

USA - Washington

General Information

Summary

Status: ETS under consideration

Jurisdictions: Washington

The State of Washington continues to pursue carbon pricing policies through its legislature and executive agencies.

In December 2020, Governor Jay Inslee introduced the 'Climate Commitment Act,' a bill proposing to create a comprehensive climate program across Washington. Amongst other measures, the bill would establish an economy-wide limit on GHG emissions. It would also authorize the Department of Ecology to administer a cap-and-trade program that ensures industries comply through the sale, tracking, and accounting of emissions allowances.

In January of 2021, Washington state legislators sponsored 'the Climate Commitment Act' bill, building on Governor Inslee's climate program. Titled SB-5126, the bill is modeled on the Western Climate Initiative (WCI) and directs the Department of Ecology to administer an economy-wide cap-and-trade program by January 2023. The bill aligns with Washington's statutory emissions limits of 50 million tonnes of CO₂e in 2030, 27 million tonnes of CO₂e in 2040, and 5 million tonnes of CO₂e in 2050.

The program would cover transportation fuel suppliers, in-state power generators, and stationary facilities that emit equal to or more than 25,000 tCO₂e per year as well as electricity importers and natural gas suppliers whose electricity consumption corresponds to more than 25,000 tCO₂e per year. Uncovered entities that wish to participate in the program could do so by registering as an opt-in entity or as a general participant.

The Department of Ecology would adopt annual allowance budgets for the program on a calendar year basis. Allowances would be distributed through a combination of auctions and free allocation. A maximum of four auctions would take place annually in addition to any necessary reserve auctions. In the program's first compliance period, emissions-intensive trade-exposed (EITE) entities would receive 90% of their allowances for free in 2023, declining by five percentage points annually to 75% in 2026. The Department of Ecology would have to adopt EITE allocation rules for the second compliance period by July 2024. Some power generators will receive free allocation during the first compliance period; however, these allowances must be consigned to auction for the benefit of ratepayers. Natural gas utilities would receive full free allocation during the course of the cap-and-trade program; however, these allowances must also be consigned to auction.

The bill also outlines market stability measures, specifically an emissions containment reserve (ECR), an auction floor price with a schedule for the floor price to increase by a predetermined amount each year, and an allowance containment reserve. Only covered and opt-in entities will be able to participate in the auction of allowances from the allowance containment reserve.

The bill also includes provisions for offset protocols. Offset projects must be located in the US or in a jurisdiction with which the Department of Ecology has entered into a linking agreement; result in GHG reductions or removals; and be certified by a recognized registry. The bill also enables the Department of Ecology to pursue links with other jurisdictions that have established an allowance-based GHG reduction programs.

	<p>Additionally, SB 5126 states that the Department of Ecology would have to:</p> <ul style="list-style-type: none"> • complete an evaluation of the program’s performance by December 2035 to ensure the program is on track to achieve 2040 emissions reductions; and • complete another evaluation by December 2045 to ensure the program is on track to achieve 2050 emission reductions. <p>Finally, the bill asserts that proceeds from the sale of emissions allowances would be directed to a new climate investment account. The funds from the account would be put towards clean transportation, natural climate resilience solutions, clean energy transition, and assistance and emissions reduction projects. An environmental justice and equity advisory panel would recommend plans and funding proposals for programs to be funded by the climate investment account. Funding proposals would need to undergo an environmental justice analysis to ensure they are being directed towards eliminating environmental harm as well as economic and health disparities for vulnerable populations.</p> <p>The bill is being deliberated in the Washington Senate Committee on Environment, Energy, and Technology. The legislative session for 2021 ends on 25 April.</p> <p>Carbon pricing policies, including a proposed cap-and-trade program, have repeatedly come before the legislature, and failed in two state referenda. Laws establishing steep emissions reduction targets successfully passed in the 2019 session, but no carbon pricing measures were approved. The most recent cap-and-trade program proposal, Senate Bill 5981, would have established a cap-and-trade program modeled after WCI. The Senate bill and other carbon pricing measures were debated in the 2020 legislative session but did not pass the legislature.</p> <p>The ‘Clean Air Rule’ (CAR)—a baseline-and-credit system that reduces emissions from industrial sources, petroleum fuel producers and importers, and natural gas distributors—was suspended by legal challenges before it could be implemented in 2020.</p>																
Year in Review	In April 2021, the Washington state legislature passed an amended version of SB-5126 to establish a cap-and-trade program covering industry, energy, and fuel suppliers. The program's implementation, however, is dependent on the passage of a separate transportation-spending package by 1 January 2023, which is also the start date of the program.																
Overall GHG emissions (excluding LULUCF)	Emissions: 99.6 MtCO ₂ e (2018)																
Overall GHG emissions by sector (in MtCO ₂)	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO₂e</th> </tr> </thead> <tbody> <tr> <td>Electricity (16.2)</td> <td>16.2</td> </tr> <tr> <td>Residential, Commercial, Industrial (RCI) Fuels (23.3)</td> <td>23.3</td> </tr> <tr> <td>Transport (44.7)</td> <td>44.7</td> </tr> <tr> <td>Fossil Fuel Industry (0.8)</td> <td>0.8</td> </tr> <tr> <td>Industrial Processes (5.4)</td> <td>5.4</td> </tr> <tr> <td>Waste Management (2.4)</td> <td>2.4</td> </tr> <tr> <td>Agriculture (6.7)</td> <td>6.7</td> </tr> </tbody> </table>	Sector Name	MtCO ₂ e	Electricity (16.2)	16.2	Residential, Commercial, Industrial (RCI) Fuels (23.3)	23.3	Transport (44.7)	44.7	Fossil Fuel Industry (0.8)	0.8	Industrial Processes (5.4)	5.4	Waste Management (2.4)	2.4	Agriculture (6.7)	6.7
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GHG reduction target	<p>BY 2035: 45% reduction from 1990 GHG levels (RCW 70A.45.020)</p> <p>BY 2040: 70% reduction from 1990 GHG levels (RCW 70A.45.020)</p> <p>BY 2050: reduction of total GHG emissions to 95% below 1990 levels and achievement of net-zero emissions (RCW 70A.45.020)</p>																
Carbon Price	<i>Current Allowance Price (per t/CO₂e):</i> No information available yet.																

ETS Size

Covered emissions	No information available yet.
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GHGs covered	No information available yet.
Sectors and thresholds	No information available yet.
Point of regulation	No information available yet.
Number of entities	No information available yet.
Cap	No information available yet.

Phases & Allocation

Trading periods	No information available yet.
Allocation	No information available yet.

Flexibility

Banking and borrowing	No information available yet.
Offsets and credits	No information available yet.
Market Stability Provisions	No information available yet.

Compliance

Compliance Period	No information available yet.
Monitoring, Reporting, Verification (MRV)	No information available yet.
Enforcement	No information available yet.

Linking

Links with other systems	No information available yet.
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Other Information

Institutions involved	Washington Department of Ecology Office of Governor Jay Inslee
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	Governor Inslee's Climate Commitment Act Senate Bill 5126 (SB 5126) Senate Bill 5981 (SB 5981) Clean Air Rule

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