Summary of P2SSB 6203

Carbon Pollution Tax

- Beginning July 1, 2019, imposes a carbon pollution tax at an initial rate of $12 per MT CO2.
- Beginning July 1, 2021, increases the tax rate by $1.80 per year until the rate is $30 per MT CO2.
- Generally, imposes the tax on the sale or use of fossil fuels in Washington or the generation within or import for consumption in this state of electricity generated through the combustion of fossil fuels.
- Requires the Department of Ecology (Ecology) to determine a systems emissions factor for electricity imported by the Bonneville Power Administration and other asset controlling suppliers.
- Allows Ecology to adopt a default emission factor for unspecified electricity and provides a default rate of 0.437 MT CO2 per megawatt-hour if Ecology does not a adopt a default emission factor.
- Exempts a various fossil fuels from the carbon pollution tax.
- Exempts fossil fuels used on-site for manufacturing processes by an energy-intensive trade-exposed (EITE) facility determined either by objective numerical criteria or the facility engaging in an activity described in one of 67 specified North American industry classification system codes.
- Authorizes a light and power business or gas distribution business to claim up to 100 percent credit against the carbon pollution tax for clean energy investments as part of a clean energy investment program. (For a business generating electricity using coal, the credit is phased out by 2036.)
- Authorizes the governor to enter into agreements with federally recognized tribes regarding carbon pollution taxes included in the price of fuel.
- Requires the Department of Commerce to make a specific recommendations as to whether the carbon pollution tax rate will need to be adjusted upward or down to meet greenhouse gas emission reduction targets by 2026.
- Requires the Department of Commerce to provide an annual report containing specific recommendations for modifications or improvements to the legislation.

Clean Energy Investment Funds - IOUs and COUs

- Establishes separate Clean Energy Investment Programs for investor-owned utilities (IOUs) and consumer-owned utilities (COUs) to allow an electric or gas utility to claim a credit of up to 100% against the carbon tax for approved investment in projects that reduce or offset carbon emissions from the utility.
  - Decreases the credit amount for IOUs for electricity generated by coal, beginning Jan 1, 2020, on a pro rata basis until reaching 0% in 2036.
  - Requires utilities to establish separate Clean Energy Investment Accounts.
  - Allows COUs to aggregate funds through agreement with a joint operating agency (e.g., Energy NW), or nonprofit organization, to develop a joint clean energy investment plan (CEIP).

- Requires an IOU to receive approval of a CEIP from the UTC and a COU to receive approval of a CEIP from its governing body.
  - Requires utilities to report annually, and submit and receive approval of their CEIP every 2 years.
  - Requires the CEIP to seek to eliminate any carbon tax obligation associated with electricity.

    - Requires specific components of a CEIP, such as a demonstration that all funded activities within the CEIP were developed using the cumulative impact analysis conducted by DOH; and sufficient funding to mitigate increases in gas and electric costs to low-income customers.
    - Offers a list of types of investments or expenditures eligible under a CEIP.

- Directs the UTC to create a Technical Standards Committee for GHG reductions verification & evaluation.
- Directs Commerce to create Technical Advisory Committee to provide advice on guidelines, protocols for verification of GHG emissions reductions, & reporting formats. (Allows the UTC & Commerce to elect to work together to create one joint technical standards committee.)

Revenue Allocation
A Carbon Pollution Reduction Account (Account) is created in the State Treasury. All revenues generated from the carbon tax, and any other revenues directed by the Legislature, are deposited into the Account. First, funds must be appropriated to DOR for administrating the carbon tax, and then the remainder is distributed as follows:

- 50 percent to the Energy Transformation Account;
- 20 percent to the Water and Natural Resource Resilience Account;
- 15 percent to the Transition Assistance Account; and
- 15 percent to the Rural Economic Development Account.

Energy Transformation Account:

- Grants awarded by Commerce for projects and incentive programs that reduce GHG emissions or connected to energy use in WA state.
    - 10% of expenditures must be for projects and activities that directly benefit highly impacted communities.
    - Activities include these categories: industrial energy efficiency, clean transportation, energy efficiency, agriculture & working lands emissions, & decarbonization of aviation fuels.
- Funds may be used for the following categories of carbon sequestration activities: aquatic marine and freshwater resources, agricultural lands and soils, terrestrial, riparian, and aquatic habitats, and a working forests conservation easement program administered by DNR.
- 30% of Energy Transformation Account moneys are deposited in a Clean Transportation Account, created as a subaccount of the Multimodal Transportation Account.
    - 85% of the funding is to offset the state fiscal impact for sales and use alternative fuel vehicle and commercial vehicle tax credits, expenditures under SSB 6080 (2018), and projects that reduce single-occupancy vehicle trips and increase transit ridership.
    - 15% of the funding supports electrification of transportation in rural communities, for electrification of transportation, and programs or investments to support energy efficiency and conservation measures.
- By June 30, 2109, Commerce must develop an implementation plan for this Account.

Water and Natural Resource Resilience Account:

- 50% of the funds are appropriated to Ecology for grants and loans for water-related projects and activities. 10% of expenditures must be for projects and activities that directly benefit highly impacted communities. Projects Ecology may fund include:
    - Reducing storm water pollution from existing infrastructure and development;

    - Reducing the risk of flooding, protecting against damage caused by floods, and protecting or restoring naturally functioning areas where floods occur;
    - Improving availability and reliability of water supplies for instream and out-of-stream uses;
    - Constructing fish barrier correction projects, with priority given for WSDOT projects required by court orders;
    - Preparing for sea level rise and restoring and protecting estuaries, fisheries, marine shoreline and inland habitats; and
    - Increasing the ability to adapt to and remediate the impact of ocean acidification.

- 50% of the funds are appropriated to DNR for natural resources related projects & activities:
    - 25% is deposited into the Fire Prevention and Suppression Account. Funds may be used for:
        - Wildland fire prevention; and
        - Projects & activities that reduce the risk of wildland fires to communities and improve their ability to adapt to wildfires.
    - 75% goes into the Forest Resilience Account to improve forest and natural lands health and resilience to climate change impacts. Projects include:
        - Thinning or prescribed fire projects and activities;
        - Small forest landowner fish passage barrier projects; and
        - Supporting fire prevention, suppression, and recovery for tribal communities impacted and potentially impacted by wildfires.

Transition Assistance Account:

- Funds to low-income households during the transition of increased energy prices.
    - Assistance may include grants, subsidies, rebates, or similar financial benefit that is provided through an expansion or increases to existing DSHS or regional community health programs, or new programs that enable direct financial assistance.
    - Assistance programs include: energy bill pay subsidies, energy efficiency and weatherization assistance and service, affordable transportation services and options, affordable housing, improved community services and reductions in vehicle licensing fees.
- Commerce must form a transition assistance advisory group.
- Assistance program for eligible displace fossil fuel related industry workers. The assistance provided may include wage, pension, and health benefits, training and education costs, peer counseling services, enhanced job placement services, and relocation expenses and assistance.
- OSPI may provide education programs & teacher professional development opportunities to expand awareness of and increase preparedness for the environmental, social, and economic impacts of climate changes and strategies to reduce carbon pollution and prepared student for employment opportunities in the clean energy economy.
- A person at or below the 200% of the federal poverty line is not required to pay certain vehicle registration fees such as $3.00 filing fee, vehicle license fee, and vehicle registration fee for vehicles under certain weights.

Rural Economic Development Account:

- Assistance to rural communities, that includes support for low-carbon innovation and entrepreneurship, increased affordable transportation options, and telecommuting by funding the expansion of broadband & telecommunication services.
- Grant application process to competitively select small businesses with projects eligible for funding under the Energy Transformation Account.

- Funding for SBCTC to establish 2 clean energy Centers for Excellence located in community and technical colleges in rural counties.
- Intent to appropriate $30 million in FY 2020 for funding to develop strategies and plans for deployment of broadband infrastructure and access to broadband services to unserved and underserved areas of the state.

Incremental electricity

Adds federal incremental hydroelectricity as an eligible renewable resource under the Energy Independence Act (I-937).

Oversight of Climate Programs:

- Creates a 7-member Joint Committee on Climate Program Oversight to provide ongoing review of the implementation of the carbon tax and funding from the revenues.
- Requires the Governor to develop a framework for government-to-government consultation with Indian tribes consistent with the Centennial Accord and applicable tribal policies.
- Creates a 21-member Community Climate Advisory Board within the Governor's office to oversee implementation of the act toward reducing pollution and facilitating the transition to a clean energy economy.
- Creates a 7- member Economic and Environmental Justice Oversight Panel, as a subcommittee of the Advisory Board, to provide a forum for analysis of whether the policies lead to improvements within highly impacted committees.

Administrative Rules & Preemption

- Prohibits state agencies from adopting or enforcing a statewide program that sets a GHG emissions cap or charge, other than the carbon tax. Any rule, policy, or standard that was previously adopted may not be enforced.
- Prohibits any local government in the state from imposing any comparable carbon tax, charge, or cap on the sale or use of fossil fuels or the retail sale or consumption of electricity generated through the combustion of fossil fuels.
- Expires this act if any statewide law or initiative measure is adopted that places a charge, tax, or cap on the level of carbon emissions within the state.