

WAC 173-424-510 Credit and deficit basics. (1) Carbon intensities.

(a) Except as provided in (b), (c), or (d) of this subsection, regulated parties, credit generators, and aggregators must use a carbon intensity approved by ecology under WAC 173-424-610 for calculating credits and/or deficits.

(b) If a regulated party, credit generator, or aggregator has an ecology-approved provisional carbon intensity under WAC 173-424-610(6), the regulated party, credit generator, or aggregator must use the provisional carbon intensity in calculating credits and/or deficits.

(c) If a regulated party, credit generator, or aggregator has ecology approved temporary carbon intensity under WAC 173-424-610(8), the regulated party, credit generator, or aggregator must use the temporary carbon intensity in calculating credits and/or deficits for the period which it has been approved, unless ecology has subsequently approved a permanent carbon intensity for that fuel.

(d) If a registered party purchases a blended finished fuel and the seller does not provide carbon intensity information, then the registered party must:

(i) Use the applicable substitute fuel pathway code in Table 7 under WAC 173-424-900 or otherwise ecology approved and posted on its website under WAC 173-424-610(11) if the fuel is:

- (A) Exported;
- (B) Not used for transportation; or
- (C) Used in an exempt fuel use; and

(ii) Use the weighted average of the applicable substitute fuel pathway codes as described in (d)(i) of this subsection for the fossil fuel and biofuel or biofuels components, if the finished fuel blend is not listed.

(2) **Fuel quantities.** Regulated parties, credit generators, and aggregators must express fuel quantities in the unit of fuel for each fuel.

(3) **Compliance period.** The annual compliance period is January 1st through December 31st of each year, except the initial compliance period is January 1, 2023, through December 31, 2024. Registered entities can generate and transact credits during the initial compliance period.

(4) **Metric tons of CO₂ equivalent.** Regulated parties, credit generators, and aggregators must express credits and deficits to the nearest whole metric ton of carbon dioxide equivalent.

(5) **Deficit and credit generation.**

(a) Credit generation. A clean fuel credit is generated when:

(i) The fuel is produced, imported, or dispensed for use in Washington, as applicable, and the carbon intensity of the fuel approved for use under WAC 173-424-600 through 173-424-630 is less than the clean fuel standard for:

(A) Gasoline and gasoline substitutes in Table 1 under WAC 173-424-900; or

(B) Diesel fuel and diesel substitutes in Table 2 under WAC 173-424-900.

(ii) A valid and accurate quarterly report is issued in the WFRS.

(b) Deficit generation. A clean fuel deficit is generated when:

(i) Fuel is produced, imported, or dispensed for use in Washington, as applicable, and the carbon intensity of the fuel approved for

use under WAC 173-424-600 through 173-424-630 is more than the clean fuel standard for:

(A) Gasoline and gasoline substitutes in Table 1 under WAC 173-424-900; or

(B) Diesel fuel and diesel substitutes in Table 2 under WAC 173-424-900.

(ii) Deficits are generated when a valid and accurate quarterly report is issued in the WFRS.

(c) No credits may be generated or claimed for any transactions or activities occurring in a quarter for which the quarterly reporting deadline has passed, unless the credits are being generated for residential charging of electric vehicles.

(6) **Mandatory retirement of credits.** When filing the annual report at the end of a compliance period, a registered party that possesses credits must retire a sufficient number of credits such that:

(a) Enough credits are retired to completely meet the registered party's compliance obligation for that compliance period; or

(b) If the total number of the registered party's credits is less than the total number of the regulated party's deficits, the registered party must retire all of its credits.

(7) **Credit retirement hierarchy.** The WFRS will use the following default hierarchy to retire credits for the purposes of meeting a compliance obligation according to the following sequence:

(a) Credits acquired or generated in a previous compliance period prior to credits generated or acquired in the current compliance period;

(b) Credits generated in an earlier quarter before credits generated in a later quarter; and

(c) Credits with an earlier completed transfer "recorded date" before credits with a later completed transfer "recorded date."

[Statutory Authority: Chapter 70A.535 RCW. WSR 22-24-004 (Order 21-04), § 173-424-510, filed 11/28/22, effective 12/29/22.]