Washington Carbon Pollution Accountability Act – Key Provisions
Senate Bill 5283, House Bill 1314

Greenhouse gas emissions – annual allowance budgets
♦ Starting July 1, 2016, annual allowance budgets will be set for the collective greenhouse gas emissions from covered entities. Budgets will decline over time to meet the emission limits in statute.
♦ Annual allowance budgets will be set by rules.

Coverage
♦ Covered entities include facilities and fuel suppliers with emissions equal to or exceeding 25,000 metric tons carbon dioxide equivalent (MtCO2e) per year, based on reported data.
♦ Not covered are emissions from bioenergy, agriculture, waste management, federal and tribal facilities, and from other specified sources.

Allowance distribution
♦ Emission allowances (each allowance is worth 1 ton of CO2e) are auctioned to any registered person on a quarterly basis.
♦ Allowances can be bought and sold; limits are set on the number of allowances purchased and held.
♦ A price minimum (auction price floor) that increases every year is set in rules.
♦ An independent contractor runs the auctions, a qualified financial services administrator manages the bids, and a market monitor monitors and audits the auctions.

Cost containment mechanisms
♦ A portion of total allowances will be held in a reserve to contain costs and auctioned separately.
♦ Other projects to reduce greenhouse gases (“offsets”) are allowed for up to 8 percent of an entity’s compliance obligation.
♦ Allowances can be banked for future use.
♦ Three-year compliance periods are set to buffer annual variations in emissions.

Compliance and enforcement
♦ Covered entities must turn in one allowance (or offset) for every ton of CO2e they emit.
♦ Every year, covered entities must provide allowances (or offsets) for 30 percent of their previous year emissions. At the end of the three-year compliance period, entities must surrender the rest of allowances (or offsets) for that compliance period.
♦ An entity is required to provide four allowances for every metric ton not turned in by the required time. Civil penalties can be imposed by the Department of Ecology.
Market oversight
♦ Measures and procedures will be in place to detect market design flaws and to expose and prevent fraud and market manipulation.
♦ Independent market oversight organization will monitor and oversee the functioning of the program.
♦ A financial advisory committee will be created to assess program performance.

Auction proceeds
♦ Auction receipts are deposited into new account in the State Treasury.
♦ Revenues are dedicated to support transportation, education, low-income communities, certain businesses and clean energy growth.
♦ A business and occupation tax credit is provided to energy-intensive and trade-exposed businesses. The Department of Commerce will identify these businesses.
♦ Current or new programs will help expand the market for forest products and provide financial assistance to wood and food transporters and other rural businesses.
♦ An economic justice and environmental equity advisory committee will evaluate socioeconomic effects of the program and provide advice on the expenditure of auction receipts.

Emissions reporting and verification
♦ All covered entities must report annually. Revisions will be made to statute to ensure reliable, accurate and verified emission data, and to add new reporters.

Linkage
♦ The program must be designed to allow linking with other similar carbon markets. This will allow allowances and offsets to trade across jurisdictions and for joint auctions to be held.
♦ Linkage agreements can be executed by the Department of Ecology where consistent with specified requirements.

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