Washington State’s Cap-and-Invest Program

ICAP & PMI East Asia and Pacific ETS Training Course
Administration of ETS, October 17, 2023

Introduction

- Background on Washington’s program and design
- How Washington’s program is run and administered
- Key areas / issues relevant to program administration
‘Covered’ Emissions in Washington

Covered Emissions - 75%
- Emissions from:
  - Facilities that emit more than 25,000 metric tons CO$_2$e
  - Gasoline and on-road diesel
  - Electricity consumed in WA state
  - Natural gas
  - 2027 - Waste-to-energy facilities
  - 2031 - Railroads

Not Covered - 25%
- Emissions from:
  - Facilities that emit less than 25,000 metric tons CO$_2$e
  - Agricultural operations
  - Aviation fuels and most marine fuels
Emissions Cap Reductions

*MMT = million metric tons of CO₂ equivalent
• Washington’s program designed and built to be ‘linkage-ready’
  • California and Québec ‘template’
• Linked markets are more stable, durable
  • Simplifies compliance for large businesses
  • Reduces compliance costs and consumer impacts
  • Increases probability of achieving GHG reductions
• Building program with an eye to linking aids global climate efforts
• Must be considered in every aspect of implementation
How Program Run

• Centralized in one agency
  • Department of Ecology

• Multiple functions in one unit within Ecology
  • Emissions reporting and verification
  • Auctions
  • Compliance
  • Outreach and education
  • Policy, rulemaking

• However, no role in how revenue spent
Emissions Reporting & Verification

- Foundation for whole program
- Alignment with other jurisdictions (not necessarily identical) helpful for linkage
- Differing reporting requirements and timelines for different sectors:
  - Electric power, fuels, industry (manufacturing, refineries, etc.)
- IT platform, database management needed
- Third-party verification program
Auctions

- WCI, Inc. platform; compliance instrument tracking system
  - Same system as California and Québec
- Participant on-boarding forms and process adapted from CA
- Market security
  - Secure terminals, facilities
  - Federal background checks, confidentiality agreements
  - Market monitoring, internal and external
- As considering administration of your programs, consider who hosts platform, owns data, support, security, functionality, compatibility with potential linked jurisdictions
Compliance & Enforcement

• Program compliance (allowances, offset credits), compliance with market rules, and emissions reporting compliance (accuracy, timeliness)
  • Parallel but equally critical
• Compliance expectations and penalty structure should be clear
• Commitment to compliance: establishing a ‘compliance culture’
Covered Entity & Public Education Outreach

- Critical to train and educate covered businesses early
  - Facilitates program onboarding, participation, compliance
- Awareness and buy-in helps protect program
  - Public and political support
  - Should begin 12+ months before program launch
- Publicize results, including investment of revenue
Questions?

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