



CTED | Community, Trade and
Economic Development

Washington Climate Challenge

Climate Action Team

Meeting #2

July 25, 2008

WA Departments of Ecology and
Community, Trade & Economic Development
Center for Climate Strategies
Ross & Associates

Agenda

- Welcome and Agenda Review
- Status Updates from the Implementation Work Groups
- Updates from the Carbon Market Work Groups
- Update on Related Climate Work
- Cross-Cutting Issues
- Western Climate Initiative Briefing
- Financing the Response to Climate Change
- Next Steps
- Public Comment

Status Updates from the Implementation Work Groups

- Purpose of the 2008 CAT
 - Transform the successful and comprehensive work of 2007 into a focused, refined, and effective set of actions which are specific and complete enough to be seriously considered by the Governor and Legislature in the 2009 Legislative Session
- Implementation Work Groups (IWGs) are currently developing specific climate policies and programs that can meaningfully advance achievement of GHG emissions reductions in Washington
- The work of IWGs covers four subcategories
 - Beyond Waste, Energy Efficiency and Green Buildings, Transportation, and SEPA

CAT and IWGs

- IWG process is designed to enable deliberate and constructive engagement for the purpose of creating implementable policies and programs
 - Fully integrated with the CAT
 - Serve in an advisory role to the CAT
- CAT members are active in developing and affirming specific policies
- Today:
 - Co-leads or representatives from each IWG update CAT members on progress and status of actions or programs
 - CAT members will discuss and provide input, suggest needed guidance, and affirm the focus emerging in each IWG

Energy Efficiency and Green Buildings

- Co-Leads:
 - Ash Awad, McKinstry
 - Tony Usibelli, CTED
- 24 members representing builders, architects, engineers, operations, local governments, material producers, environmental interests and the energy sector
- Workgroup has met three times (most recently on July 9) and conducted numerous subgroup meetings

EEGB Goal and Focus Areas

- Goal
 - Develop actions to achieve significant emission reductions in Washington's built environment, strengthen energy efficiency and green building industries, and contribute to Washington's clean energy jobs goal
- 4 Focus Areas
 - Energy Efficiency Quality Investment Program (EEQUIP)
 - Energy Efficiency in Existing, New and Renovated Public Buildings
 - 2009 State Energy Code Improvements and Continuous Energy Efficiency Improvement Program for Buildings
 - CHP and Distributed Energy Development

EE/GB Action 1: Energy Efficiency Quality Investment Program (EEQUIP)

- Targeted incentives that promote the construction, retrofitting, and long-term operation of buildings at substantially higher levels of energy efficiency
- Ideas include:
 - Public Utility Tax (PUT) incentives for non-residential buildings and commercial properties (both leased and owner occupied) that can demonstrate superior energy performance
 - Recommended future legislative action and timeline to achieve greater energy savings in existing residential building stock
 - Sales tax credit equal to 50% of the sales tax applied to the overall construction of new buildings that meet or exceed specific levels of energy performance
- Group is coordinating with the Dept. of Revenue and is linked into the work on HB 3120 – study on green building incentives

EE/GB Action 2: Energy Efficiency in Existing, New and Renovated Public Buildings

- Substantially upgrade the energy efficiency and sustainability of publicly-constructed and -operated buildings
- Ideas include:
 - Require a process of benchmarking, auditing, and implementation of energy-efficiency measures in existing publicly-constructed and –operated buildings
 - Require that new and substantially renovated publicly-constructed and –operated buildings meet strict energy performance standards
 - Implement additional improved operations and management practices
 - Adopt a voluntary standard and product verification program at the Dept. of Ecology

EE/GB Action 3: 2009 State Energy Code Improvements and Continuous Energy Efficiency Improvement Program for Buildings

- Path or detailed plan to significantly upgrade the state's energy code (residential and commercial) in 2009 to the highest levels among state codes (e.g. 30% above current levels), and develop a proposal that will drive Washington toward the construction of low-carbon, zero net energy buildings by 2030
- Ideas include:
 - Revise the Washington State Energy Code (WSEC) to achieve a 30 percent reduction in new building energy use of compared to current WSEC
 - Through legislative action establish a Continuous Energy Efficiency Improvement Program for Buildings

EE/GB Action 4: CHP and Distributed Energy Development

- Better use Washington's biomass and other resources in distributed energy systems, with a focus on combined heat and power systems (CHP) and district heating systems
- Ideas include:
 - Tax incentives for CHP and district heat [I removed the reference to CTED biotax since that's not a given] including: B&O tax credits, sales tax exemptions on machinery and equipment, and property tax exemptions
 - Adoption of output-based emissions regulations, and efficiency minimums for qualifying CHP systems
 - Requiring CTED (on behalf of public utilities) and UTC (on behalf of investor owned utilities) to assess the regulatory barriers to CHP and recommend enabling changes
 - Address the definitions of alternative energy/bioenergy with consideration given to including the recycling of spent liquor from wood pulping processes

Criteria for Selection

- Provide significant carbon reductions
 - (> 0.3 MMtCO₂e in 2012)
- Can be initiated in the 2009 legislative session time period
- Have limited revenue/expenditure impacts with respect to the current state budget cycle
- Not being substantially addressed by other IWG

EEGB Next Steps

- Upcoming meetings on August 1, August 14, September 3, September 23 and October 29
- Small groups are actively working to continue fleshing out each of these 2009 actions for review by the full IWG:
 - Drafting the deliverable (e.g. text or concepts for legislative, executive action, administrative rules, revisions to state programs)
 - Staging of approaches to 2009 Actions to lead to significant but gradual improvements over time(e.g. revision to building code in 2010 and incentives leading to net zero buildings in 2030)
 - Identifying barriers to implementation and proposed solutions

SEPA

- Co-Leads:
 - Jim Lopez, King County
 - Dick Settle, Foster Pepper
 - Jeannie Summerhays, Ecology
- 22 members representing cities, counties, planners, attorneys, transit agencies, and environmental groups
- Workgroup has met four times (most recently on July 23) and conducted several subgroup meetings

SEPA Goal and Focus Areas

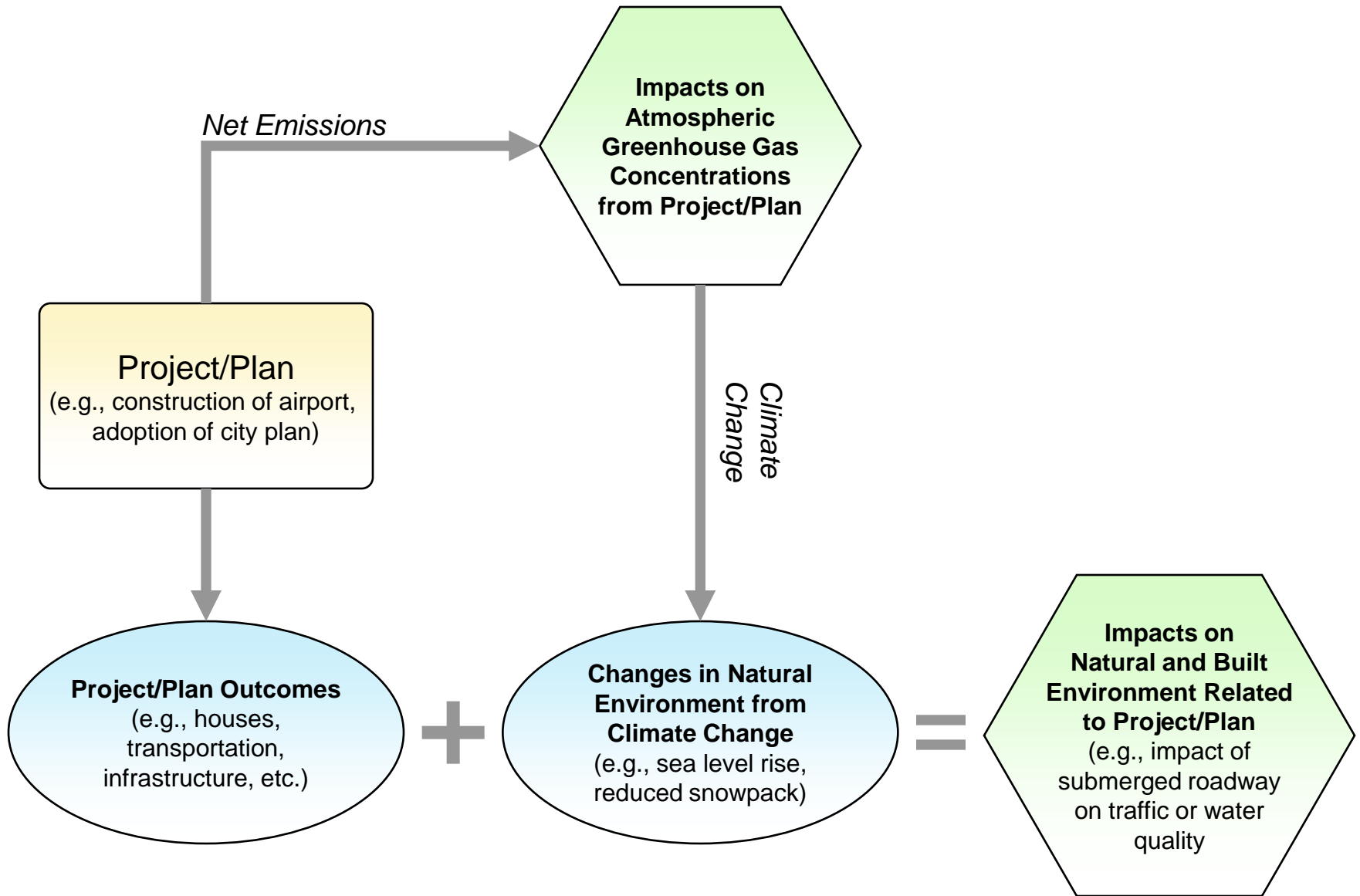
- Goal
 - Provide guidance to state agencies, local governments, and the private sector on how to analyze, disclose, and mitigate climate change impacts under SEPA
- Focus Areas
 - The SEPA IWG has identified and will focus on three interrelated areas of SEPA compliance and implementation:
 - Work area #1: Procedural measurement and disclosure of climate change impacts
 - Work area #2: Substantive mitigation of, and adaptation to, climate change impacts
 - Work area #3: Leveraging SEPA to encourage “climate friendly” development

SEPA Assumptions and Purpose

- Fundamental Assumption
 - SEPA already requires review of climate change impacts for nonexempt project and non-project proposals.
- Purpose of guidance and clarification
 - **Avoid litigation** – Proactively specify what SEPA requires rather than enduring protracted, unpredictable litigation.
 - **Reduce climate change impacts** – Identify methods of measuring, mitigating, and adapting to climate change impacts

Two Kinds of Climate Change Impacts

1. Greenhouse Gas (GHG) Emissions Impacts
 - Emissions
 - “Sinks”
 - Impacts
2. Combined Impacts of Proposals and Changing Environmental Conditions Resulting from Climate Change
 - “Vulnerability” Impacts
 - E.g., proposed road that will be submerged by rising sea level



Project vs. Non-Project Actions

Project Actions

- Public and private
- Concrete on-the-ground proposal
- E.g., Shopping Center, Airport, Highway

Non-Project Actions

- State agency regulations or program
- Regional Transportation Plan
- Local comprehensive plan
- Local subarea plan
- Local development regulations

Non-Project SEPA Review  Project SEPA Review

Potential Areas of Clarification

- Exemptions
- SEPA Checklist
- Threshold Determinations
 - Specific Standard of “Significance”
- EIS Analysis of Climate Change Impacts
- Mitigation
- Planned Actions
- RCW 43.21C.240 Functional Equivalence

Anticipated Outcomes: SEPA Resources and Recommendations

1. Guidance and tools for measuring and disclosing GHG impacts for project and non-project actions under SEPA
 - Revised checklist
 - Clear direction on methodologies for measuring emissions and making SEPA threshold determinations;
2. Guidance or recommendations to state agencies and local governments regarding possible approaches to mitigating impacts from GHG emissions of project and non-project actions

Anticipated Outcomes: SEPA Resources and Recommendations (Cont.)

3. Recommendations for using incentives and disincentives related to SEPA to promote climate friendly non-project and project actions
4. Recommendations on approaches for measuring, disclosing, and mitigating impacts related to the combination of proposed actions and changing environmental conditions predicted to occur over time as a result of climate change

SEPA Next Steps

- Upcoming meetings on August 5, August 28, September 9, September 30 and October 23
- Continuing to identify and consider
 - Types of GHG emissions that should be measured and disclosed for projects and non-projects (e.g., plans and policies) under SEPA
 - Tools available to measure GHG emissions for project and non-projects
 - The approach for determining what constitutes a “significant” environmental impact from GHG emissions (i.e., SEPA’s “threshold determination”)

Transportation

- Co-Leads:
 - Dennis McLerran, Puget Sound Clean Air Agency
 - Katy Taylor, WSDOT
 - Lon Wyrick, Thurston Regional Planning Council, MPO/RTPO/WSDOT Coordinating Committee
- 26 members representing transit providers, transit planning organizations, cities, counties, businesses, and environmental groups
- Workgroup has met five times (most recently on July 14) and conducted several subgroup meetings

Transportation IWG

Goal and Focus Areas

- Goal
 - As charged in Section 8 of HB 2815: develop recommendations and a set of tools and best practices to assist state, regional, and local entities in making progress towards meeting the ESSHB 2815 VMT goals: 18% VMT-reduction by 2020, 30% reduction by 2035 and 50% reduction by 2050
 - As time allows, develop recommendations about specific actions to reduce non-VMT greenhouse gas emissions
- Focus Areas
 - Compile best practices to reduce VMT
 - Explore implementation of and recommend specific actions to reduce VMT, including measurement and funding recommendations
 - Evaluate, explore implementation of, and recommend specific actions to reduce non-VMT greenhouse gases

1) Best Practices to Reduce VMT

- Reviewed and summarized potential VMT-reduction strategies and ongoing activities
- Summarized existing, potential and new revenue options for local and regional governments
- Identified tools and baseline
- Resources are available on the website
 - www.ecy.wa.gov/climatechange/2008CAT_iwg_tran.htm

2) Specific Actions to Reduce VMT

- IWG has begun prioritizing VMT reduction strategies, assessed total VMT reductions achievable, and determined policy and fiscal needs to meet those objectives
- Prioritized 13 different strategies from the 2007 TWG
- Identified 3 high-level VMT-reduction strategies to further explore:
 - Transit, Ridesharing, and Commuter Choice, with Operating Support and Capital Grants consistently identified as the most important elements
 - Transportation Pricing, with road pricing, miles-based insurance, and parking-related management consistently rated as the most important elements of a transportation pricing strategy.
 - Compact and Transit Oriented Development (TOD)
 - TOD was noted more frequently than transportation pricing, but transportation pricing was consistently rated more highly
- Key issue is funding – where it comes from, can it be allocated, and what strategies provide most return on investment (in the form of VMT and GHG reductions as well as being a sound investment for the state)

Specific Actions to Reduce VMT: Transit, Ridesharing, and Commuter Choice

- From a suite of potential transit and trip-reduction strategies, the Transportation IWG is focusing on:
 - Vanpool/Vanshare Options
 - Motor Bus
 - Rail Solutions (Light Rail, Commuter Rail, Passenger Rail)
 - Residential trip reduction
 - Commute trip reduction in dense urban centers (GTEC/CTR)
 - Park and ride (and Park and Pool)
 - VMT reduction innovation grants
 - Bicycle and walking alternatives (these will also be added to the T-4 discussions on compact and transit-oriented development)
- The IWG will categorize these strategies into short (< 2 years), medium (2-6 years) and long-term (> 6 years) implementation timeframes
- A subgroup is refining and collecting additional information for the full IWG to consider

Specific Actions to Reduce VMT: Transportation Pricing

- Subgroup is developing additional detail on transportation pricing strategies
 - For VMT reduction and as a menu of revenue opportunities available through transportation strategies

Specific Actions to Reduce VMT: Compact and Transit Oriented Development

- Subgroup has also been formed to consider VMT reduction and non-VMT reduction strategies that encourage transit and compact-oriented development
- Several IWG members consider these strategies overarching and central to a comprehensive climate transportation plan. Specific actions have not been developed.

3) Specific Actions to Reduce Non-VMT GHG

- As time allows, the Transportation IWG intends to review and recommend non-VMT reduction actions as well; however, no work has been done on this to date.

Transportation IWG Next Steps

- Upcoming meetings on August 7, August 28, September 19, October 9 and October 29
- Upcoming meetings
 - Complete prioritization of VMT-reduction strategies, select potential mechanisms for funding these prioritized VMT-reduction strategies, and develop a strategy/implementation plan for adequate measurement tools.
 - Review recommended legislative or executive action needed to implement these VMT-reduction strategies.
- Anticipated Outcome for September CAT meeting
 - Prioritized, draft set of recommended 2009 VMT-reduction strategies and actions to reduce VMT and GHG emissions

Beyond Waste

- Co-Leads
 - Seago Jackson, Snohomish County
 - Jay Shepard, Ecology
 - Jody Snyder, Land Recovery Inc.
- 26 members representing recyclers, haulers, producers, processors, and environmental organizations
- Workgroup has met three times (most recently on July 23) and conducted several subgroup meetings

Beyond Waste Goal and Focus Areas

- Goal
 - To significantly expand source reduction, reuse, recycling and composting and build on what is best and most successful in current waste management system by developing an implementation plan targeting products with the largest GHG reduction potential.
- **“The Next 50%”**
 - Get Significant Materials Out of the Solid Waste Stream
 - Reduce Product Footprint and Close the Recycling Loop

Get Materials Out

- **Get the Paper Out**
 - 2.7 MMTCO₂E potentially available
- **Get the Food Waste Out**
 - 0.8 MMTCO₂E potentially available
- **Get the Metals Out**
 - At least 1.3 MMTCO₂E potentially available
- **Get Construction and Demolition Waste Out**
 - 1 MMTCO₂E in carpet alone

Reduce Product Footprint and Close the Recycling Loop

- **Improve Product Environmental Performance**
 - Adopt Product Stewardship Framework
 - Collaborate with Industry, especially Retailers
 - Assistance to Industry
- **Optimize and Expand Materials Management Systems**
 - Optimize and Expand the Collection System
 - Provide Incentives for Recycled Product Manufacturing
 - Establish Strong Government Procurement Practices

Beyond Waste IWG Next Steps

- Upcoming meetings on August 6, August 26, September 18 and October 1
- Deliverables
 - Draft legislative proposals and related documentation
 - Proposals for administrative action, and
 - A phased strategic implementation plan

Status Updates from the Carbon Market Work Groups

- Workgroups are a forum for stakeholders to develop potential recommendations to meet the intent of the HB 2815
 - Recommendations will address how forestry and agricultural lands and practices may participate voluntarily as an offset or other credit program in the regional multi-sector market-based system
 - Recommendations must ensure that the baseline for this offset or credit program does not disadvantage Washington in relation to other states
- Today:
 - Co-leads or representatives from each Carbon Market Work Group update CAT members on progress and status of actions or programs
 - CAT members will discuss and provide input, advice, and counsel in a supportive capacity
 - CAT will discuss any GHG reduction opportunities that have been identified within the Forestry and Agriculture sectors that may not be covered through a market-based system

Forest Sector Carbon Market Work Group

- Co-Leads
 - Craig Partridge, DNR
 - Stephen Bernath, Ecology
- 17 members representing conservation interests, energy sector (buyers), forest sector and government
- Workgroup has met four times (most recently on July 9) and conducted several subgroup meetings

Organizational Details

- Group charter reflects HB 2815 direction and previous work on forest carbon emissions under the 2007 CAT process
 - Voluntary opportunities to participate in offsets or other credit markets
 - No disadvantages to WA forest sector
- Common interests agreed to by the group

Priorities for Forest Sector Workgroup

- 2008
 - Avoided conversion
 - Forest management & harvested wood products
 - Afforestation/Reforestation
- Future
 - Substitution of wood for fossil fuel-intensive products
 - Avoided emissions from fire & forest health
 - Substitution of biofuels

Priority – Avoided Conversion

- Goals
 - Need to maximize keeping working forest lands working
 - Need to minimize loss of carbon storage where conversion is likely to occur
- Potential Mechanisms
 - Potential for low impact development or transfer of development rights projects to qualify as offset
 - Potential funding from state/GHG allowances to provide local government incentives to implement smart growth
 - Local government can use Transfer of Develop Rights to
 - Increase density in urban growth areas
 - Encourage cluster development/conservation villages in rural or long-term working agricultural and forest areas

Priority – Forest Management & Harvested Wood Products (HWP)

- Goal – maximize carbon sequestration and storage in forest management life-cycles, including forests, products-in-use, and landfills
- Potential Mechanisms
 - Longer rotations – increase carbon storage in forest
 - Intensive forest management – increase carbon storage in HWP
 - Improve durability and lifespan of HWP
 - Conservation of forests – provides permanent sink

Priority – Afforestation/Reforestation

- Goal – Reforest areas previously forested to increase carbon storage
- Potential Mechanisms
 - Subgroup will review existing protocols and determine whether to recommend accepting existing standards already developed in other markets
 - Consider new protocol for urban forests

Other Ideas/Cross-Cutting Issues

- Green building amendments – encourage consideration of full life cycle of carbon
- Ecosystem services districts – potential source of funding to provide incentive for ecosystem benefits
- Data needs
 - Parcels/forest database
 - Others?

Agriculture Sector Carbon Market Work Group

- Co-Leads
 - Kirk Cook, Department of Agriculture
 - Chad Kruger, WSU
- 14 members, including producers, processors, distributors, conservation districts, and environmental interests
- Workgroup has met two times (most recently on July 14)

Organizational Details

- Group charter and framework reflects HB 2815 direction and previous work on agriculture sector carbon emissions under the 2007 CAT process
- Workgroup is developing recommendations for voluntary participation in offsets or other credit programs
 - Ensure that the baseline for this offset credit program does not disadvantage the WA agriculture sector
- Recommendations shall address:
 - Agricultural products
 - Agricultural land and practices
 - Agricultural lands set aside for conservation as of, after July 1, 2008

Guiding Statements for Ag Workgroup Recommendations

- Carbon market mechanisms will treat all emissions on a carbon equivalent basis
- An agricultural carbon credit hinges on the validity and acceptance of an agreed-upon model or set of models

Ag Workgroup Approach to Organizing the Recommendations

1. Identify those practices / systems / technologies for which there is currently sufficient baseline data and analysis capabilities to support carbon trading
2. Identify practices / systems / technologies that are promising, but for which there are data gaps / analysis capabilities
 - Identify what those data gaps are
3. Identify those practices / systems / technologies that may need a “complementary” public policy to support implementation
 - Identify what these policies might be / look like
4. Identify those practices / systems / technologies that are important, but unlikely to be marketable as they would need substantial “complimentary” public policy support to implementation
 - Identify what these policies might be / look like

Ag Focus Areas

- Agricultural Carbon Management
- Preservation of Open Space/Agricultural Land
- Agricultural Nutrient Management
- Manure Digesters/Other Waste Energy Utilization

Ag Workgroup Next Steps

- Upcoming meetings:
 - August 15 - Recommendations regarding Preservation of Open Space/Agricultural Lands will be presented
 - September 22 - Recommendations regarding Agricultural Carbon Management will be presented
 - October 20 - Recommendations regarding Agricultural Nutrient Management and Manure Digesters will be presented
- Draft recommendations will be accompanied by biophysical and economic technical information and analysis
 - Information is being assembled by WSU and WSDA

Update on the Land Use and Climate Change Committee (LUCC)

- Advisory policy committee convened by CTED to develop and approve recommended changes, if any, to GMA and other relevant statutes to address climate change issues under SB 6580
 - Consists of a policy committee (with voting and non-voting members) and a technical team
- Meeting #1 (June 8) - Members provided preliminary ideas about possible areas for the Committee to focus its attention.
- Between meeting 1&2: Members completed a homework assignment:
 - Identify specific opportunities for reducing GHG emissions and dependence on foreign oil;
 - Identify mechanisms in the GMA or other statutes that would enable the opportunity;
 - List potential outcomes; and
 - Provide initial ideas for funding the opportunity.
- Meeting #2 (July 11) - Members discussed opportunities identified through the homework assignment
 - Members were given a second assignment (due July 21) to identify five ideas with the most potential and suggest a coherent policy package that links them together

LUCC Technical Team

- Will address key actions directed by SB 6580:
 - Develop descriptions of actions counties and cities are taking to address climate change issues;
 - Develop descriptions of existing and potential computer modeling, analytic and assessment tools;
 - Analyze positive and negative impacts of addressing climate change at the local level; and
 - Conduct an assessment of state and local resources needed to implement the group's recommendations.

LUCC Next Steps

- Identified opportunities will be refined in light of the meeting discussions
- Members will begin vetting the opportunities within their constituent areas
- Remaining meeting schedule:
 - Meeting #3 - August 6: Members will begin to engage in a focused and informed discussion on recommended changes, if any, to the GMA, and other relevant statutes
 - Meeting #4 - September 12
 - Meeting #5 - October 17

Green Economy Jobs Initiative (HB 2815, Section 9)

- State agencies are collaborating to increase green economy jobs from 8,400 to 25,000 by 2020
- Five key elements
 - Define green economy and green collar jobs
 - Research green industry sectors, employers and jobs
 - Ensure participation by minority- and women-owned businesses
 - Identify training needed
 - Develop strategies to stimulate green economy growth

Green Economy Current Status

- Definitions developed
 - Green-collar jobs promote environmental protection and energy security
- Survey beginning of 17,000 employers to identify jobs
- UW study underway on improving minority- and women-owned business participation
- Research will be conducted and strategies developed in 2008

Cross-Cutting Issues

- Several cross-cutting issues are emerging as workgroup members continue to narrow and define the focus of their efforts
- CAT role is to help identify and, where appropriate, bring together common activities to ensure that related efforts move forward appropriately
 - Identify and discuss specific cross-cutting issues and emerging connectivity
 - Discuss implications of the cross-cutting issues both on the work of each group and the need for cross-group coordination, if needed
- Cross-cutting issues are currently based primarily on related substance at a policy level
 - As additional detail is developed, overlaps based on common technical issues (e.g. reporting methodologies) and implementation methods (e.g. incentives) will likely emerge as well

Cross-Cutting Issues, cont.

- Emerging cross-cutting issues:
 - “Climate-Friendly Development”
 - Land-Use Planning
 - Multimodal Transportation Options
 - Avoiding Conversion
 - Role of SEPA
 - Management and Use of Energy, Products and Materials
 - Management of Organics/Organic Waste
 - Calculating GHG Emission Reductions
- Coordination across groups is being supported by cross-cutting membership and staff support

“Climate-Friendly Development”

- Several workgroups are looking at how to design low-carbon communities with economic opportunities for all
 - Goal is to promote denser development in urban areas by encouraging density/infill, preventing sprawl, providing housing in close proximity to jobs and services, providing necessary infrastructure and essential public facilities, maximizing access to public transportation and other option to reduce VMT
- Options being considered include detailed land-use planning, pursuing multimodal transportation options, avoiding conversion, and providing SEPA related incentives.
- Workgroups:
 - Land Use and Climate Change Committee
 - Transportation IWG
 - SEPA IWG
 - Forestry Carbon Market Workgroup
 - Agriculture Carbon Market Workgroup

Management and Use of Energy, Products and Materials - Examples of Workgroup Activity

- EEGB IWG

- Identifying actions to significantly reduce emissions in Washington's built environment
 - Directly through reduced use of fossil fuel based energy
 - Indirectly by reducing the use of GHG-intensive products
- Potential actions include promoting the construction, retrofitting, and long-term operation of green building practices and buildings at substantially higher levels of energy efficiency; upgrading to the state's energy code to the highest levels among state codes; and encouraging the construction of low-carbon, zero net energy buildings by 2030.

- Beyond Waste IWG

- Considering the use of recycled materials in green building products, product stewardship approaches to building products, the role of green building "deconstruction" or deliberate reuse of construction materials, and development of construction/demolition recycling plans
- Product stewardship approaches could be an element of several strategies (e.g. overlaps with EEGB IWG's discussions of appliance/equipment/lighting efficiency standards)

Management and Use of Energy, Products and Materials – Cont.

- Forestry Workgroup
 - Considering the use of building materials with low embodied GHG emissions as a potential strategy for keeping working forests as forests.
- SEPA IWG
 - Considering ways to create incentives for green buildings through SEPA
- LUCC
 - Suggestions that GMA include policies for updating building codes and development regulations to achieve higher levels of energy conservation and to encourage solar energy

Management of Organics - Examples of Workgroup Activity

- Agriculture Carbon Market Workgroup
 - Considering management of organics including mulch, compost and biodigesting and biochar
- Beyond Waste IWG
 - Considering opportunities associated with organics management, such as:
 - Encouraging better organics management
 - Developing markets for products created by organics recycling, such as mulch and compost
- EEGB IWG
 - Developing a plan to better utilize Washington's biomass and other resources in distributed energy systems, with a focus on distributed small-scale combined heat and power systems, but also including larger industrial systems and district heating systems as applicable

Calculation Methods and Tools for GHG Emission Reductions

- HB 2815 and SB 6580 call for measurement and reporting of GHG emissions and VMT reductions, and the assessment/development of GHG and VMT tools and methodologies
- Members of several workgroups (including the Transportation IWG, SEPA IWG, Forestry Carbon Market Workgroup, and LUCC) are considering which methodologies and tools would be most appropriate
- Quantification/Analysis Coordination Group of state staff and technical support is being formed to ensure the work groups:
 - Speak a common language across sectors and “products” (inventories, reporting requirements, and action plans)
 - Use compatible calculation tools and methodologies (e.g. for life-cycle emissions of materials)
 - Make consistent assumptions (e.g. fuel prices)
 - Present results in similar manner

Western Regional Climate Action Initiative (WCI)

Partner



Observer

Initiative Collaboration Includes

Three specific directives:

- Set a regional emissions reduction goal
- Join a multi-state registry to track, manage and credit reductions
- Design a regional multi-sector market-based mechanism

Joint work to:

- Promote clean and renewable energy in the region
- Increase energy efficiency
- Advocate for regional and national climate policies that are in the interest of western states
- Identify measures to adapt to climate change impact

Cap and Trade Design Principles

- Equitable, administratively simple, clear compliance path
- Maximize total benefits and avoid localized or disproportionate environmental or economic impacts
- Advance economic, environmental, and public health objectives;
- Real, verifiable, enforceable reductions
- Stimulate investment and reward innovations
- Encourage reductions beyond capped sectors/sources
- Recognition/incentives for early reductions
- Transparent and robust accounting system
- Minimize potential for leakage
- Facilitate links to other systems

What the design is and isn't

- It is
 - the Policy framework
 - (or will be) what must be the same between jurisdictions to have a regional program
- It isn't
 - The specific details; they will come through legislative and rule processes

More Draft Design Recommendations

- Threshold
 - 25,000 metric tons annually for inclusion in program
 - 10,000 metric tons annually for reporting
- Cost Containment (in addition to cap and trade)
 - Offsets allowed
 - 10% limit for compliance
 - Preference for in-region projects
 - Banking but no borrowing
 - Three year compliance periods

More Draft Design Recommendations

- Allowance distribution
 - Still developing methodology for partner share
 - Agree to minimum percentage auctioned; still working on that percentage
 - Agree should be used for trans-WCI benefits:
 - Energy efficiency and renewable energy incentives and achievement
 - Research, development, demonstration and deployment
 - Promoting emission reductions and sequestration in agriculture, forestry, other uncapped sources
 - Distribution of remainder up to individual partners; recommend objectives to consider
- Will consider standardizing to address competitiveness issues between WCI jurisdictions

More Draft Design Recommendations

- Credit for early action
 - Will come from each partner's budget
- Regional organization
 - Administrative functions
 - Monitor market
 - Conduct auctions
 - Approve offsets
- Enforcement
 - Three tons for every one ton short

Electricity Point of Regulation

- First Jurisdictional Deliverer
 - Generators in partner jurisdiction
 - First party to deliver electricity generated outside WCI partners for consumption in a WCI jurisdiction (imported power)
 - Tracking imported power on shared grid presents challenges
 - Working with utilities to design implementation

Design issues still to come

- Partner budget - or share - of regional allowances
 - Must equal the regional reduction goal
- Common elements needed in each Partner reporting rules
 - Draft released July 23, 2008
- Emergency clause
 - Along the lines California's AB 32 and Lieberman/Warner modified as needed for a regional program
- Specifics around first jurisdictional deliverer
- Implementation schedule, including development of model rule

Timeline

- Draft initial design (policy framework)
 - July 23
- Third regional stakeholder meeting
 - July 29 (San Diego)
- “Final” design (policy framework)
 - ~September 22
- Continued stakeholder work to refine design
 - September thru November
- Two or three states will run legislation in 2009 (WA is required per HB 2815; OR and possibly UT expected)
 - One state (CA) and one Province (BC) have authority
- 2009 and beyond:
 - Work on model rules and other implementation issues
 - Other complimentary policies of common interest

Website Reminder

<http://www.ecy.wa.gov/climatechange/>

Links to

- WCI
- CAT
- List serv to keep you up to date

Financing the Response to Climate Change

- CAT functions as a ‘committee of the whole’ in considering costs and revenue implications
- Three parts:
 - Requirements in statute to address funding and financing issues
 - Statutory requirements cut across specific actions and the use of revenues from WCI as well as administrative funding issues, and broader programmatic mandates
 - Funding needs and revenue generation opportunities being identified in the specific proposals being developed by the climate workgroups
 - Potential revenue generation through the regional cap and trade mechanism being developed through the Western Climate Initiative and emerging federal efforts

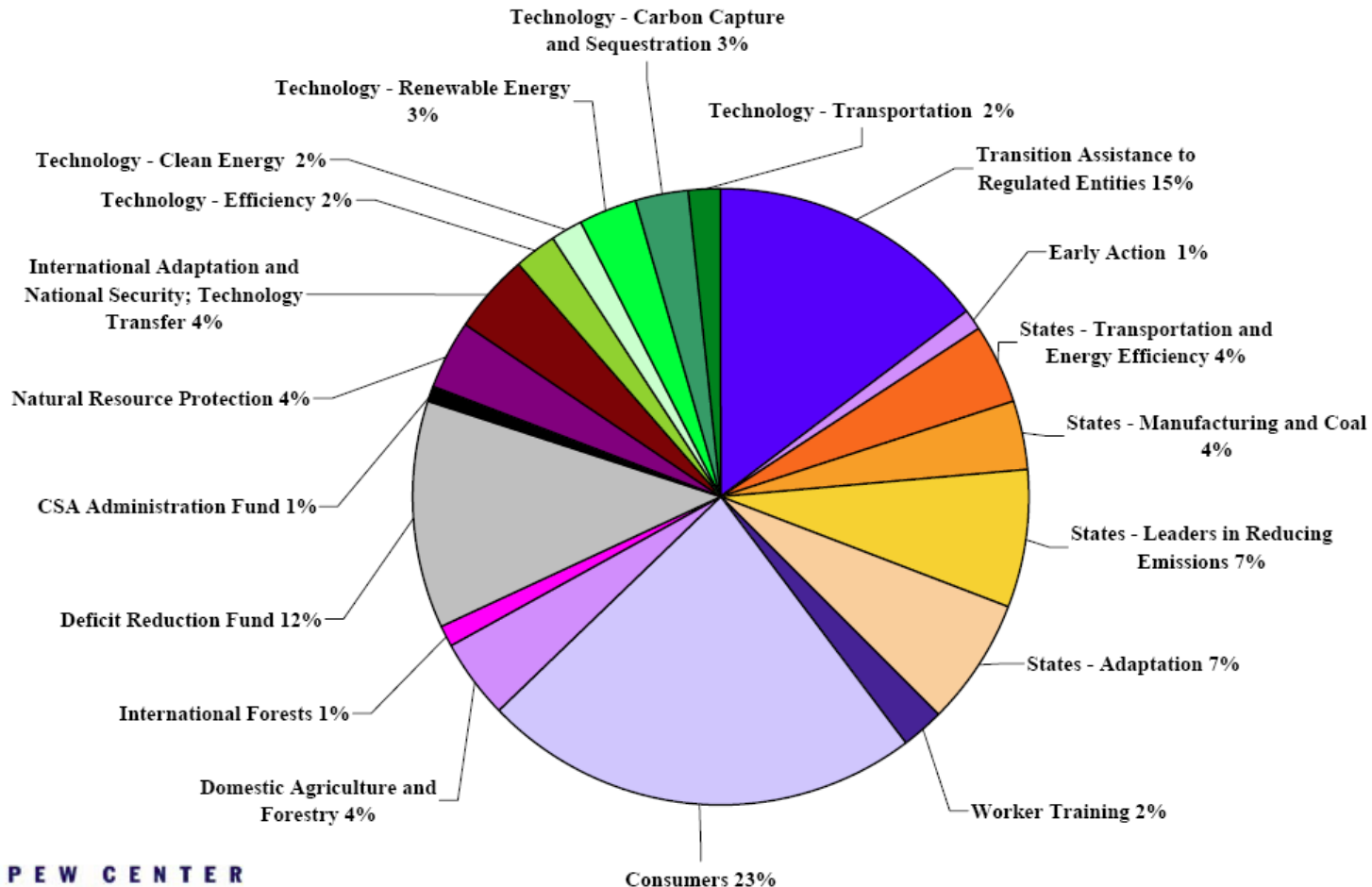
HB 2815

- HB 2816 requires Ecology and CTED to submit a comprehensive report to the Governor and Legislature by December 1, 2008
- Report will contain:
 - Recommendations for approval and request for the authority to implement the preferred design of the regional multi-sector market-based system being developed as part of the WCI, as well as recommendations for:
 - Local participation in WCI;
 - Potential voluntary participation by Washington's forestry and agricultural sectors in an offset or credit program; and
 - Offset or credit from the generation of electricity or alternative fuel from landfill gas and gas from anaerobic digesters.
 - Final recommendations of the CAT's most promising strategies, including GHG reductions per distance travelled.
 - A GHG reduction plan, which identifies the actions and authorities necessary to reduce GHG emissions by 2020, 2035 and 2050.
 - A description of progress being made in achieving GHG reduction requirements.

HB 2815 Directions Related to Revenue Use and Funding

- Sec. 1(6) - Describe of how revenues from the market system should be used
- Sec 4 (1) – Identify funding necessary to implement the market system
- Sec 4 (2c) – Request additional resources needed to implement the most promising recommendations of the CAT
- Sec 5(2) – Use of GHG emissions reporting and registration fees
- Sec 6 (14a) –Assessment and collection of air permitting fees
- Sec 8(2d) – Identify new revenue options for VMT reductions
- Sec 9 (6a-b) –Develop targeting criteria for existing investments, and make recommendations for new or expanded financial incentives to stimulate green economy industries, small businesses, green technology and innovation
- Sec 9 (8c) – Leverage and align other public and private funding sources to develop the state's clean energy economy
- Sec 9 (9) - Create a Green Industries Jobs Training Account

S. 30306 (Boxer-Lieberman-Warner Substitute Amendment) Allocation Summary



Potential Topics for Consideration

- How can existing funding mechanisms directly address the funding needs likely to emerge?
 - Reprogramming existing funds
 - Targeting/expanding existing funding sources
 - Using current revenue-generating authority creatively
- What new funding mechanisms or authority might provide the resources and incentives needed?
 - Potential revenues from the cap-and-trade program
 - “Bridge” funding until then
- How can methods of raising revenue be linked to and be supportive of the growth of the Clean Economy over time?
- How can the incentives and revenue-related work of the IWGs be connected?

Next Steps

- August & September - IWGs meet to:
 - Continue to develop on the details of specific recommended actions, including outlining the necessary implementation steps
 - Analyze likely GHG reductions and costs and benefits specific to each recommendation
 - Draft text for legislative, executive, or other appropriate implementation action, where possible
- September 18-19, 2008, Northern Puget Sound (location TBD) - CAT Meeting #3:
 - Review and affirm IWG recommended actions and products. Request additional clarification, or alternative approaches, where needed
 - Consider governance and financing across the emerging policy package
 - Discuss connectivity between climate workgroups and other climate activity in Washington and regionally, especially WCI

Next Steps, cont.

- Following the September CAT meeting, IWGs will finalize products and recommendations for CAT approval at the CAT Meeting #4 (October 14-15)
- Interim WCI milestones:
 - July 23: Interim draft design recommendations released
 - July 29: WCI stakeholder meeting, San Diego, CA
 - September 22 (tent): Final WCI design recommendations released
- By November 1, 2008, the CAT is to deliver a package of specific policy implementation proposals to Ecology and CTED
 - Deadline necessary for consideration by the 2009 Legislature, including the budget.
- By December 1, 2008, Ecology and CTED will deliver the CAT recommendations as part of a larger comprehensive report to the Legislature as part of meeting the requirements of HB 2815

Public Comment

For More Information and to Submit Written Comments

[www.ecy.wa.gov/climate change](http://www.ecy.wa.gov/climate_change)