



Cap-and-Invest Program Updates and Linkage Rulemaking

Community Forum

05/05/2025

Ecology staff introductions

- Meg Baker – Community Outreach Specialist, Facilitator
- Surabhi Subedi– Environmental Planner, Rulemaking Lead
- Kayla Stevenson– Environmental Planner, Technical Host
- Stephanie Potts – Environmental Planner for Linkage
- 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

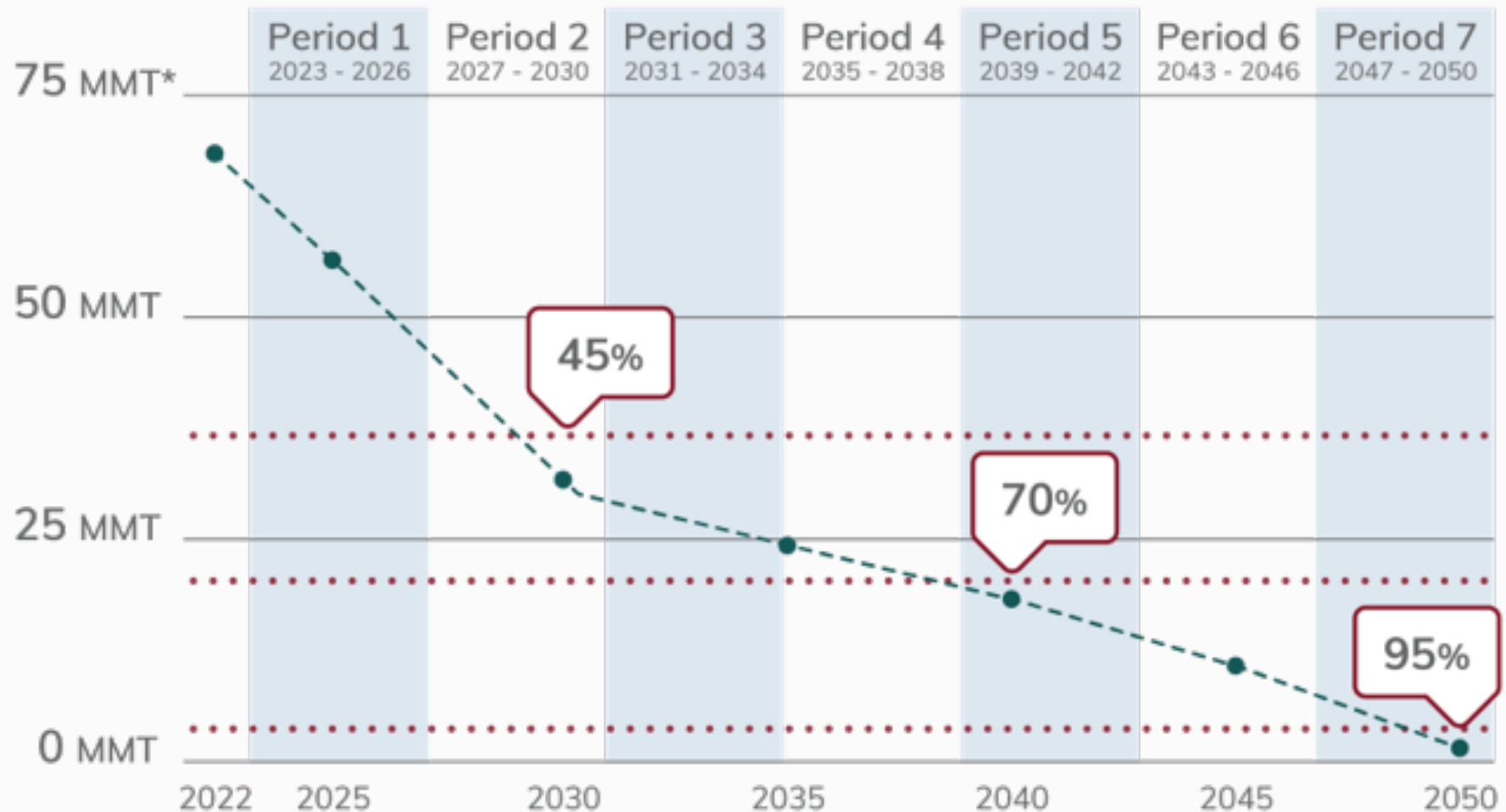


Cap-and-Invest Program



Initiative to improve air quality

Cap-and-Invest Program



*MMT = million metric tons of CO₂ equivalent

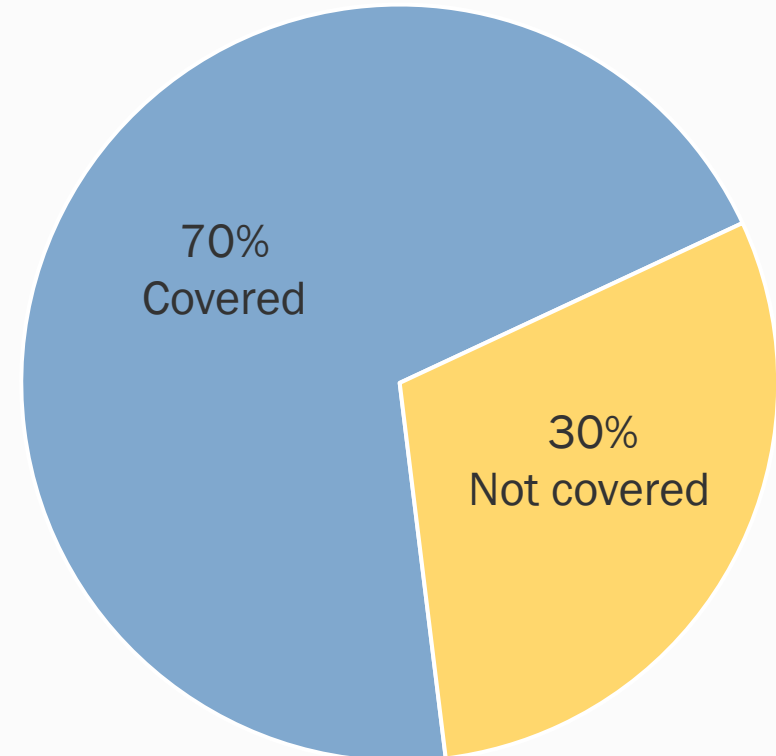
Which emissions are covered?

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

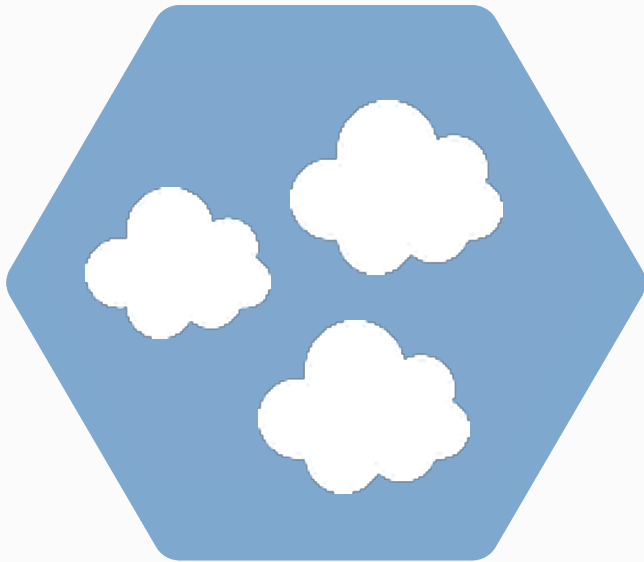
Person who wants to buy, sell, or trade allowances as a financial instrument



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



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





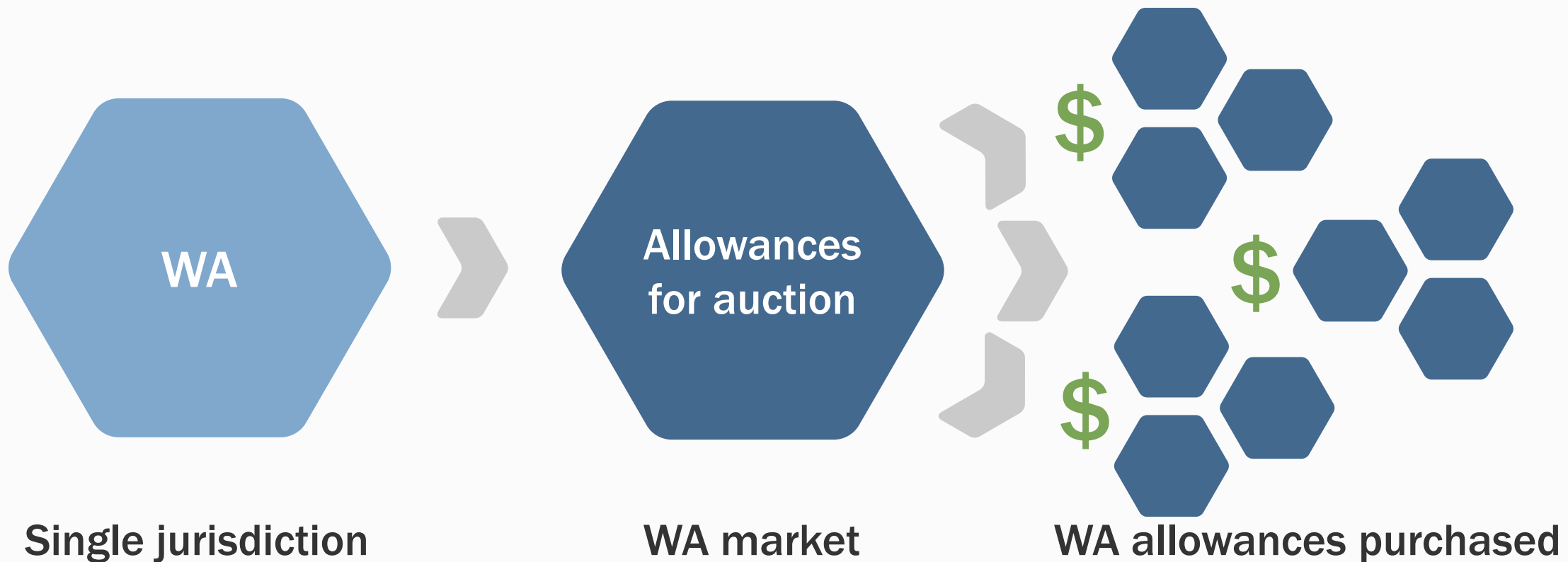
Questions about the Cap-and-Invest Program





Linkage process and timeline

Washington's carbon market



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

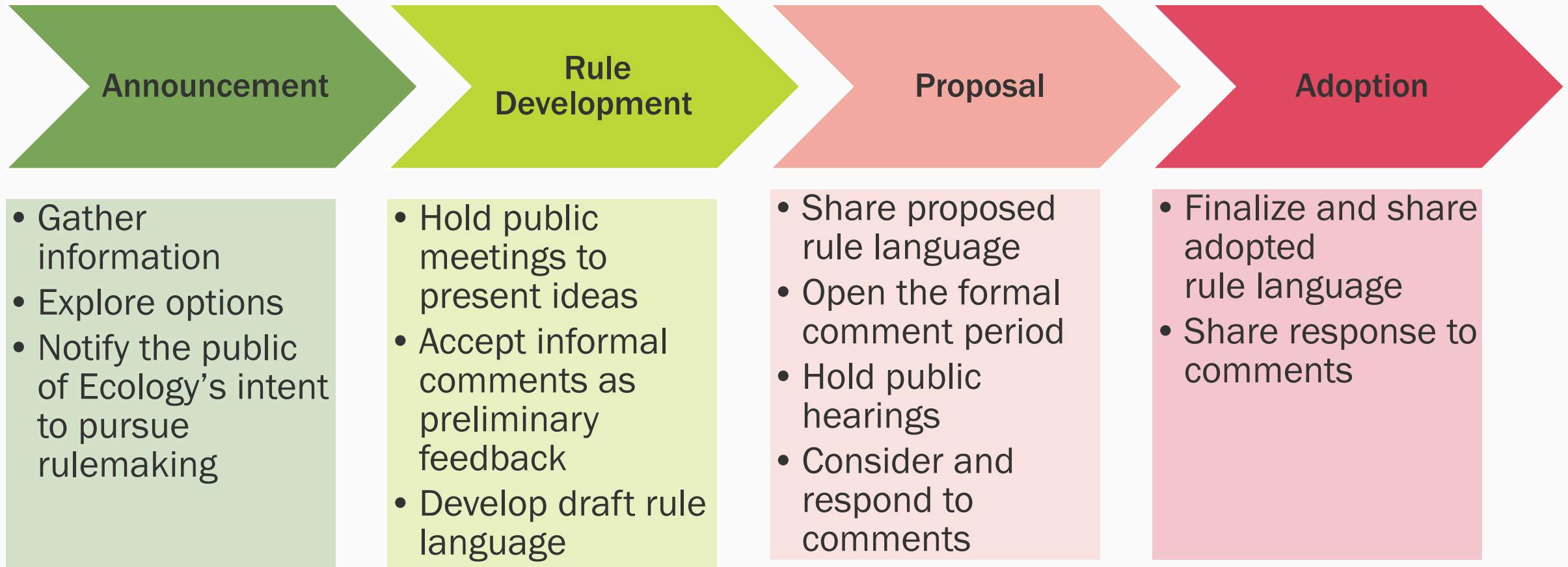
Washington Administrative Code (WAC)

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



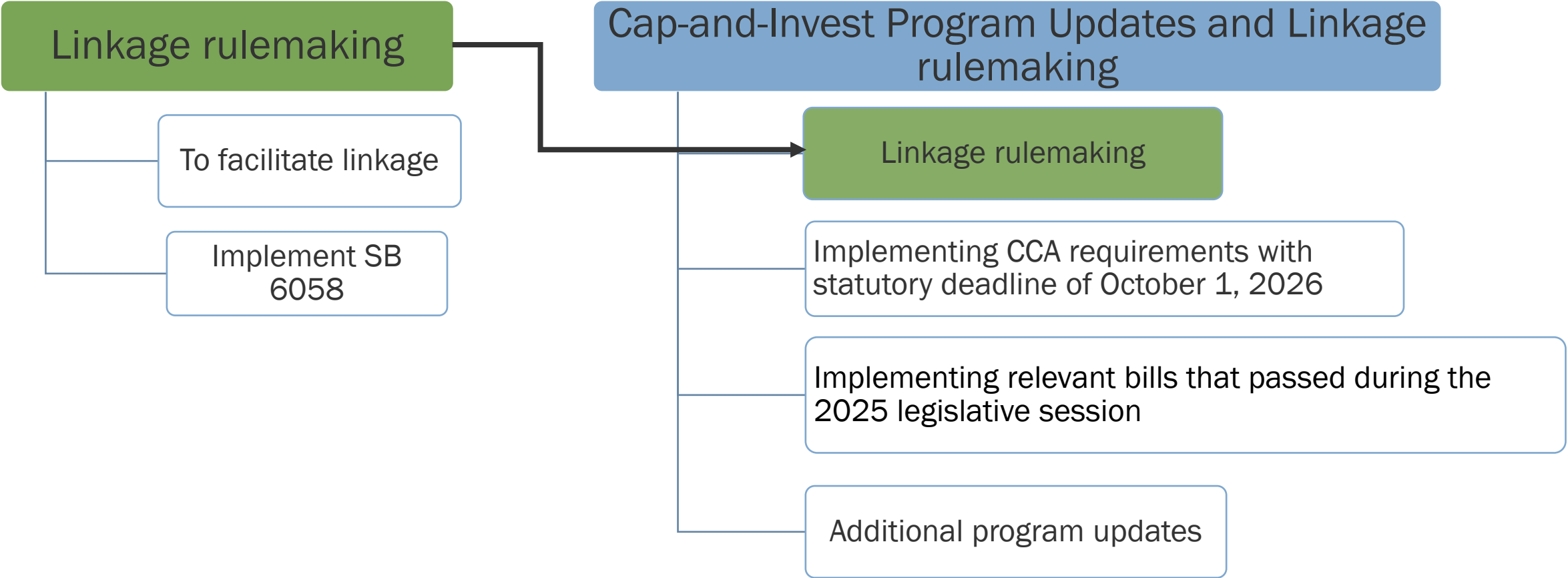


Cap-and-Invest Program Updates and Linkage rulemaking



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](#).



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



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]

- Update the total program baseline to account for sectors entering the program.
- Update the total 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.



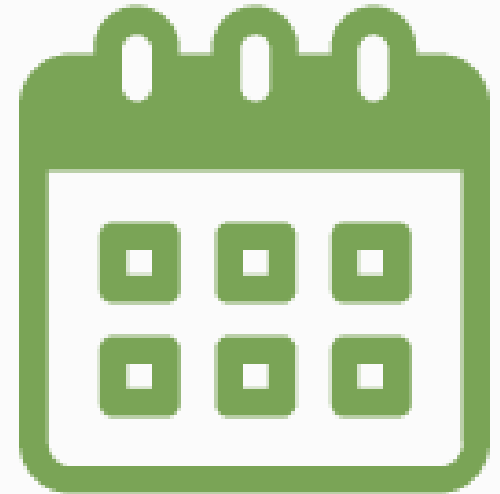
Greenhouse gas emissions reporting and verification

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.

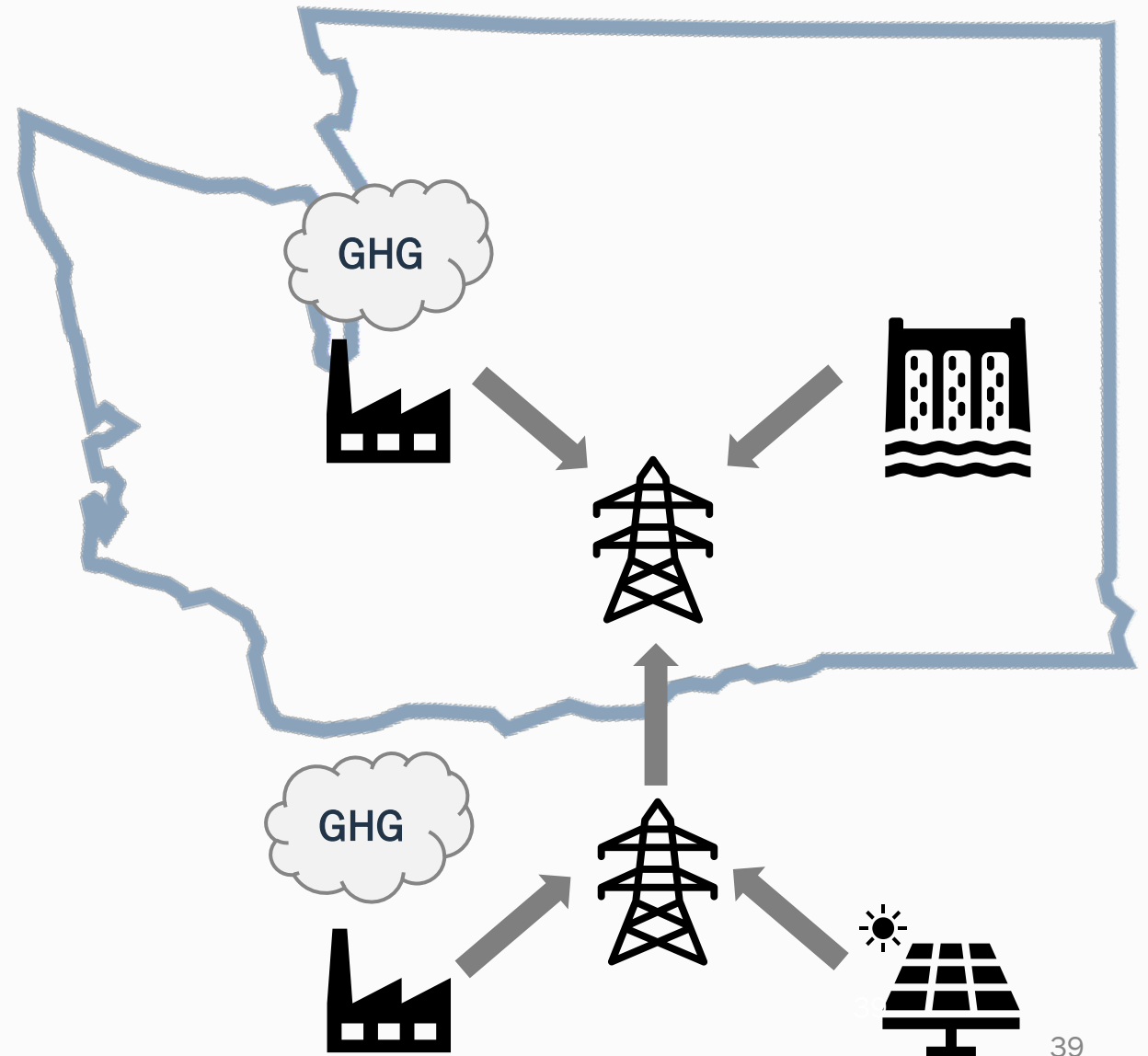


Electricity

Electricity coverage under CCA

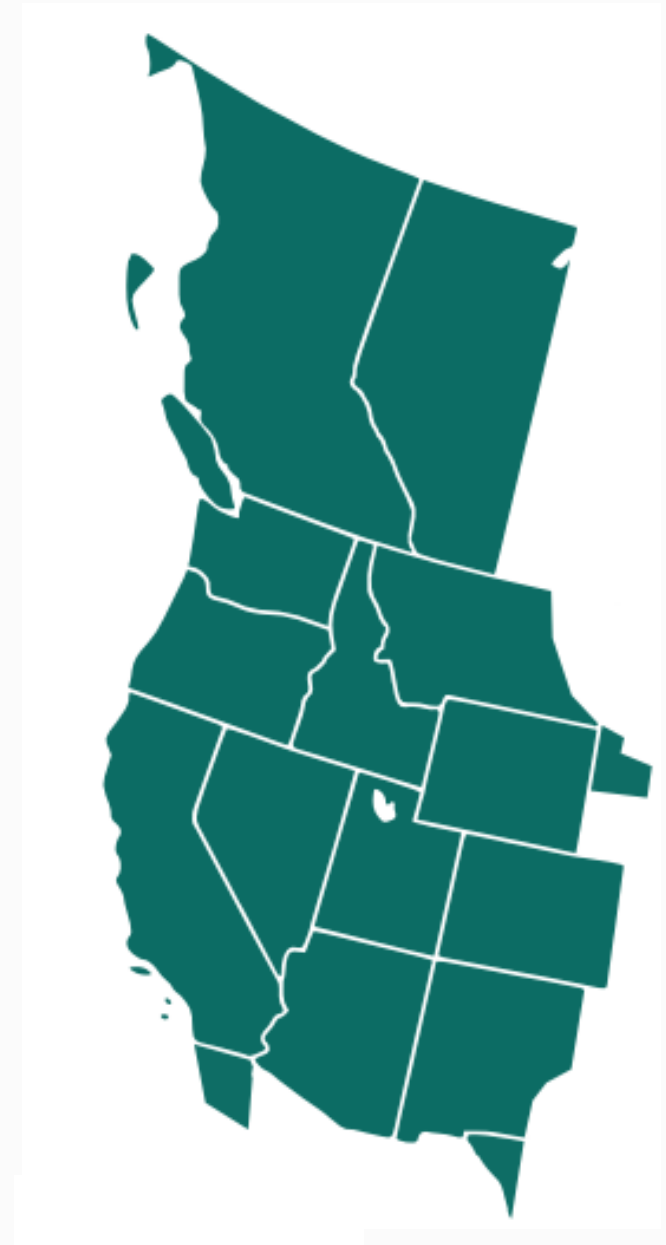
CCA directs Cap-and-Invest Program to cover both:

- 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

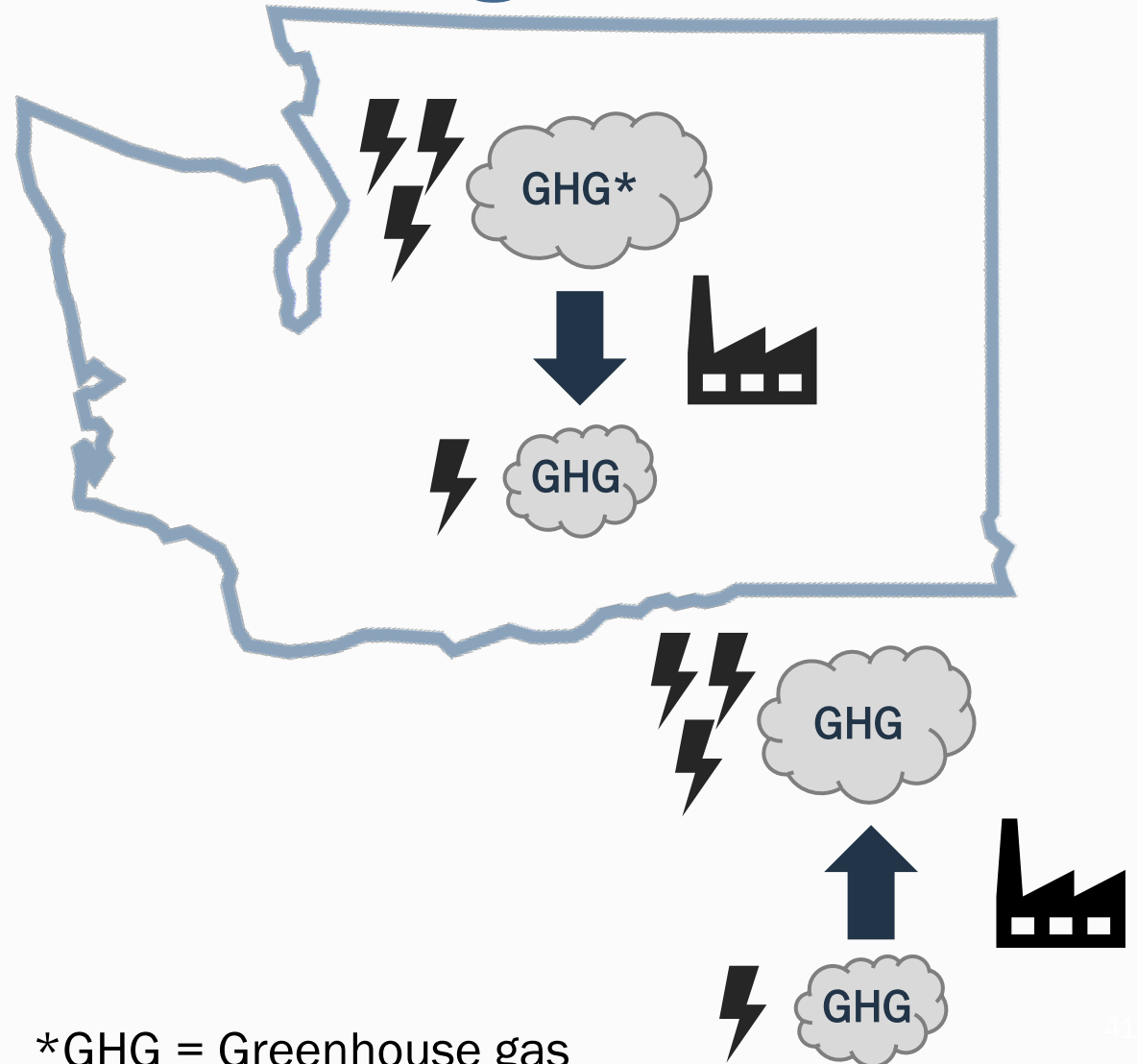
- Washington part of Western Interconnection
- Western Interconnection: Highly complex and interconnected power grid covering Pacific Coast to Rocky Mountain States
- Enables electricity from resources throughout West to help meet WA electricity demand



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.



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



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

Offset credit

Four offset protocols



U.S. Forest
Protocol



Livestock
Protocol



Urban Forest
Protocol



Ozone Depleting
Substances Protocol

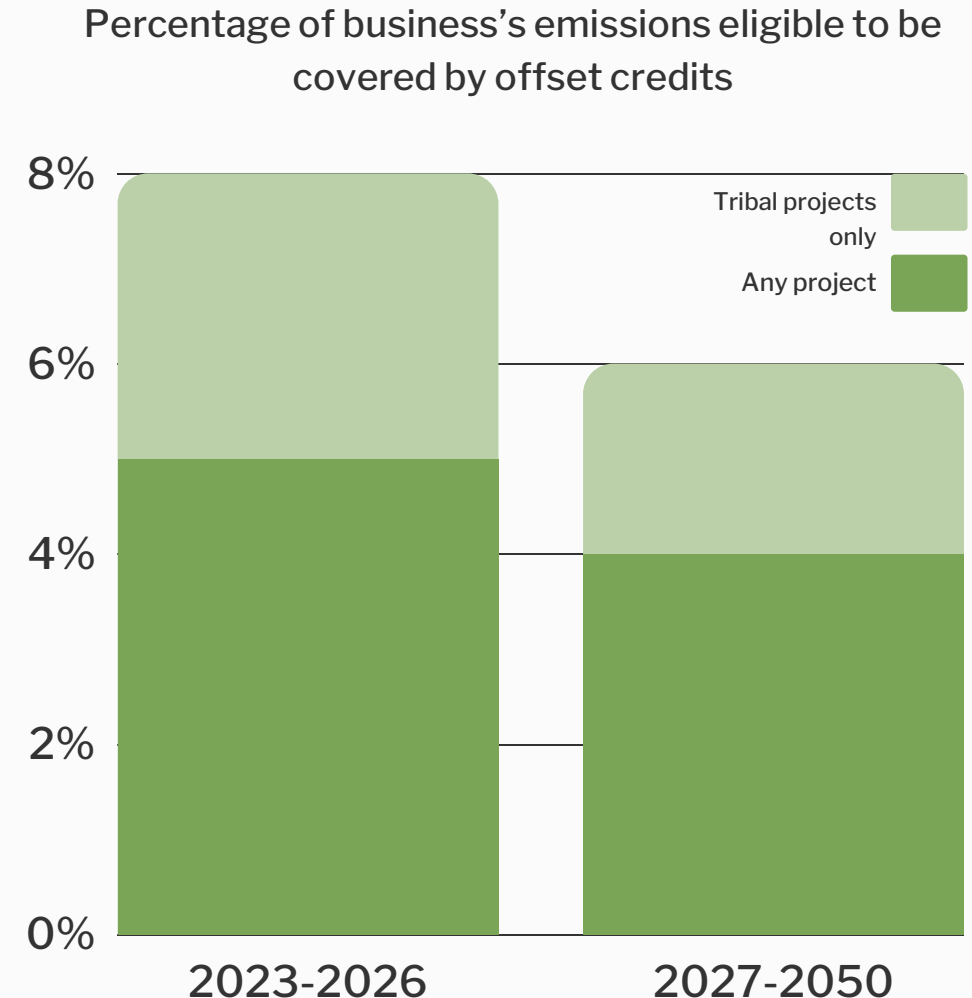
Offset projects

- 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 3rd party registry



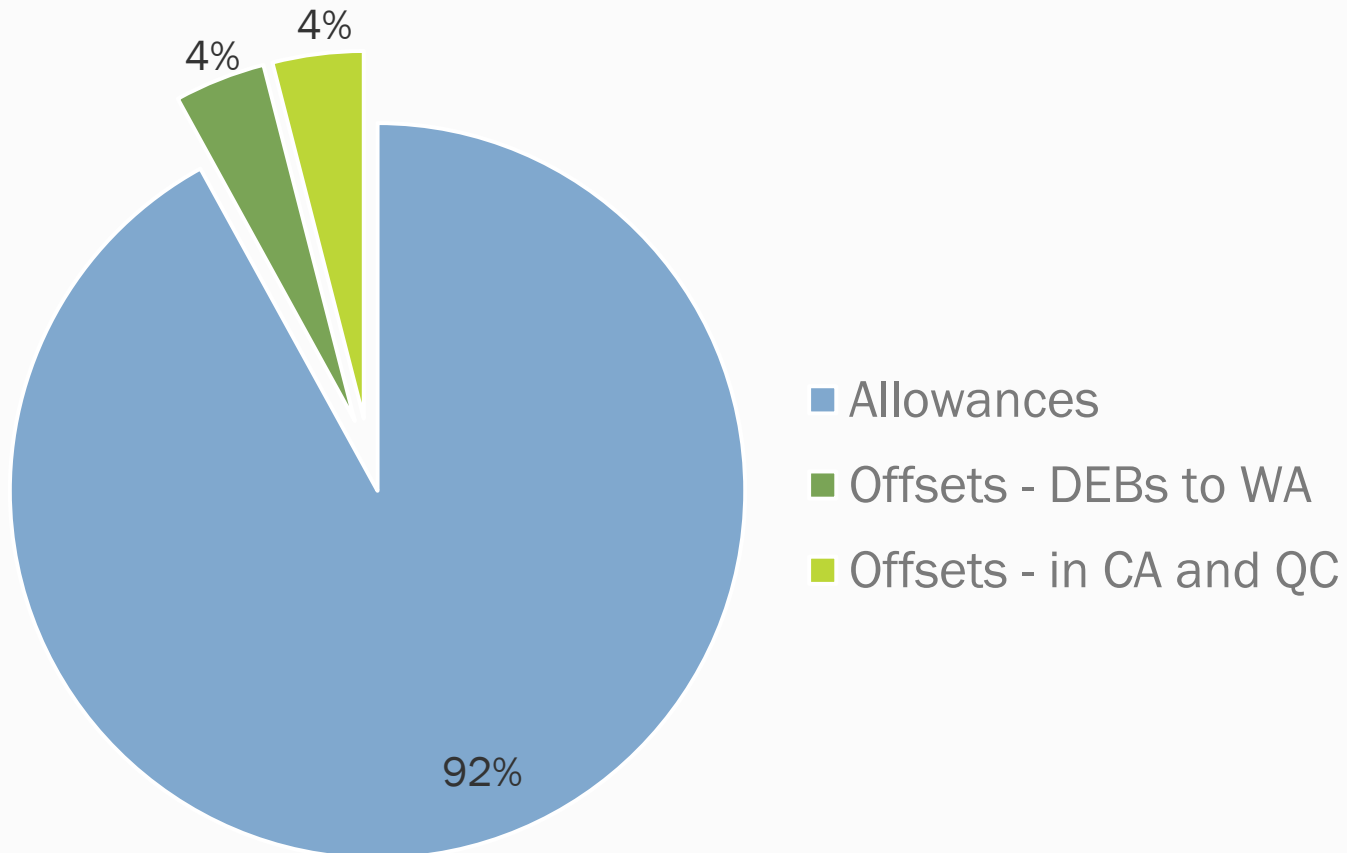
Offset credits

- 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

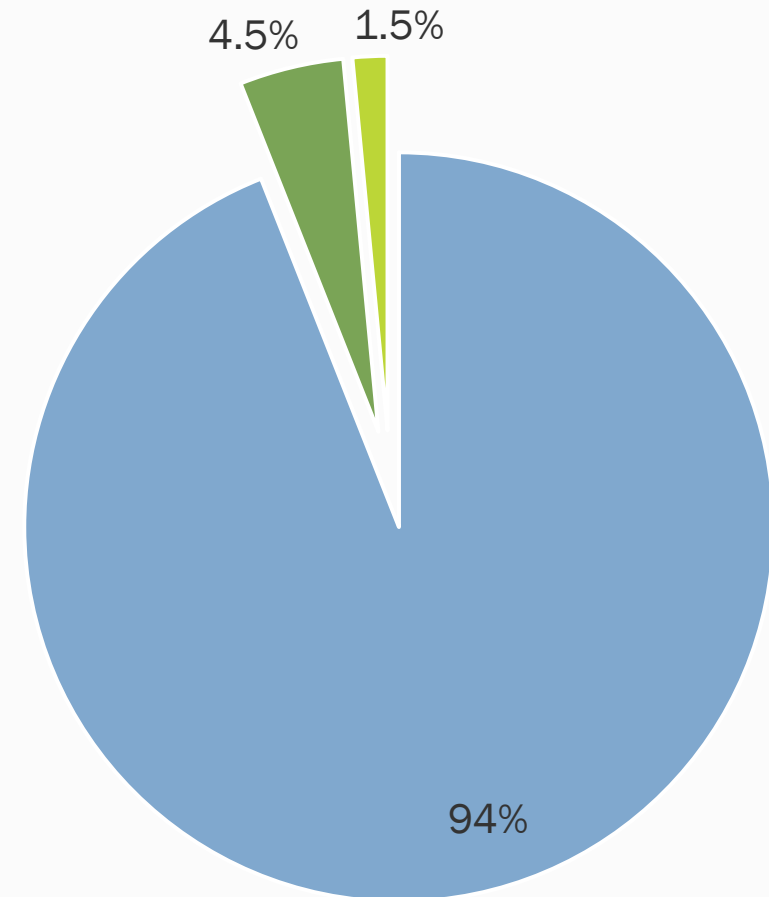


Offset credits in a linked market

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]

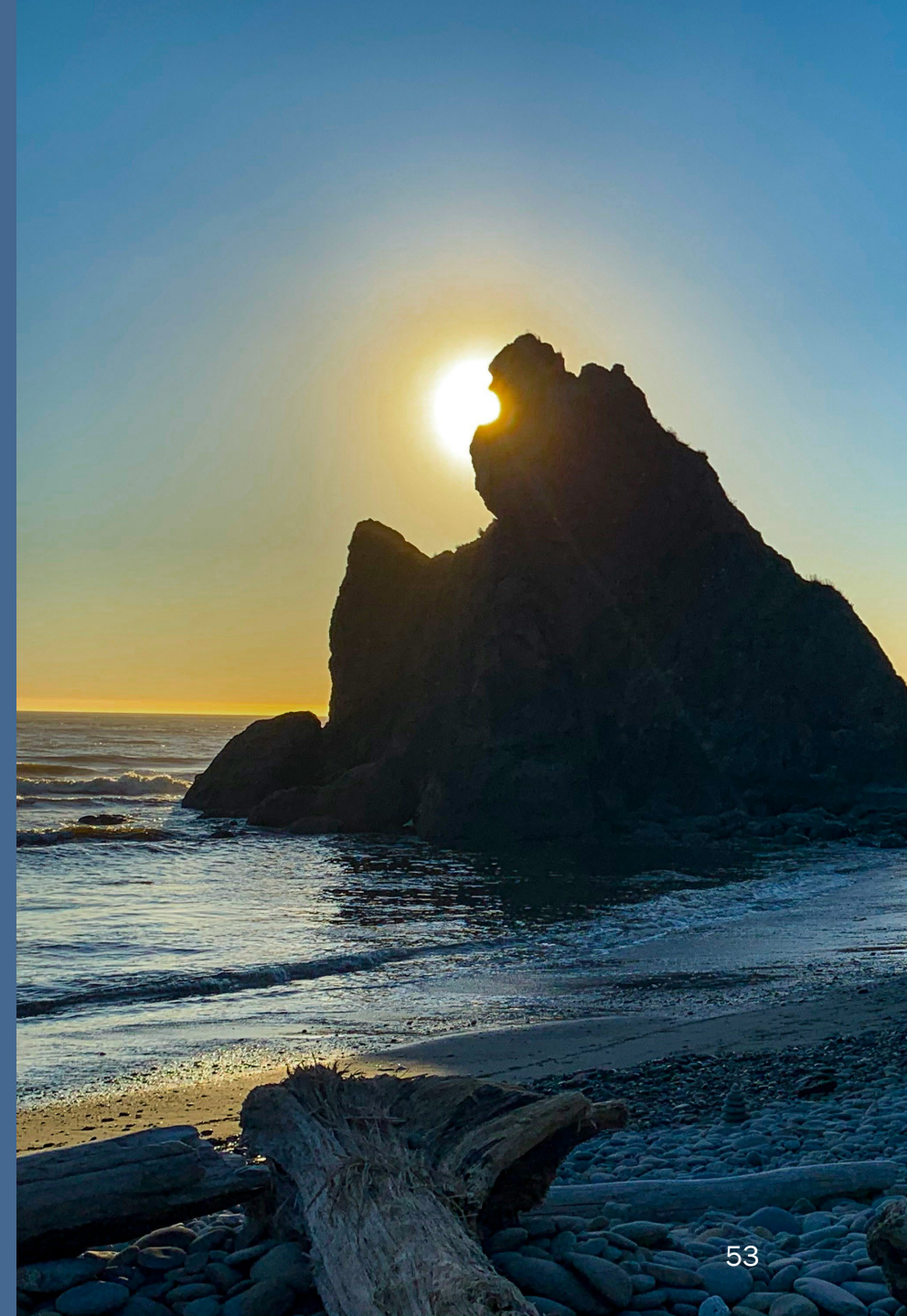
- Increases ability to use offset credits from projects on Tribal lands for compliance.
- Maintain overall limit on use of offset credits for compliance (8% in first compliance period, 6% in later compliance periods).

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?



Identifying potential impacts

1. Of the rule changes discussed in the meeting today, select all topics you see having a potential positive or negative impact on you, your community, or the communities you serve.
 - Auctions, allowances, and compliance
 - Greenhouse gas emissions reporting and verification
 - Electricity
 - Offset credits for compliance
 - Not sure/need more information
2. If you identified any potential impacts, please describe what you think the impacts may be.
3. Are you interested in discussing the potential impacts of this rulemaking on you, your community, or the communities you serve? Please provide your name and your email or phone number, and we will reach out to you.



How to comment

- Share comments during public meetings
- Email us: 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

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.

Questions?

If you have additional questions,
please send them to:

CPRRulemaking@ecy.wa.gov