

# Cap-and-Invest Program Updates and Linkage Rulemaking

**Public Meeting**

**August 7, 2025**

# Ecology staff introductions

- Surabhi Subedi – Rule lead, Facilitator/Presenter
- Lauren Sanner – Rule lead, Technical Host
- Stephanie Potts – Senior Environmental Planner for Linkage
- Derek Nixon – Auctions & Market 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

# Cap-and-Invest poll

- In what capacity are you participating today?
- How familiar are you with the Cap-and-Invest Program?
- What are you hoping to learn during today's public meeting?

# Climate Commitment Act (CCA)



**Cap-and-Invest Program**

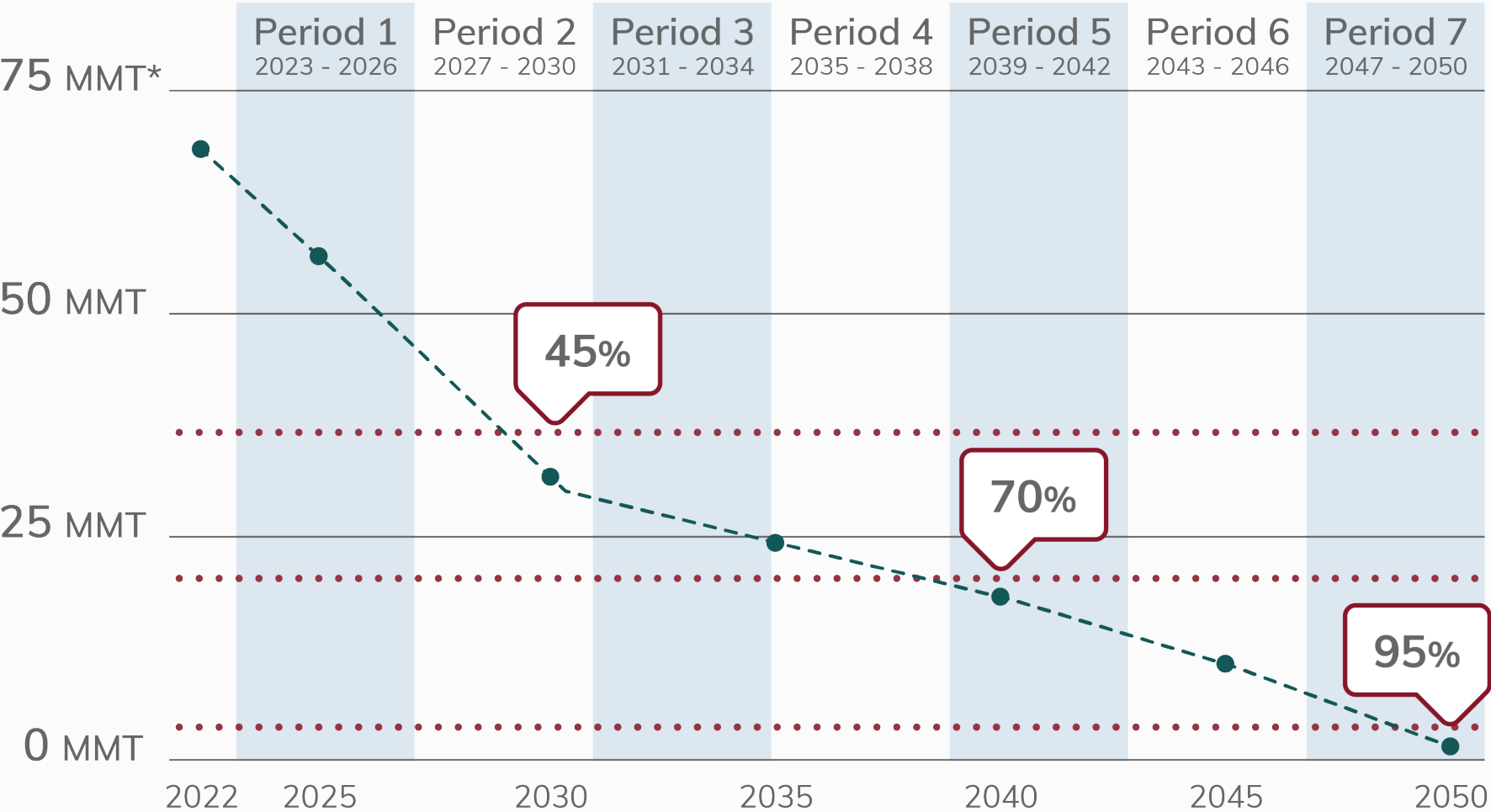


**Initiative to improve air quality**



# Cap-and-Invest Program

## Projected greenhouse gas emissions cap over time



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

# Which emissions are covered?

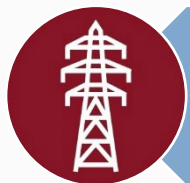
## Covered emissions (~70%)



Facilities



Fuel suppliers



Electricity imports



Natural gas  
suppliers

## Not covered (~30%)



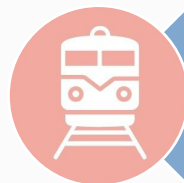
Fuels used for  
agricultural  
operations



Fuels used for  
maritime and aviation



Waste-to-energy\*



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

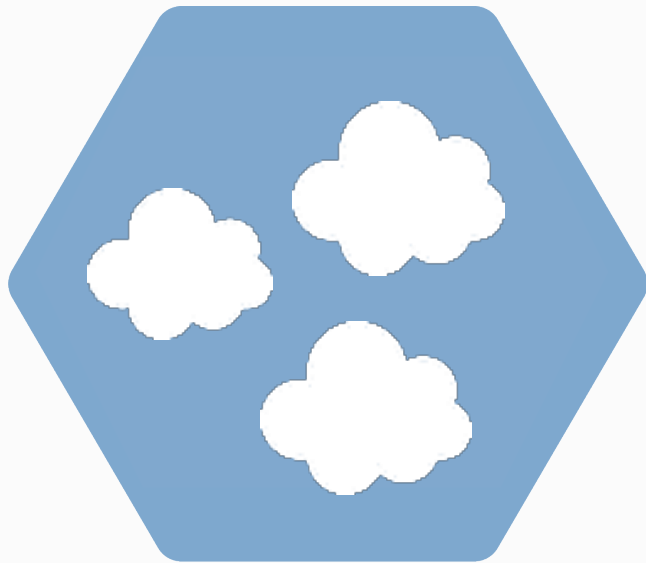


## **Opt-in entities**

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



Allowance = 1 metric ton of  
carbon dioxide equivalent



Purchase at auctions  
that Ecology hosts



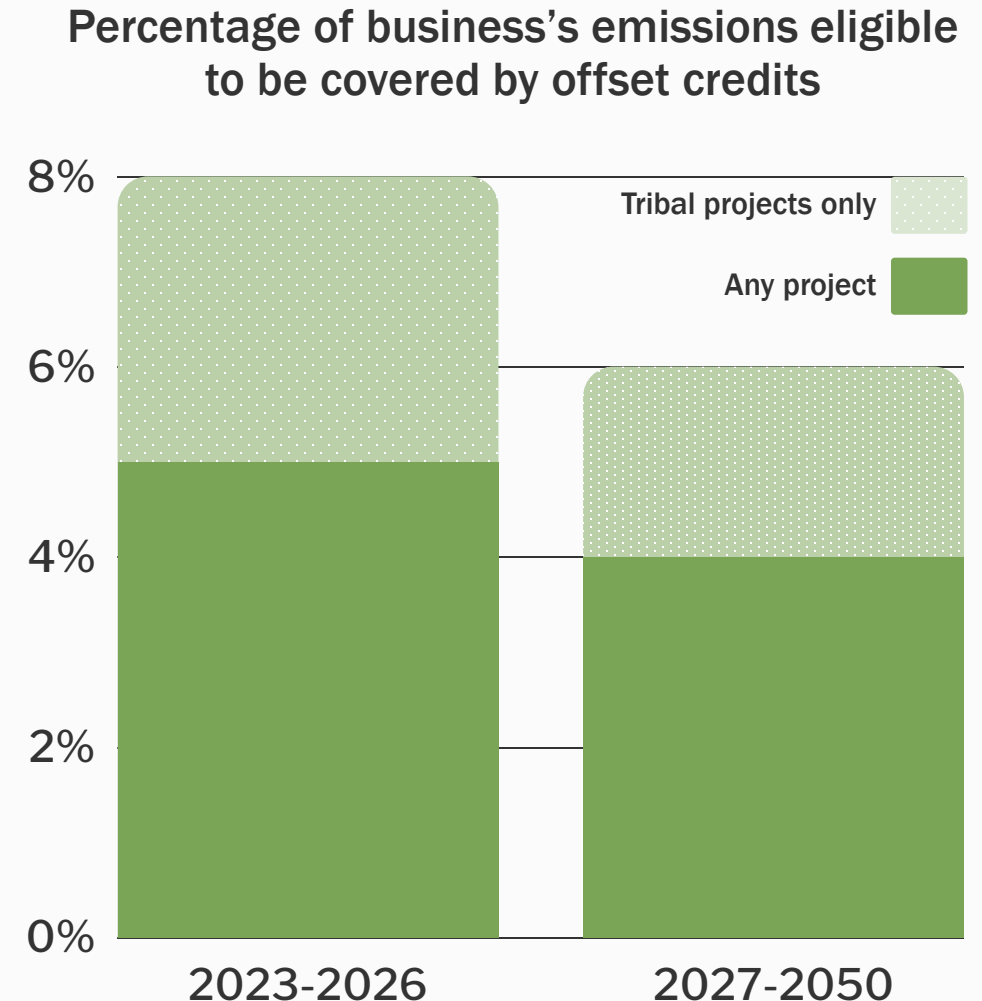
Trade with other  
participants



No-cost allowances  
distributed by Ecology

# Offset credits

- One credit = emission reduction or removal of one metric ton of carbon dioxide equivalent
- Limits on offset credit usage
  - Up to 8% of emissions through 2026
  - Up to 6% of emission from 2027-2050
- Bought and sold between program participants
- ‘Under the cap’ – one allowance retired for every credit used



# Invest in communities







# Questions about the Cap-and-Invest Program

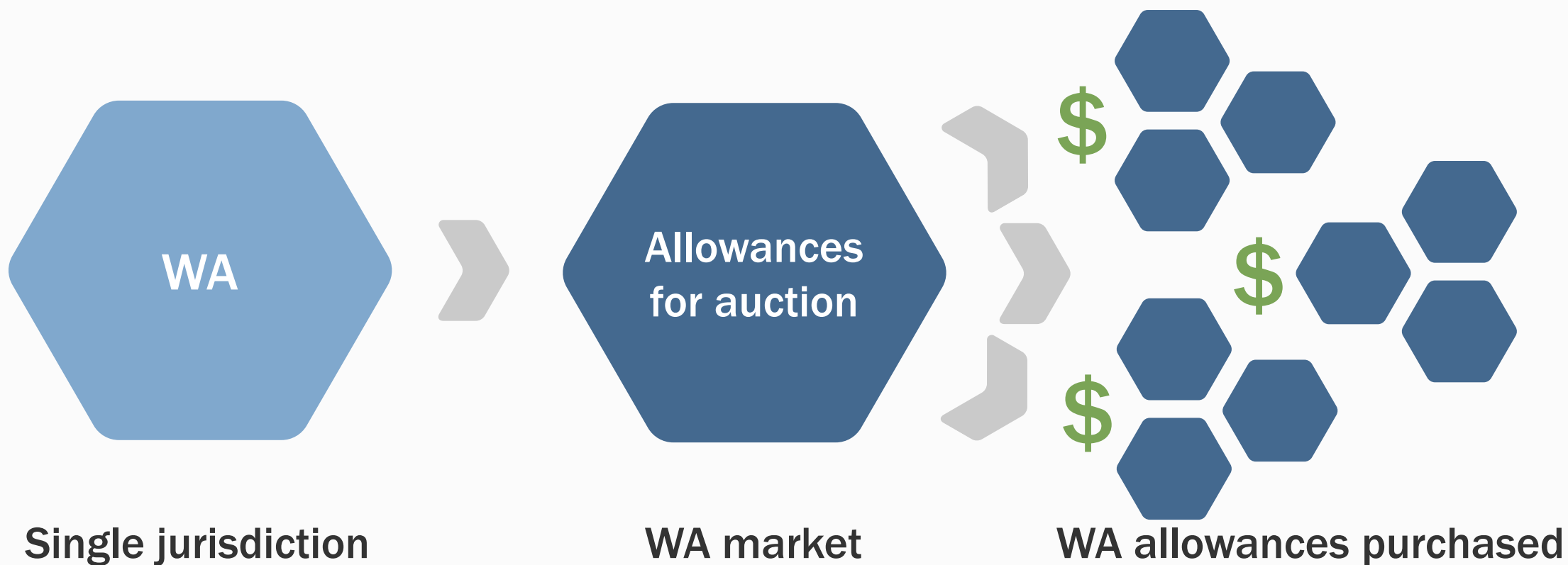




# Linkage process and timeline



# Washington's carbon market



# A linked carbon market



# 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)**

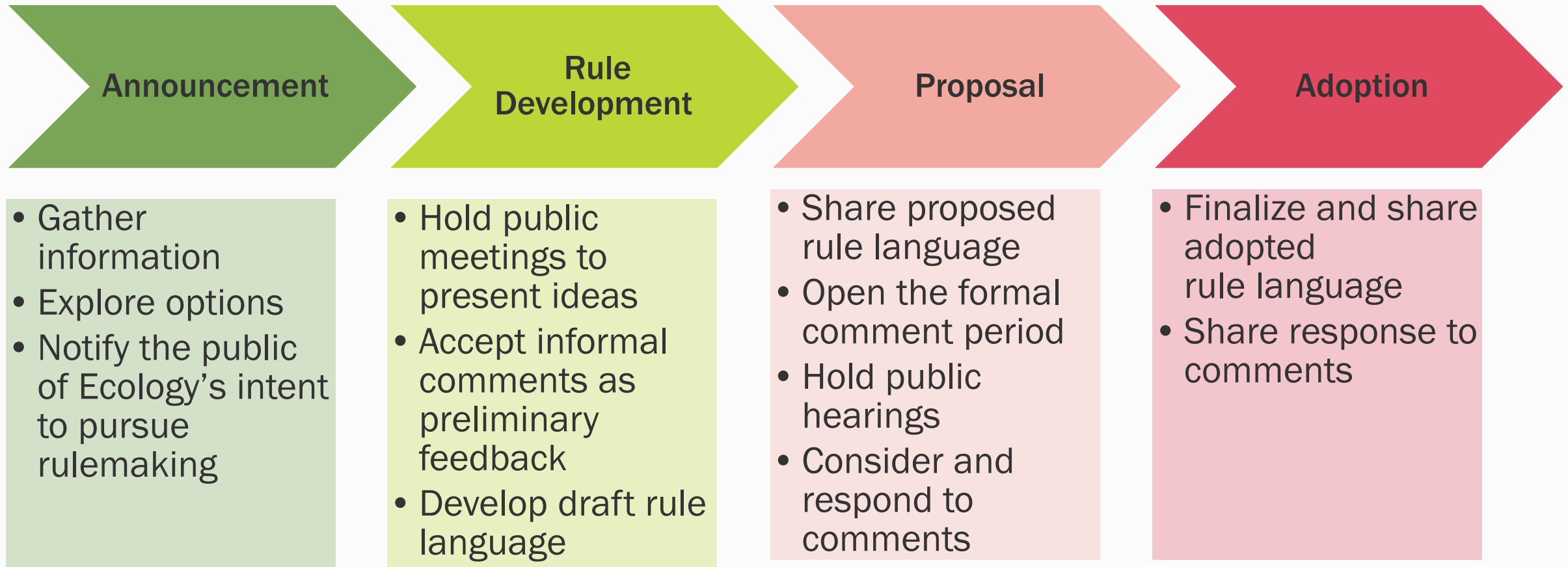
Codified regulations, i.e., “rules,” detailing how a state agency will implement a law

## **Rulemaking**

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



# Rulemaking processes





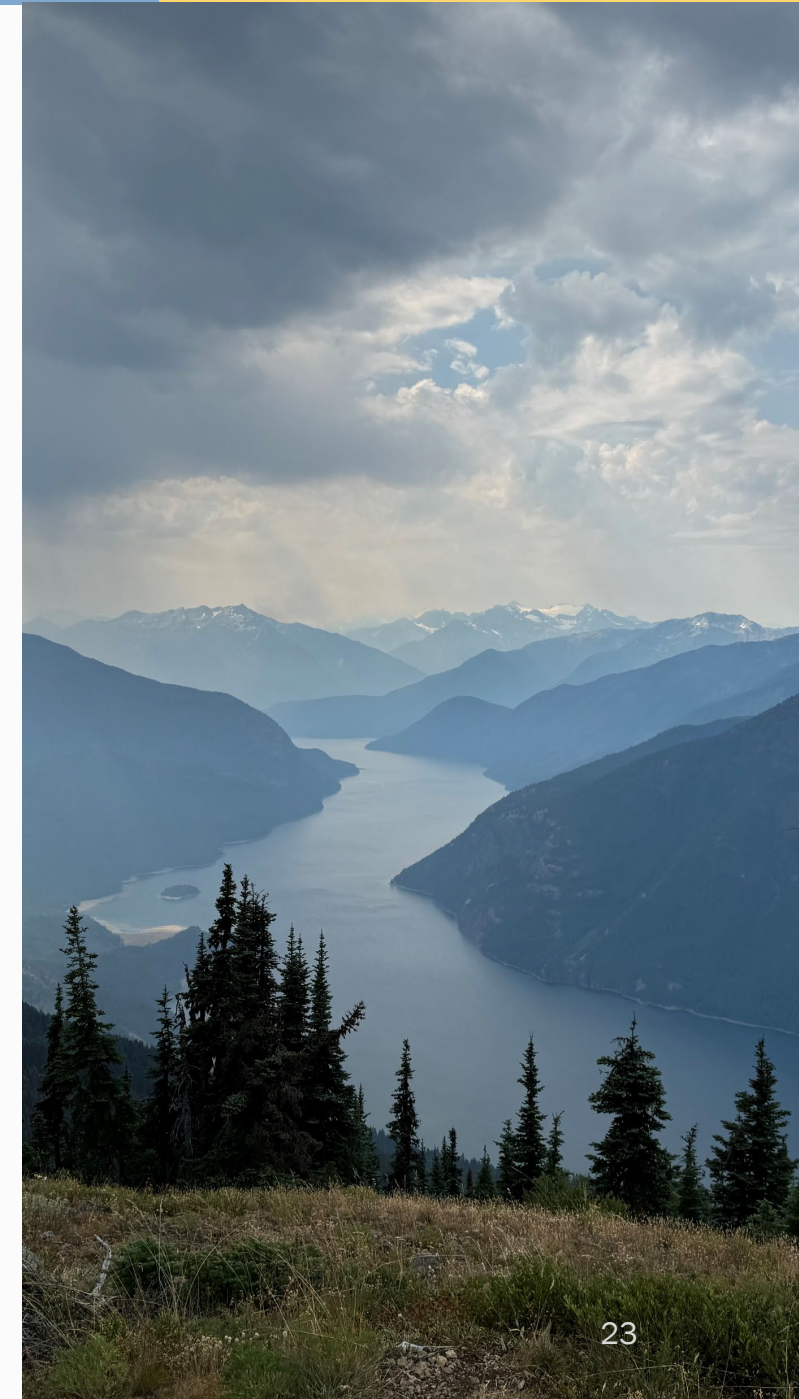
# Cap-and-Invest Program Updates and Linkage rulemaking



# What will the rulemaking do?

Amends the Climate Commitment Act Program Rule (Chapter 173-446 WAC) and Reporting of Emissions of Greenhouse Gases (Chapter 173-441 WAC) to:

- Implement Senate Bill 6058 (2024) and make other updates to facilitate linkage with California and Québec
- Implement CCA requirements that have statutory deadlines of Oct. 1, 2026
- Implement House Bill 1975 and House Bill 1912 - passed during the 2025 legislative session
- Additional updates to improve the program



# Cap-and-Invest rulemaking timeline

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





# Rulemaking topics

- Senate Bill 6058 (2024): Facilitating linkage
- House Bill 1975 (2025): Adjusting auction price containment mechanisms and ceiling prices, etc.
- House Bill 1912 (2025): Exemption for fuels used for agricultural purposes
- Auctions, allowances, and compliance
- Greenhouse gas emissions reporting and verification
- Electricity
- Offset



# Senate Bill 6058: Facilitating linkage



# Senate Bill 6058 overview

- Facilitates *option* of linking.
- Aligns certain carbon market policies with California and Québec, including:
  - Purchase and holding limits
  - Electricity sector coverage
  - Compliance period lengths
- Don't need to have identical programs to link.
- SB 6058 *did not* change Washington's:
  - Greenhouse gas emissions limits
  - Offset credits limits and offsets under the cap
  - Policies to address air quality
  - Authority to change our laws and rules
  - WA Legislature determines how CCA revenue is spent



# House Bill 1975: Price containment

# House Bill 1975 overview

- **Market analysis:** Ecology to complete economic modeling by end of 2026, with updates every two years.
- **Flexible reporting provisions:** Allows Ecology to adjust emissions reporting and compliance timelines for emissions from 2024–2030 if third-party issues make current methods infeasible.

## In this rulemaking:

- **Deadline clarification:** Confirms that 2030, 2040, and 2050 emissions limits apply at the end of each year (December 31), not the beginning.
- **Price ceiling provision:** Price ceiling unit price set at \$80 in 2026-27, with flexibility to adjust for linkage.
- **Allowance Price Containment Reserve (APCR) tier 2 price:** Adjusts the APCR's tier 2 price to reflect the 2026 and 2027 price ceiling unit price.
- **APCR supply adjustment:** Shifts allowances from 2030s to 2020s to increase supply in the second compliance period (starting 2027)

# House Bill 1975 related rule changes

Ecology is developing rule language to:

- **Deadline Clarification**
  - Amend annual allowance budgets set to achieve statewide emissions limits to reflect the deadline clarification.
- **Price Ceiling Provision**
  - Set price ceiling unit price to conform with statute, or adjust that price if needed for linkage.
- **Allowance Price Containment Reserve**
  - **Price:** Adjust the APCR's tier 2 price to reflect the 2026 and 2027 price ceiling unit price.
  - **Supply:** Identify the allowances from allowance budgets for year 2031 through 2040 to be placed into the allowance price containment reserve account.

# Cap-and-Invest market modeling

- Modeling allowance prices and greenhouse gas emissions.
  - Standalone Washington market
  - Linked market with California-Québec
- Contracting with Western Washington University and University of California.
  - University of California team worked on Cap-and-Trade modeling for California.
- Plan to share initial modeling results later this year or next year.
- Inform Ecology's work on this rulemaking, linkage criteria analysis, EITE no-cost allowance allocation, and overall Cap-and-Invest program implementation.
- Not a forecast of allowance prices in a standalone or linked market.
- Many other factors beyond those that are modeled can and will influence allowance prices – such as economic and financial conditions in Washington and elsewhere.



# House Bill 1912: Exempt fuels



# House Bill 1912 overview

Agricultural fuel/Climate Commitment Act exemption

- Development of directory of exempt fuel retail fuel sellers
- Development of agricultural exempt fuel purchasing guidance
- Definitions of "special fuel" and "motor vehicle fuel"
- Extension of exemption for transporting agricultural good on public highways



# House Bill 1912 related rule changes

Aligning WAC 173-441-122 with HB 1912 (Drafted)

- Includes clarification of "motor vehicle" and "special fuel" definition
- Extends exemption for special fuel use

Aligning WAC 173-446-040 with HB 1912 (Drafted)

- Extends exemption for on-road agricultural fuel use



# Auctions, allowances, compliance

# Auctions, allowances and compliance updates

Adjust registration and disclosure requirements to enhance market integrity

- Specify opt-in entity registration requirements (WAC 173-446-050 and -070)
- Expand offset project operator registration requirements (WAC 173-446-055)
- Expand consultant and advisor disclosure requirements (WAC 173-446-055)



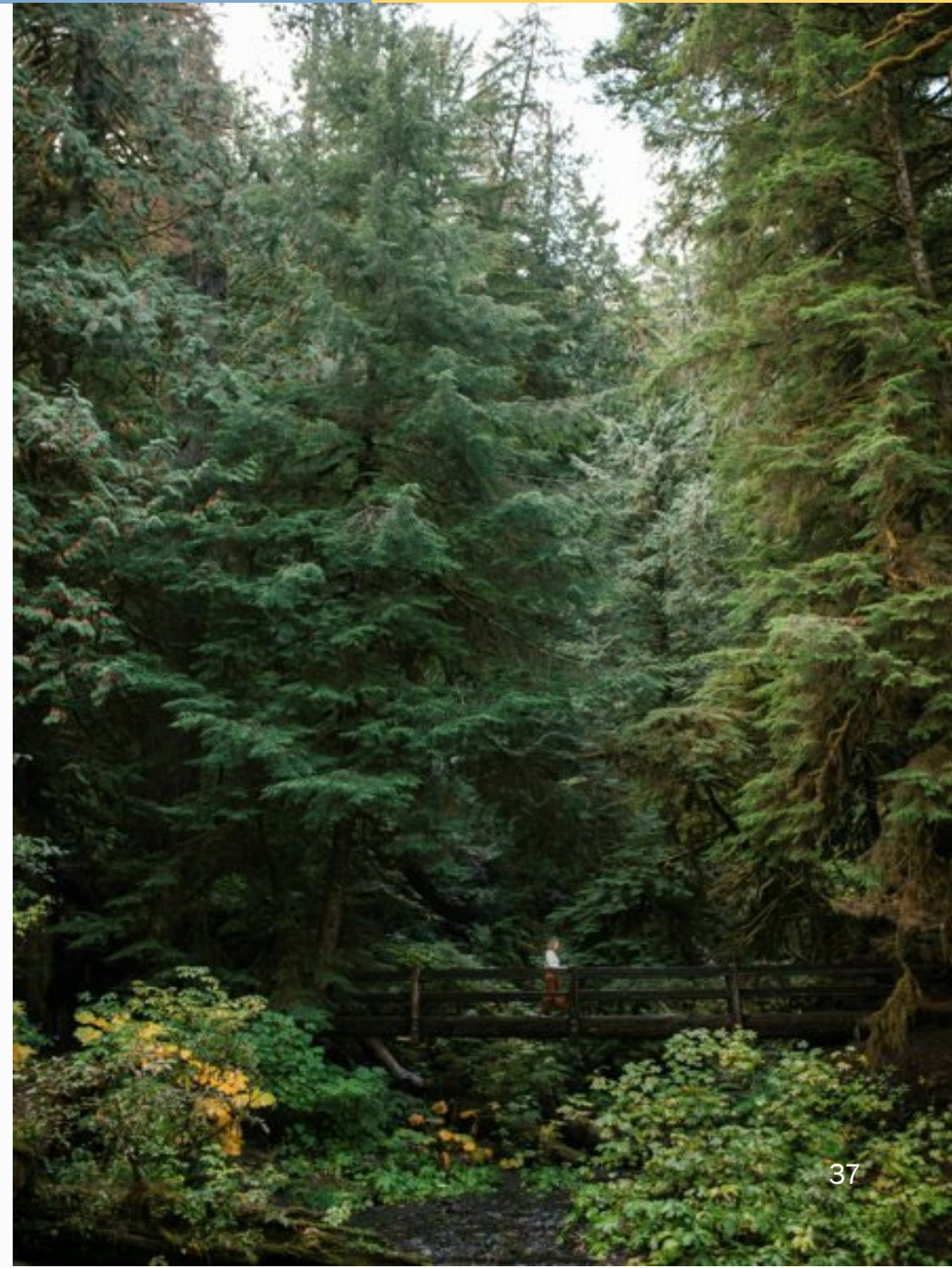


# Auctions, allowances and compliance updates - cont.

Outline process for transfer of allowances to federal power marketers (WAC 173-446-426)

Define compliance instrument retirement order

- Annual compliance obligation (WAC 173-446-600)
- Full compliance period compliance obligation (WAC 173-446-600)
- Penalty obligation (WAC 173-446-610)



# Considerations for feedback

Ecology is seeking to understand:

- Electric utility perspectives on transferring allowances to a federal power marketer. (WAC 173-446-426)
- Market participant perspectives on proposed prohibitions on beneficial holdings. (WAC 173-446-400)



# Greenhouse gas emissions reporting and verification



# Greenhouse gas emissions reporting and verification

## Aligning third-body verification and procedures

- Added verification related definitions for clarification (WAC 173-441-085 and -020)
- Clarified alternative due date for on-business day deadlines (WAC-441-085)



# Electricity

# Electricity topics - Update

- Recent workshops
  - June 26: Centralized electricity markets and electricity imports
  - July 22: Electric utility no-cost allowances
- See rulemaking page for workshop materials and public comment
- No new substantive changes in released draft language





# Offsets

# Offset credits – Proposed changes

	First compliance period: 2023 - 2026		Later compliance periods: 2027-2050	
	Current	Proposed	Current	Proposed
Overall limit on use of offset credits for compliance	8%	No change	6%	No change
Limit from non-Tribal projects	5% from non-Tribal projects	5% from non-Tribal <i>or</i> Tribal projects	4% from non-Tribal projects	4% from non-Tribal <i>or</i> Tribal projects
Additional % from Tribal projects	3% from Tribal projects	3% from Tribal projects <i>with</i> DEBs to WA	2% from Tribal projects	2% from Tribal projects <i>with</i> DEBs to WA
Not linked: Portion with DEBs to WA	All	No change	All	No change
Linked: Portion with DEBs to WA	At least 50% (4% of compliance)	No change	At least 75% (4.5% of compliance)	No change
Linked: Portion located in a linked jurisdiction	Up to 50% (4% of compliance)	No change	Up to 25% (1.5% of compliance)	No change

Tribal projects are projects on federally recognized Tribal lands.

DEBs = Direct environmental benefits to Washington.





# Questions?





# Post-presentation poll

- In what capacity are you participating today?
- On a scale of 1 to 5, did the presentation help increase your knowledge of the Cap-and-Invest Program?
- Are there any Cap-and-Invest concepts you'd like clarified in the future presentations?
- On a scale of 1 to 5, how helpful did you find the presentation to understand the current rulemaking?
- Which aspect of the presentation did you find most helpful?
- In your own words, please share one suggestion that would improve future presentations
- Do you plan to submit written comments?

# 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 August 23, 2025.**

*We'll have additional comment periods.*

# Upcoming CCA engagement opportunities

## Events

- Cap-and-Invest Program Updates and Linkage Community Forum – Aug. 13

## Other comment opportunities

- Electricity utility allocation – closes Aug. 15
- U.S. Forest Offsets rulemaking – closes Aug. 18
- Air quality in overburdened communities – closes Aug. 31
- Report to the Legislature on no-cost allowance allocation to EITs - closes Sept. 3

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

For updates on public events, sign up for the [CCA email list](#).

## 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





# Questions?

If you have additional questions, please send them to:

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