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Policy Brief

December 2014

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Carbon Pollution Accountability Act of 2015

Local impacts of a global crisis

Around the globe, carbon pollution has led to the highest concentrations of greenhouse gases the earth has experienced in more than 800,000 years. Largely unregulated for decades, the release of carbon dioxide and other pollution from power plants, vehicles and industries has boosted global temperatures, led to the acidification of oceans, changed global weather patterns, and increased flooding and forest fires.

In Washington, carbon pollution is harming our economy and our communities:

- » Declining snowpack is stressing water supplies, affecting water users from apple growers to hydropower operators. In places such as Yakima, hundreds of millions of dollars are being invested to expand water storage capacity.
- » Coastal waters are acidifying due to the absorption of CO^2, threatening shellfish and our state's $120 million annual seafood economy.
- » The highest asthma rates for children are in areas where carbon pollution from vehicles is at the greatest concentration, such as Seattle's South Park neighborhood.
- » The warmer temperatures forecasted for the Northwest will lead to elevated ozone levels, which, in some locales, may double the number of deaths by cardiovascular disease and lung cancer.

Solutions that work for people and the economy

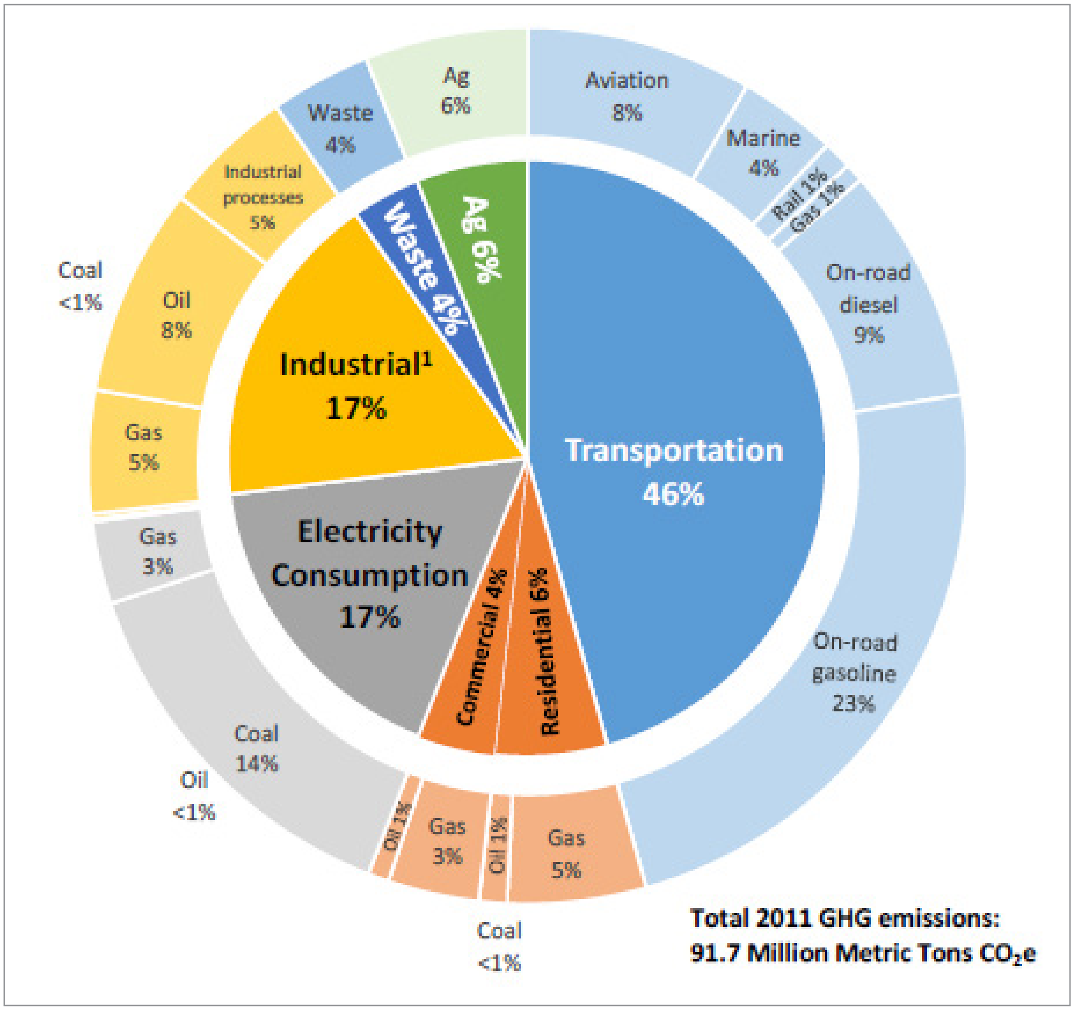
Currently, polluters in Washington pay nothing for the carbon they emit into our air. However, around the world, more than 70 national governments, dozens of jurisdictions and thousands of corporations have put a price on carbon to increase its cost, decrease its use and realize the local benefits of less pollution.

Since 1997, many regions and states have taken action to reduce carbon pollution rates even as local economies grow. Their efforts show that cutting carbon pollution creates healthier communities and spurs economic opportunity and job growth.

A smart strategy to make Washington cleaner

In 2008, the Washington State Legislature acted to reduce statewide greenhouse gas emissions, setting limits for 2020, 2035 and 2050 to ensure progress. However, no program was created to achieve those limits. In 2013, the Climate Legislative Executive Workgroup, a bipartisan committee of the Legislature and the governor, determined that the state would not meet the limits without additional actions.

Greenhouse Gas Emissions in Washington



Governor Inslee's Carbon Pollution Accountability Act requires, for the first time, major polluters to pay for their carbon pollution. It creates a program to cut emissions to make Washington healthier and to incentivize Washington's innovative businesses to meet the needs of the growing clean energy economy.

Through this act, Washington will set an annual limit on the total amount of carbon pollution that emitters may release into the air. Major polluters will need to purchase "allowances" for the pollution they emit. Each year, the number of available allowances will decline to ensure emissions are gradually reduced. This provides emitters the time to adjust and make a choice about how to manage their business. They can either invest in cleaner technology and improve their operation efficiency or simply pay for allowances whose cost will grow over time.

Revenues generated by the Carbon Pollution Accountability Act will be re-invested by the state to promote further emissions reductions, expand transit, support education, address potential regressive effects on low-income communities and support Washington companies that may be at a disadvantage against competitors in regions where no such policy exists.

The Carbon Pollution Accountability Act – How the program will work

Scope

- Covers an estimated 130 facilities and fuel distributors operating in Washington.
- Includes sources that emit more than 25,000 metric tons of greenhouse gases per year.
- Excludes agriculture and waste management, and all emissions from biofuels and biomass.

Dates

- Program starts July 1, 2016.
- First allowance surrender date is Nov. 1, 2018.

Allowances

- Emitters need one allowance per metric ton of greenhouse gases released per year.
- Sold through quarterly auctions administered by the state, up to the limit set in an annual allowance budget.
- Surrendered to the state on a set schedule; 30 percent of annual emissions are due each year, while the remaining allowances are due every three years.
- Emitters and other program participants may purchase, hold and trade allowances to minimize compliance costs.

Annual allowance budgets

- Set from Washington's Greenhouse Gas Inventory, a database of annual emissions based on reports from the state's major pollution sources.
- Declines approximately 2 percent annually to reduce emission levels to statutory limits.

Program administration

- Implemented by the Washington State Department of Ecology, working with outside service providers to administer auctions and monitor the market to prevent illegal activity.
- Program may be linked to carbon markets in other jurisdictions to reduce administrative costs and provide Washington emitters more cost-effective compliance opportunities.

Offsets

- State may authorize offsets — projects that reduce or remove greenhouse gases not otherwise covered by the program.
- Allowed for up to 8 percent of an emitter's annual emissions.
- May provide firms lower-cost opportunities to comply with their emissions reduction obligation.
- Independently verified.
- Purchasers of offsets are liable for their integrity over time.

Cost containment

- 4 percent of allowances provided as a strategic reserve to limit price spikes.
- Allowance trading is permitted.
- Banking of allowances for future compliance is permitted.
- Three-year compliance periods buffer annual variations in energy costs and economic trends.
- Offsets provide alternative compliance opportunities for emitters.
- Extensive controls against market manipulation.

Reporting and verification

- Major emitters must report emissions annually.
- Independent auditing of emissions.
- Penalty of four allowances for every one required allowance not submitted by the surrender date.