuracy of program data, and improve the environmental stringency of the program.

# Modifications - Applicability

- “Self-reported errors” under (3)(a) are those that:
  - Result in illegitimate credits or unclaimed deficits.
  - Are reported *after* the quarterly reporting deadline, but before the end of the compliance period.
- An “unreported violation” under (3)(b) occurs when Ecology finds illegitimate credits/unclaimed deficits during the compliance period.
- Corrections made before the quarterly reporting deadline are not subject to this subsection.

# Credit/Deficit Modification Ratios

## Self-Reported Errors/Violations

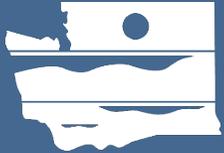
-	<u>First Occurrence</u>	<u>Second Occurrence</u>	<u>Third Occurrence</u>
<u>0-10 credits or deficits</u>	<u>Warning + 1:1</u>	<u>Warning + 1:1</u>	<u>2:1</u>
<u>11-99 credits or deficits</u>	<u>Warning + 1:1</u>	<u>2:1</u>	<u>3:1</u>
<u>100 -499 credits or deficits</u>	<u>2:1</u>	<u>3:1</u>	<u>4:1</u>
<u>500 + Credits or deficits</u>	<u>3:1</u>	<u>4:1</u>	<u>4:1</u>

## Errors/Violations Identified by Ecology

-	<u>First Occurrence</u>	<u>Second Occurrence</u>	<u>Third Occurrence</u>
<u>0-10 credits or deficits</u>	<u>Warning + 1:1</u>	<u>2:1</u>	<u>3:1</u>
<u>11-99 credits or deficits</u>	<u>Warning + 1:1</u>	<u>3:1</u>	<u>4:1</u>
<u>100-499 credits or deficits</u>	<u>3:1</u>	<u>4:1 + further enforcement action</u>	<u>4:1 + further enforcement action</u>
<u>500 + Credits or deficits</u>	<u>4:1</u>	<u>4:1 + further enforcement action</u>	<u>4:1 + further enforcement action</u>

## Credit/Deficit Modifications – Cont'd.

- We welcome feedback on this proposal – the aim is not to issue harsh penalties small mistakes, but to deter inaccurate reporting that distorts the credit market and harms the functioning of the CFS program.
- Similarly, we also plan to align with CARB and issue 4 deficits for each credit generated because of a verified CI exceedance, and plan to release that language with the rest of the amendments to Part 6 within the next several weeks.



# Other Rule Changes

Changes to reporting, tables, and other miscellaneous changes



# General Reporting Edits

- Fuel exemptions: added requirement that the individual reporting the exemption in WFRS is responsible for the accuracy of that report.
- Exports: clarified that the entity holding ownership title of fuel as it that leaves WA is responsible for reporting the export in WFRS.
- Correction requests: requires separate process in WFRS if additional corrections are identified after the first request form is submitted.
- Added definition for “Total Obligated Amount” (TOA).

# Electricity Reporting Edits

- Aligned forklift requirements with other electricity fueling uses by removing the fuel estimate option.
- Added language clarifying that the statewide grid CI cannot be used to report electricity.
  - Electricity must be reported through a utility-specific CI, directly connected renewable energy, or RECs.
  - We are also removing the statewide grid CI from the lookup table (Table 6 under 173-424-900) to better clarify this distinction.

# Table Updates

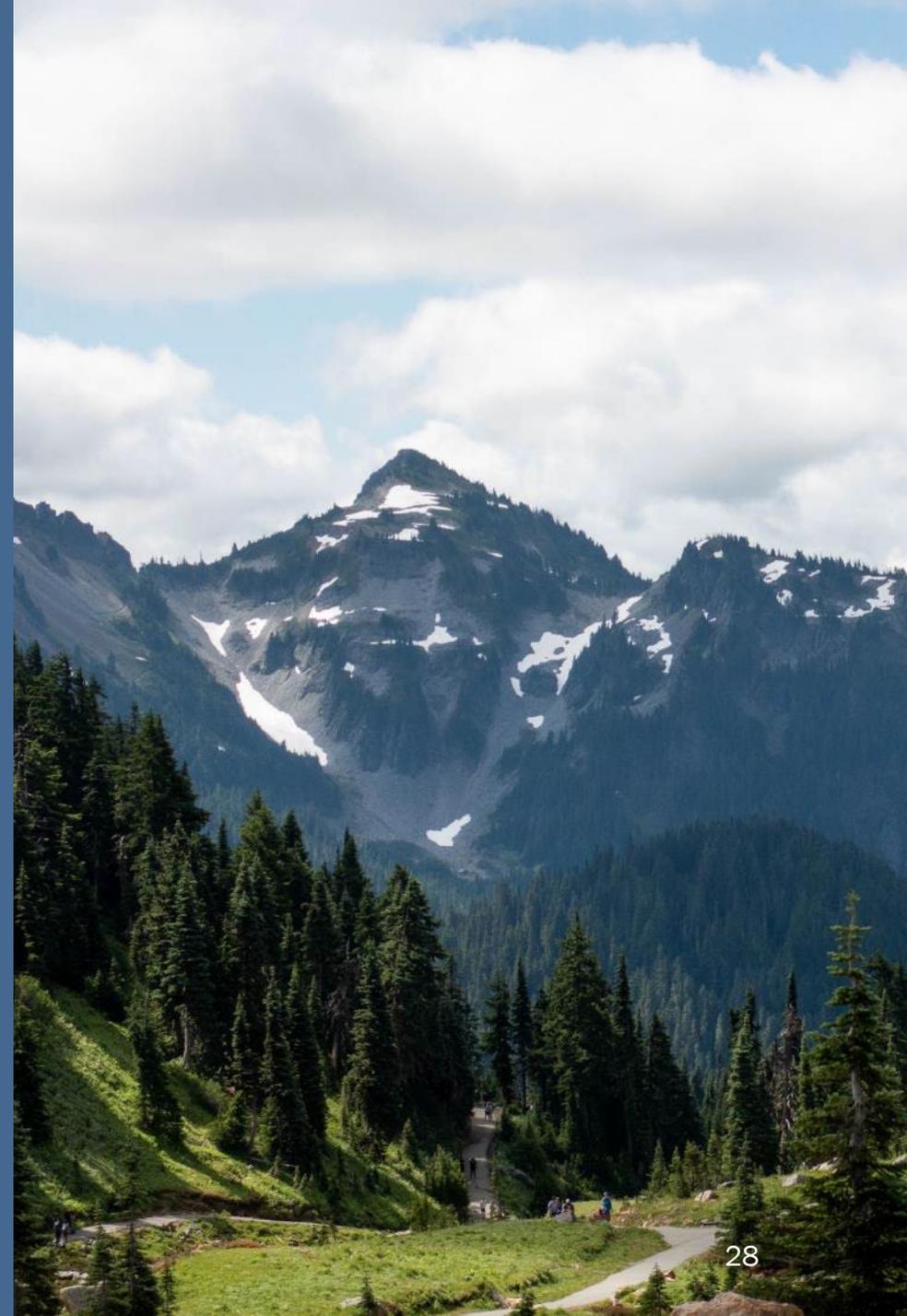
- Added substitute CI for alternative jet fuel/SAF.
- Added and removed several pathway codes to align with WFRS.
- Updated CI values for multiple temporary FPCs based on CARB's proposed rule, which bases the new values on approved pathways in CA.
- Added details for renewable naphtha and renewable gasoline.
- Planning to update Table 10 (utility-specific CIs) once Commerce releases updated info later this year.
- Removal of RD in Table 7 is an error and will be corrected.

# Miscellaneous Edits

- Removed a rule requirement for Ecology to post an annual program report on its website (starting in 2025, this is required by statute).
- Amended several definitions and subsections to better align with terms used in WFRS.
- Clarified terminology about the “clean fuel standard” versus the “carbon intensity standard”.



# Next Steps

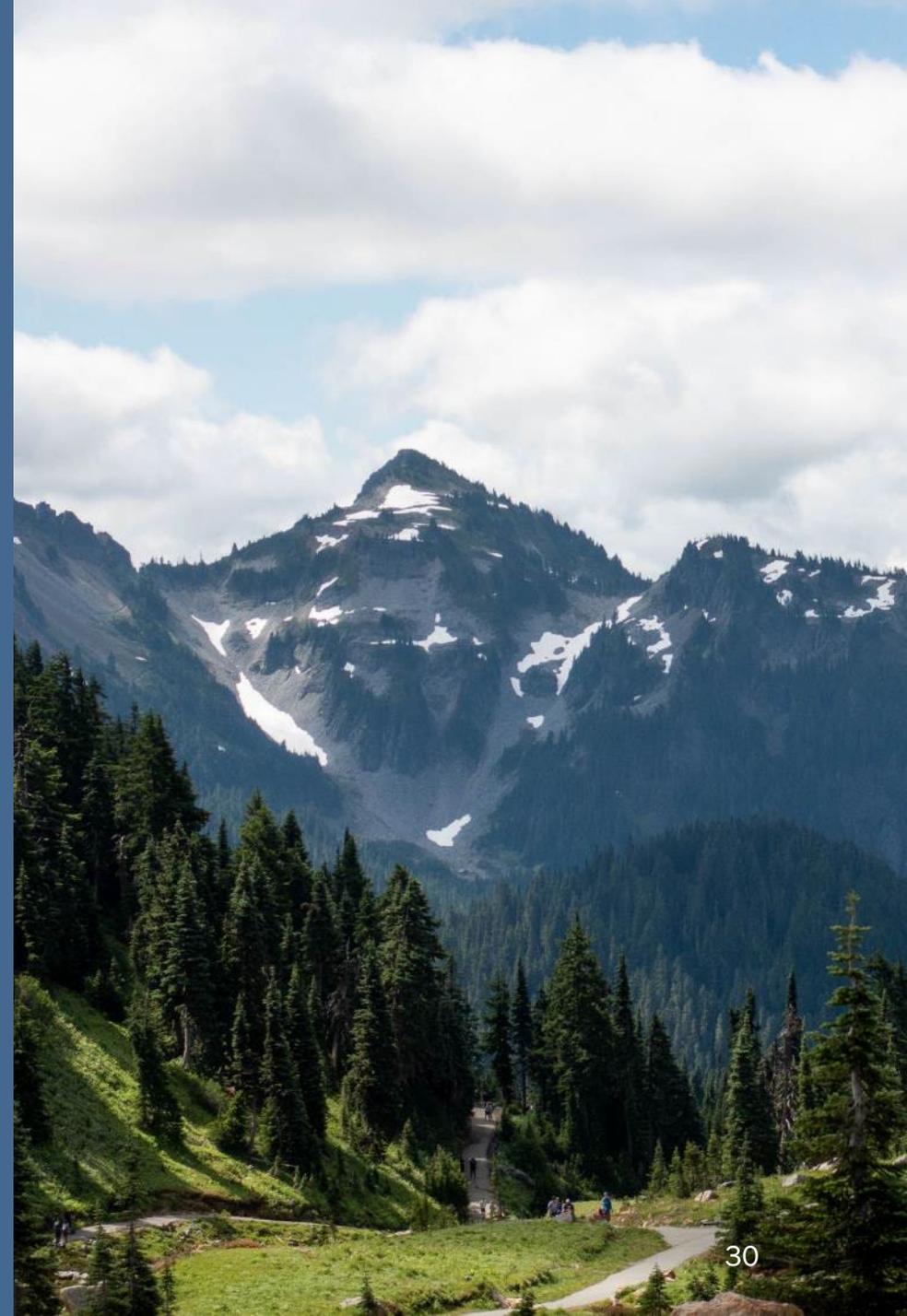


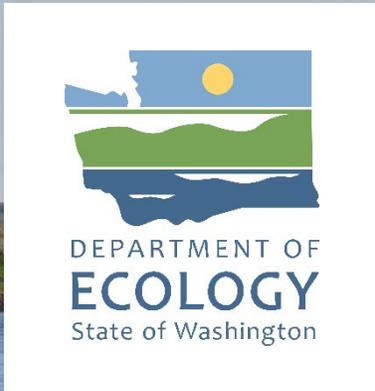
# Informal Comments

- Comments are due by **October 3** at **11:59 PM PST**.
- We welcome comments on the rule changes proposed, the book-and-claim requirements discussed at the beginning of today's workshop, and any other topics.
- **Reminder:** as this is an informal comment period, we will not be issuing responses to comments.
- We are also open to meet **1:1** to discuss the rule – please contact us with your availability and what topics you would like to discuss.



# Q&A/Comments





# Thank you

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