Why act? Carbon pollution threatens Washingtonians’ quality of life, economic prosperity and children’s future. The good news is that we know how to head off this future and there is still time to do so. Taking action will lead to a stronger, healthier Washington.

Reducing carbon pollution will propel our economy, diversify our job base, lower our transportation and energy costs and improve our health. At the same time, it will provide substantial revenue to address pressing statewide priorities. The Legislature recognized the benefit of action when it set limits in law on carbon pollution for 2020, 2035 and 2050 — limits we are not on track to achieve.

Proposal summary
The program uses the power of the market to ensure the state can reach its emissions limits and to support the transition to clean energy. It sets a limit on the amount of carbon pollution that will be allowed and requires major pollution sources to acquire “allowances,” a tradable authorization to emit 1 ton of carbon dioxide or its equivalent. The number of allowances available is reduced each year to ensure that statewide emissions decrease at a rate necessary to attain the statutory limits.

Eligibility
The program covers the state’s largest emitters — an estimated 130 facilities and fuel distributors representing some 70 businesses and institutions. They include electric utilities, manufacturing facilities and distributors of natural gas, gasoline and other fuels responsible for more than 80 percent of the state’s greenhouse gas emissions. Agriculture, biofuels, wastewater and waste management, as well as federal and tribal facilities, are exempt.
Market
The program begins in July 2016. Covered entities purchase allowances in quarterly auctions and 18 months after the start of the program, and every three years thereafter, each entity must submit to the state sufficient allowances to account for its emissions. In addition to obtaining allowances at auction, entities can trade with each other, ensuring the emissions reductions are achieved as cost effectively as possible. Entities with insufficient allowances at the time of compliance may be subject to a penalty of four times their shortfall.

Costs
Allowance costs will be determined by the market. However, the state will set a minimum floor price below which it will not sell allowances. Economic analyses conducted by the Office of Financial Management assumed a starting price in 2016 of $12.60 a ton and concluded that impacts to jobs, household income and statewide output are negligible.

Revenues
The program is estimated to generate $947 million in the first year and approximately $1.6 billion per year by 2026. Revenues are deposited to the Carbon Pollution Reduction Account and dedicated to:

- $400 million/year to transportation
- 40 percent but at least $380 million/year for education
- 10 percent but at least $108 million to implement the Working Families Tax Rebate
- $15 million in 2017 (and up to 2 percent, but at least $20 million in 2019) to the Housing Trust Fund
- 2 percent but at least $20 million to maintain business competitiveness
- 2 percent but at least $20 million to the forestry sector and other rural businesses