

Cap-and-Invest Linkage Rulemaking

Public meeting

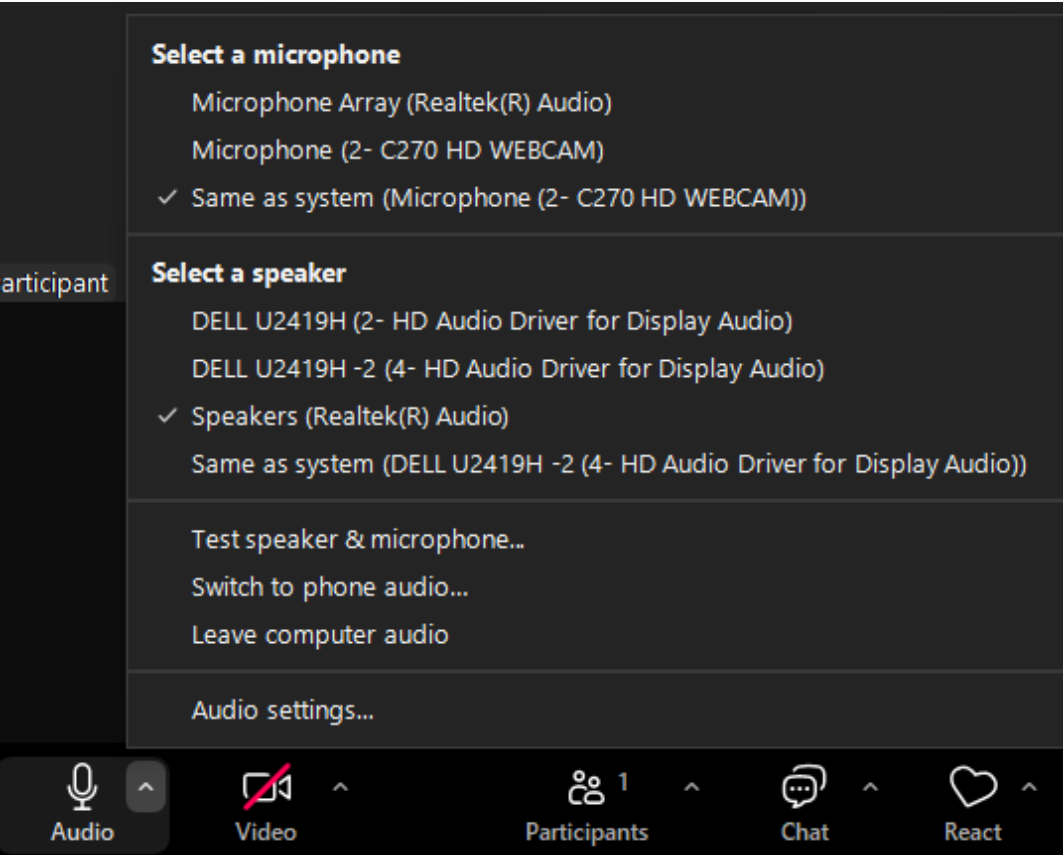
July 10, 2024

Sound check

No sound?

Connect your audio and listen for a sound check before we start.

Confirm that the speaker and mic you're using match those selected in your Zoom settings.



participant

Select a microphone

- Microphone Array (Realtek(R) Audio)
- Microphone (2- C270 HD WEBCAM)
- ✓ Same as system (Microphone (2- C270 HD WEBCAM))

Select a speaker

- DELL U2419H (2- HD Audio Driver for Display Audio)
- DELL U2419H -2 (4- HD Audio Driver for Display Audio)
- ✓ Speakers (Realtek(R) Audio)
- Same as system (DELL U2419H -2 (4- HD Audio Driver for Display Audio))

Test speaker & microphone...

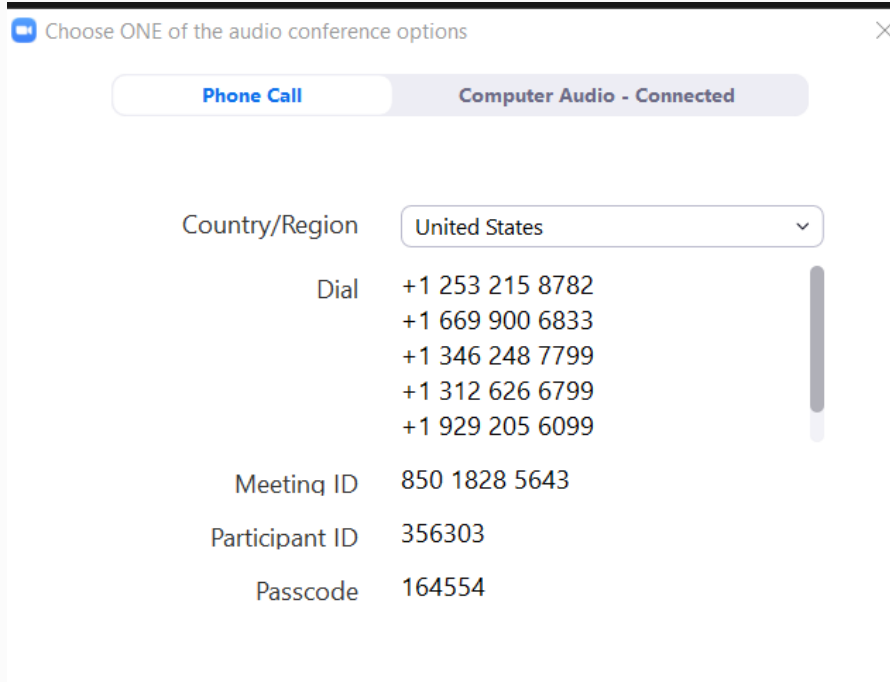
Switch to phone audio...

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Audio settings...

Audio Video Participants Chat React

Is your internet low quality? If yes, then click “Switch to phone audio”. Enter Participant ID when prompted for your phone to be associated with your video.



Choose ONE of the audio conference options

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Meeting ID 850 1828 5643

Participant ID 356303

Passcode 164554

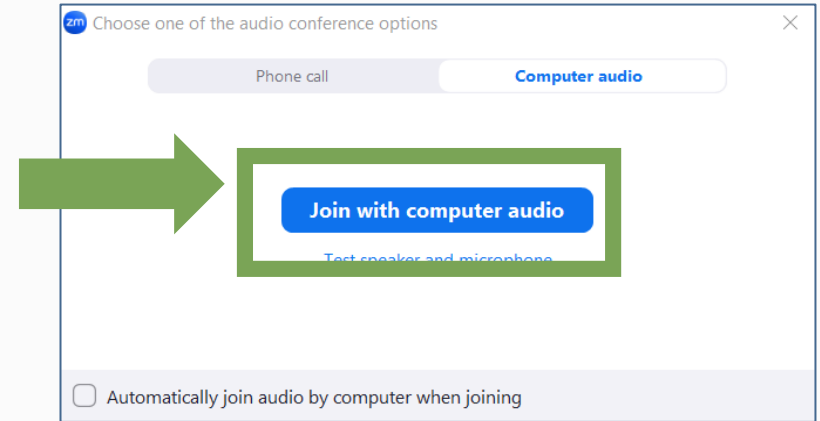


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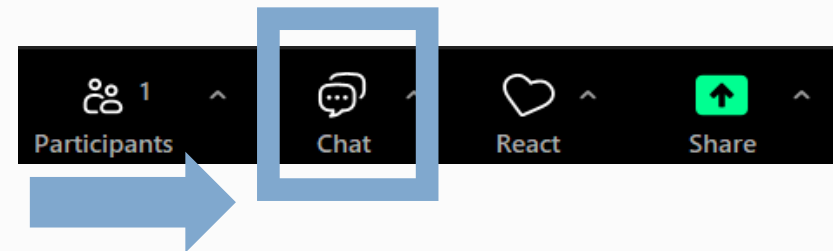
Connect to Zoom audio, such as by clicking "Connect with computer audio"



If you have a slow internet connection, consider calling into today's meeting for clearer audio. Dial 253-215-8782 and input the Meeting ID, 881 9839 4563



If you are experiencing technical difficulties, please send Nikki Harris, our meeting host, a message in the chat



Zoom audio tips

Zoom tips for participation

Raise your hand and we'll call on you to share your questions or comments. (Dial *9 to raise your hand if you called in.)



Use the Q&A to ask questions and the chat for general comments. We'll read them out loud.



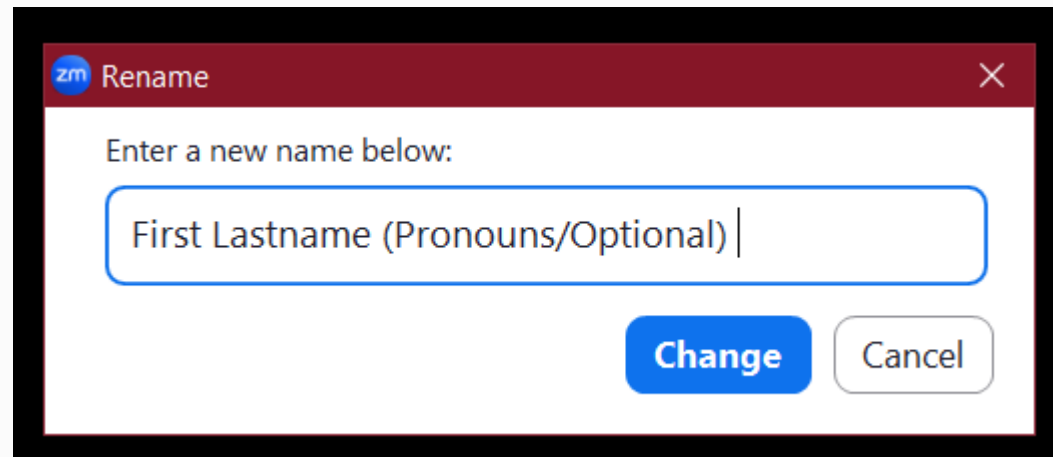
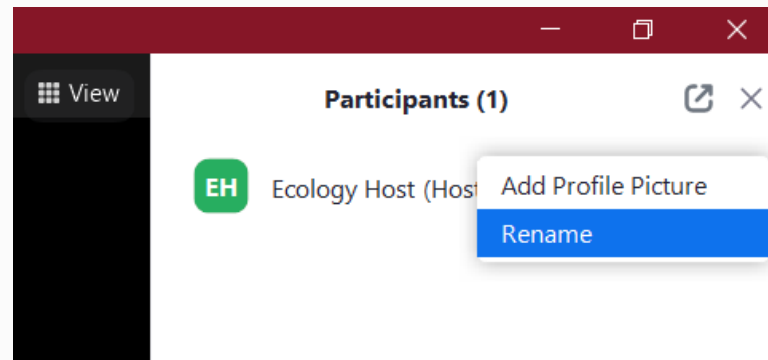
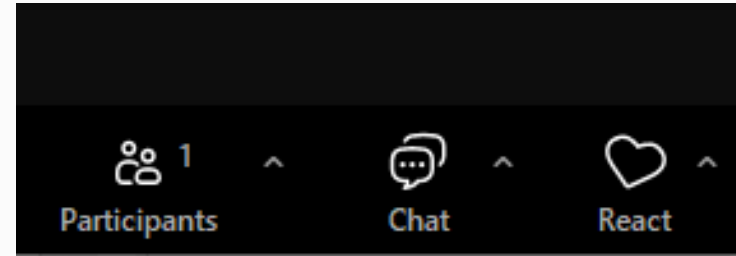
To view live, auto-generated captions, click the "captions" button.



How to change your name

Click the “Participants” icon located at the bottom of the Zoom window.

Select the “...” next to your name to open the options menu. Click “Rename”



Welcome

- Jihan Grettenberger – Facilitator
- Nikki Harris – Rule Lead for Linkage Rulemaking
- Stephanie Potts – Environmental Planner for Linkage
- Derek Nixon – Auctions & Market Section Manager
- Emily Wilkinson – Senior Market Monitor, Auctions and Market Section
- Scott Hancock – Senior Market Monitor, Auctions and Market Section
- Lindsey Kennelly – GHG Emissions Reporting & Verification Section Manager
- Andy Hayes – Cap-and-Invest Policy Section Manager

Agenda

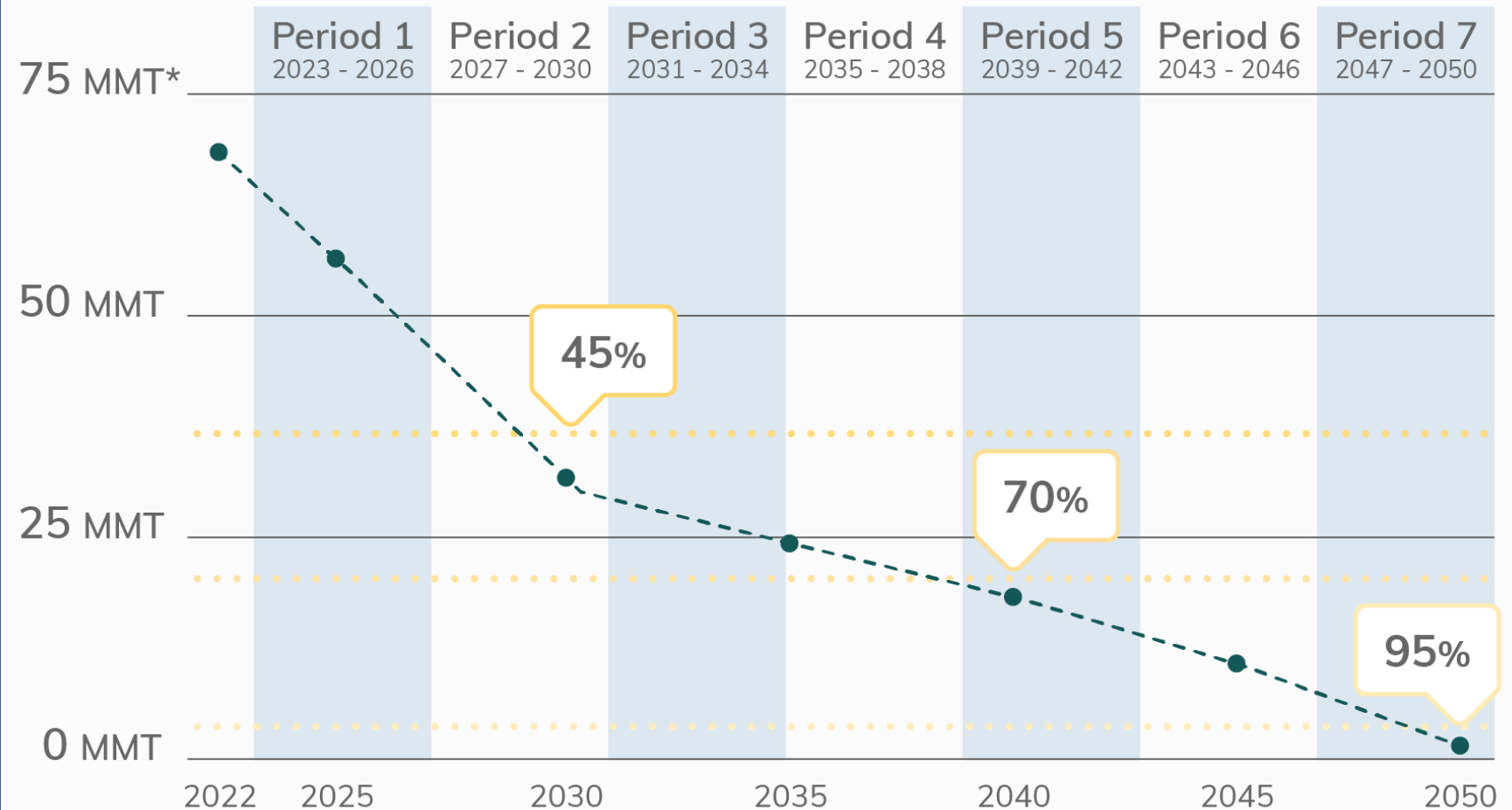
- 1 Climate Commitment Act overview
- 2 Cap-and-Invest linkage process and timeline
- 3 Cap-and-Invest linkage rulemaking

Background: Climate Commitment Act

- Cap-and-Invest Program caps emissions, declines over time
 - Aligned with statewide emission limits
 - 75% of the state's emissions covered
 - Emissions cap = Allowance budget
- Covered, opt-in entities must obtain allowances/offsets for covered emissions
 - Some entities receive no cost allowances
- Revenue re-invested in communities across WA



Emissions cap reductions



*MMT = million metric tons of CO₂ equivalent

There are two types of compliance instruments:

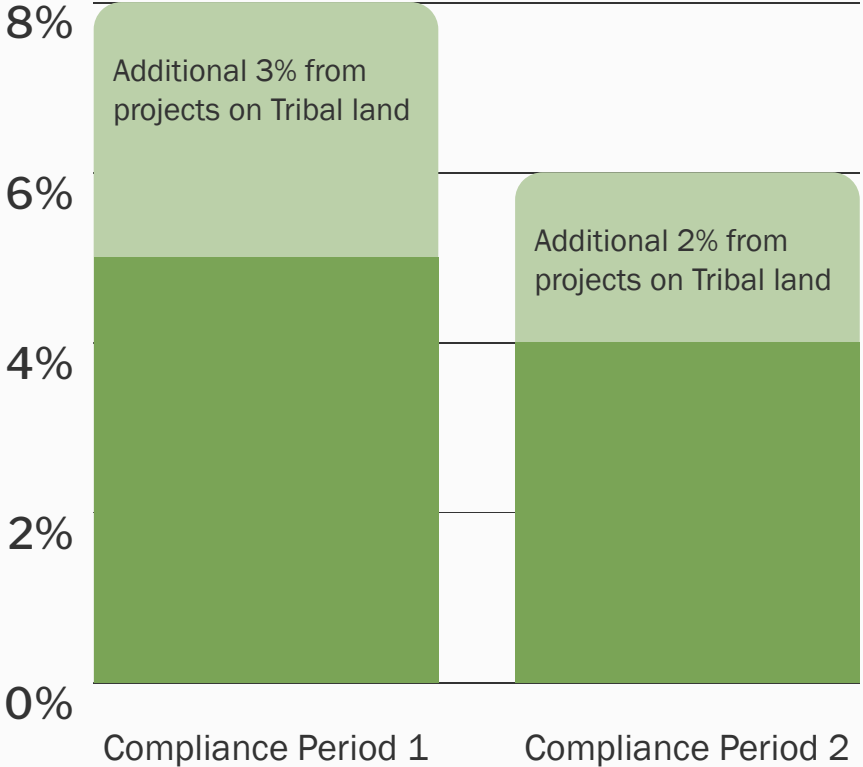


Emissions allowances



Offset credits

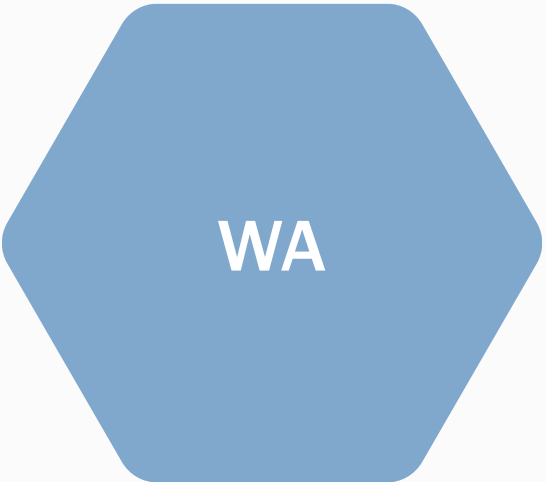
Percentage of Entity's Compliance Obligation Eligible to be Covered by Offsets





Linkage process and timeline

Washington's carbon market



Single jurisdiction



WA market



WA allowances purchased

A linked carbon market



Linked jurisdictions

Linked market

Allowances purchased

Criteria for linking



Communities: what are the potential impacts of linking on communities?



Costs: would linking reduce the cost of compliance?



Climate goals: will joining markets impact WA's ability to meet greenhouse gas emission limits?

Linkage process and timeline



**tentative dates, timing still to be determined based on conversations with California and Québec*



Questions about linkage





Linkage Rulemaking

Linkage rulemaking timeline

Summary of timeline posted on the [linkage rulemaking webpage](#).



Summary of draft linkage rule amendments

Climate Commitment Act Program Rule – Chapter 173-446 WAC

WAC 173 446 rule section	Topic	Summary of change	Status of rule language
Throughout	Compliance period lengths*	<p>Align compliance periods with California and Québec.</p> <p>Maintain emissions-intensive, trade-exposed facility (EITE) allocation schedule as 4-year periods.</p>	<p>California and Québec are considering changes to compliance period lengths. Ecology needs more information on those proposals before drafting amendments to the rule.</p> <p>The amendments related to EITE allocation and to revise some specific dates are drafted.</p>
Throughout	Clarifications for a linked market	<p>Clarify certain provisions only apply to entities registered in Washington’s Cap-and-Invest program.</p> <p>Note where provisions apply to an entity registered in a linked jurisdiction’s program.</p>	Drafted
Throughout	Entity registration requirements	Current disclosure requirements during entity registration may need to be revised to align with California and Québec, including to support any adjustments in Corporate Association Group (CAG) rules.	California and Québec are considering changes to rules related to CAGs. Washington would need to be in alignment and adjust registration requirements to facilitate these changes. Ecology needs more information on those proposals before drafting amendments to the rule.

Summary of draft linkage rule amendments

WAC 173 446 rule section	Topic	Summary of change	Status of rule language
173-446-020	Biofuels*	Change definition of biofuels to fuels with 30% lower lifecycle emissions (previously 40%) or to align with a linked jurisdiction, and other revisions.	Partially drafted
173-446-020, -52, -150, and -412	Exchange clearinghouses	Provide guidelines for exchange clearinghouses to participate in the program.	Drafted
173-446-030(1)(c), -050(1), -060	Electricity - coverage threshold for importers of unspecified electricity*	Require all importers of unspecified electricity to be covered entities, regardless of the amount of unspecified electricity they import (previously 25,000 MT CO ₂ e threshold). Maintain 25,000 MT CO ₂ e coverage threshold for electricity purchased from a federal power marketing administration.	Drafted
173-446-050, -056, -105, -110, and -120	Corporate associations	Current Corporate Association Group (CAG) rules may need to be updated to account for additional measures of control and ensure sufficient disclosures to avoid potential coordination.	Washington will need to align with California and Québec on CAG disclosure requirements and indicia of corporate associations. California and Québec are considering changes to rules related to CAGs. Ecology needs more information on those proposals before drafting amendments to the rule.

Summary of draft linkage rule amendments



WAC 173 446 rule section	Topic	Summary of change	Status of rule language
173-446-054, -425, and -426	Electricity - program participation by federal power marketing administrations*	Add provisions related to federal power marketing administrations voluntarily taking over the compliance obligations of its customers.	Partially drafted Ecology will consult with a federal power marketing administration on development of registration requirements and continue to revise these sections.
173-446-150(2)	Vintage year allowance holding limit for general market participants*	If Washington links, removes provision that says a general market participant (GMP) may not own more than 10% of the total allowances issued in any calendar year (vintage year). Overall holding limit for GMPs remains in effect.	Drafted
173-446-300(2)	Consignment of allowances	Require electric and natural gas utilities to notify Ecology of number of allowances for consignment 75 days prior to auction.	Drafted
173-446-330(1)	Allowance purchase limits for covered entities*	Increase allowance purchase limit for covered entities from 10% to 25% per auction.	Drafted
173-446-335(2), -350	Currency reconciliation	Explain how prices are reconciled across currencies and clarify where prices are in U.S. dollars.	Drafted
173-446-365	Auction of future year allowances	Increase number of future vintage year allowance auctions to 4 times per year (currently 2 times per year) and adjust percentage to offer in each auction.	Drafted

Summary of draft linkage rule amendments

WAC 173 446 rule section	Topic	Summary of change	Status of rule language
173-446-600(7)	Offsets – credit issue dates	Clarify that offset credits used for compliance, including those issued by other jurisdictions, were issued for reporting periods wholly after July 25, 2021, or within two years prior to July 25, 2021.	Drafted
173-446-600(7)	Offsets – projects on Tribal lands*	Increase 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).	Drafted
173-446-610(8)	Penalties*	If Washington links, removes Ecology’s discretion to reduce penalties in the first compliance period.	Drafted
173-446-610(12)	Compliance obligation when ownership changes	Add provision to address compliance obligation when ownership of a registered entity changes.	Drafted

Summary of draft linkage rule amendments

Reporting of Emissions of Greenhouse Gases Rule – Chapter 173-441 WAC

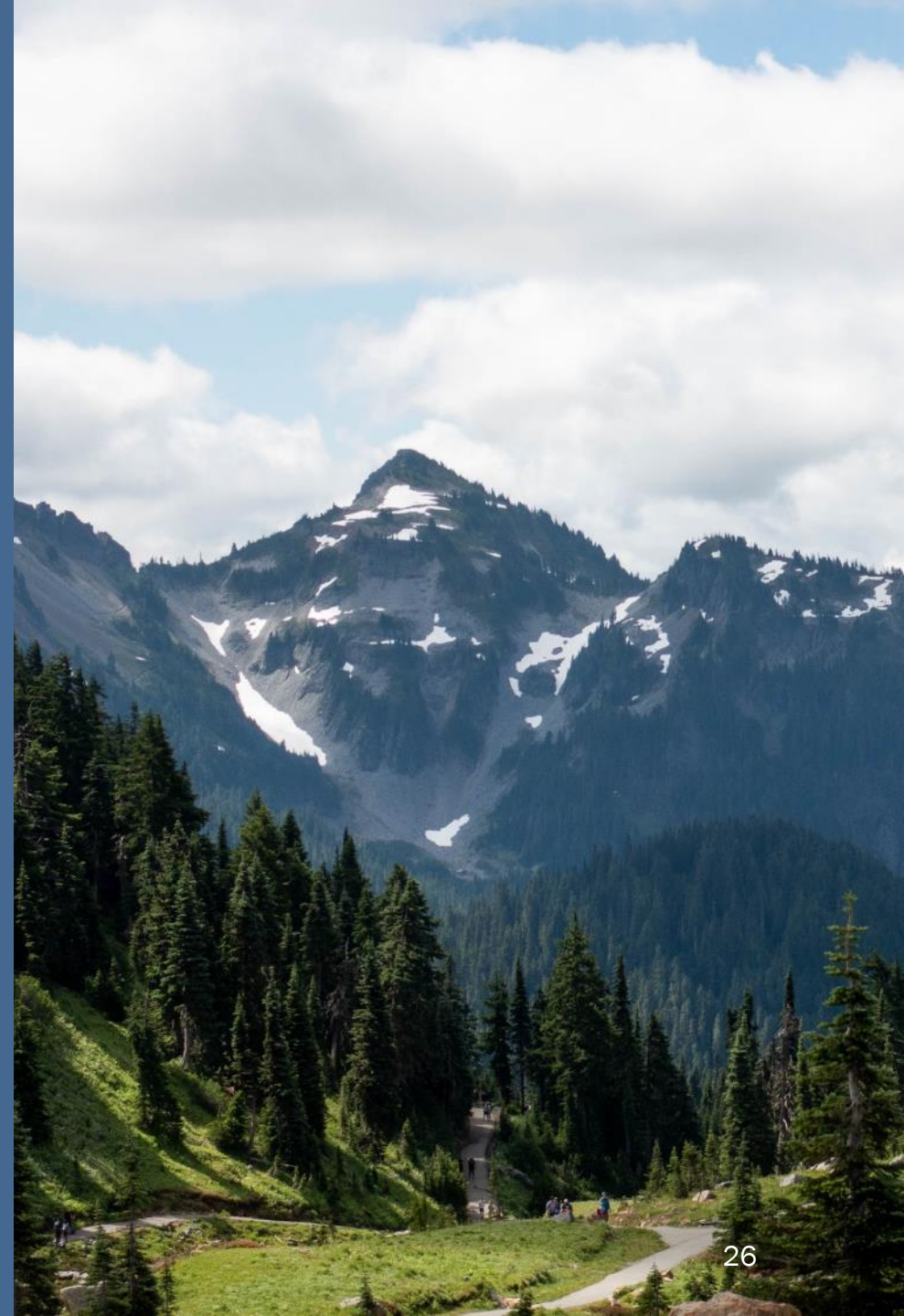
WAC 173 441 Rule section	Topic	Summary of change	Status of rule language
Throughout	Clarifications for a linked market	Clarify certain provisions only apply to entities registered in Washington's Cap-and-Invest program.	Drafted
173-441-020(1)	Retaining existing EPA greenhouse gas reporting requirements to maintain consistency*	Retain EPA's current greenhouse gas reporting requirements, prior to any proposed revisions.	Drafted
173-441-030(3) and (6)	Electricity - reporting threshold*	Require reporting of all GHG emissions for electricity in Washington (currently 10,000 MT CO ₂ e per year threshold for reporting).	Drafted
173-441-120(1)	Facility specific calculation methods	Update specific subparts to EPA's current greenhouse gas reporting requirements to increase reporting consistency with linked jurisdictions.	Ecology is gathering more information before drafting amendments to the rule.

Summary of draft linkage rule amendments

WAC 173 441 Rule section	Topic	Summary of change	Status of rule language
173-441-124(2)	Electricity – definition of electricity importer*	Revise definition of “electricity importer” to address electricity provided as balancing energy.	Partially drafted Ecology is gathering more information and will update this definition. Please share your comments.
173-441-124(2)	Electricity – replace “netting” of electricity imports with exemption for electricity “wheeled through the state”*	Amend the definition of “imported electricity” to no longer exclude imports of unspecified electricity netted by exports within the same hour. Add definition of “electricity wheeled through the state.” Add determinations for electricity “wheeled through the state.”	Partially drafted Ecology is gathering more information regarding determinations for electricity “wheeled through the state.” Please share your comments.
173-441-124(3)	Electricity – reporting by Electric Power Entities (EPEs)*	Allows EPEs to submit existing reports.	Partially drafted



Questions about linkage rule



How to comment

- Share comments during public meetings
- Email us: CCALinkage@ecy.wa.gov
- Submit comments online:
<https://ecology.commentinput.com/?id=dBVRthgWf>
We are using same comment form for the linkage rule and EJ Assessment comments
- Mail: Department of Ecology
Climate Pollution Reduction Program
Attn: Stephanie Potts
PO Box 47600
Olympia, WA 98504-7600

Comment period closes: **11:59 p.m. pacific on Sept. 27, 2024**
We will have additional comment periods.

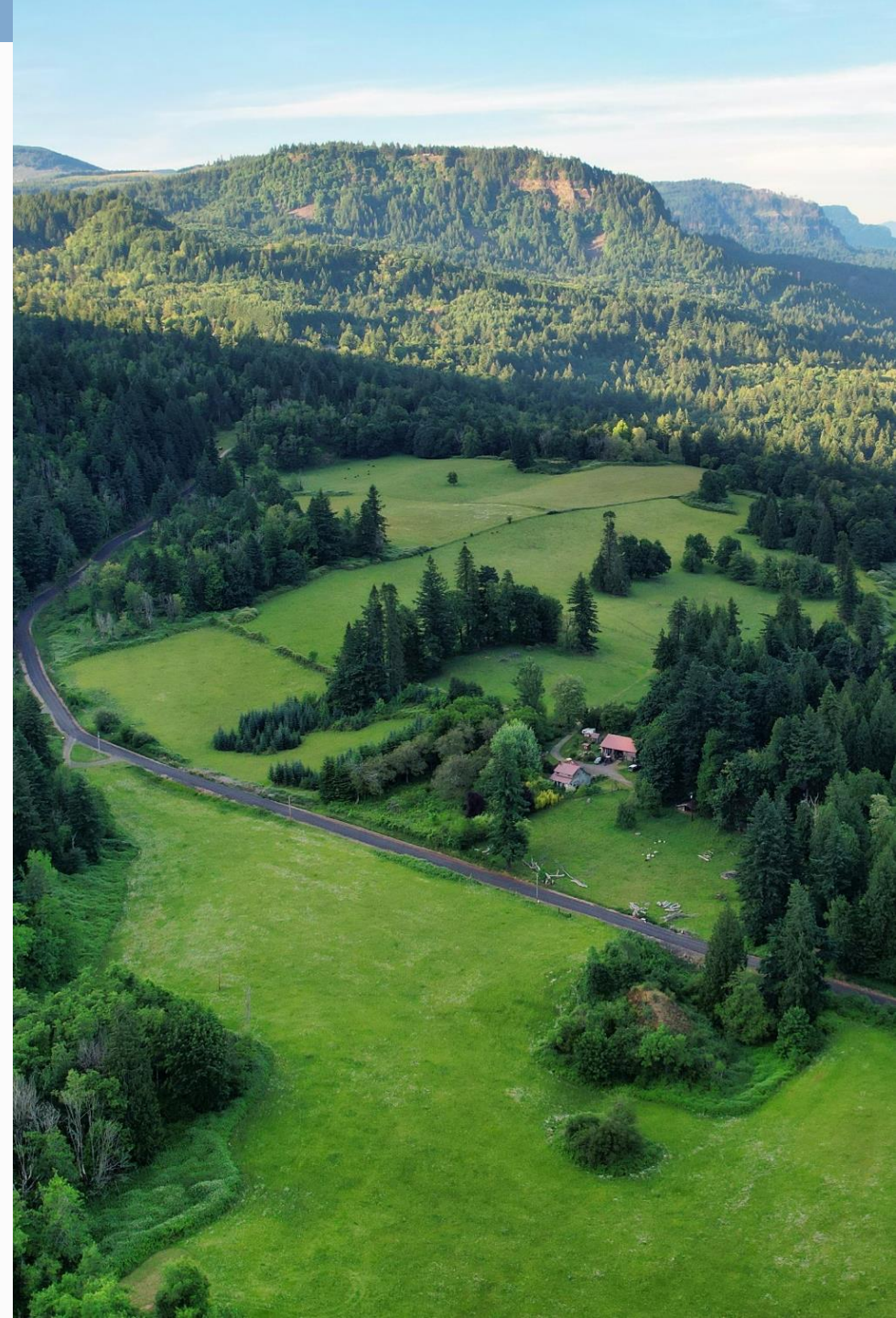
Comments

- Comments will inform:
 - Environmental Justice Assessment for linkage and this rulemaking
 - Rule proposal
 - Linkage agreement negotiation
- Considerations
 - Implementing Senate Bill 6058 – takes effect January 1, 2025
 - Certain electricity provisions determined through rule
 - Aligning certain carbon market policies with California and Québec.
 - Aligning compliance period lengths – in order to account for net flow of compliance instruments across jurisdictions.
 - California’s and Québec’s program changes

Comment opportunities for linkage

- Rulemaking process
 - Draft rule language: through early 2025
 - Environmental Justice Assessment: through early 2025
 - Proposed rule: Spring – Summer 2025*
- Environmental Justice Assessment on linkage
 - Through 2025*
- Draft linkage agreement
 - Anticipated in late 2024 or 2025*
 - See current [California-Québec linkage agreement](#)

**tentative dates, timing still to be determined based on conversations with California and Québec*





Questions?

If you have additional questions, please send them to:

CCALinkage@ecy.wa.gov