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**SENATE BILL 5981**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Senators Carlyle, Palumbo, and Lovelett

AN ACT Relating to implementing a greenhouse gas emissions cap and trade program; amending RCW 70.235.020 and 70.94.151; adding a new chapter to Title 70 RCW; creating a new section; prescribing penalties; and providing a contingent expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  INTENT AND FINDINGS. (1) The legislature finds that climate change is harming the state and that without substantial reductions in greenhouse gas emissions, the harm to the state will be greatly increased. While Washington's emissions are only a small part of the global emissions of greenhouse gases, the state must act to reduce its own emissions while providing leadership and a model for action by other jurisdictions to address their own emissions. The 2008 legislature established statewide emissions limits that are to be achieved by 2020, 2035, and 2050, but did not enact a comprehensive program to ensure that the emissions reductions would be accomplished. Further, more recent scientific data indicates that these emissions limits are insufficient for the state to contribute its fair share of reductions necessary to avoid the most extreme impacts of global warming. The legislature by this act revises the state's emissions limits to be consistent with this scientific consensus, and to provide a comprehensive pathway to achieve these reductions in a manner that is fair among all major emissions sources. This program will meet Washington state's commitment to its present and future generations to fully address the climate change challenge.

(2) The centerpiece of this program is the creation of a cost-effective carbon pollution market for reducing greenhouse gas emissions that is capable of being integrated with emissions reduction programs in other jurisdictions. The Washington program will allow the state to achieve the necessary statewide emissions reductions in the most cost-effective manner through market trading of emission allowances. By implementing this program, the state will not only contribute its fair share of necessary global emissions reductions, but will also grow the state's clean energy economy and provide greater certainty to Washington businesses.

NEW SECTION. **Sec.**  DEFINITIONS. The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Aggregation" means an approach for qualifying and quantifying offset projects that allows for the grouping together of two or more geographically or temporally separate activities that result in reductions or removals of greenhouse gases in a similar manner.

(2) "Allowance" means a tradable authorization to emit up to one metric ton of carbon dioxide equivalent.

(3) "Allowance price containment reserve" means an account maintained by the department with allowances available for sale through separate reserve auctions at predefined prices to assist in containing compliance costs for covered and opt-in entities in the event of unanticipated high costs for compliance instruments.

(4) "Annual allowance budget" means the total number of greenhouse gas allowances allocated for auction and distribution for one calendar year by the department.

(5) "Auction" means the process of selling greenhouse gas allowances by offering them up for bid, taking bids, and then distributing the allowances to winning bidders.

(6) "Auction floor price" means a price for allowances below which bids at auction would not be accepted.

(7) "Auction purchase limit" means the limit on the number of allowances one registered entity or a group of affiliated registered entities may purchase from the share of allowances sold at an auction.

(8) "Carbon dioxide equivalent" means a measure used to compare the emissions from various greenhouse gases based on their global warming potential.

(9) "Compliance instrument" means an allowance or offset credit issued by the department or by an external greenhouse gas emissions trading program to which Washington has linked its carbon pollution program. A covered or opt-in entity may use one compliance instrument to fulfill each compliance obligation equivalent to one metric ton of carbon dioxide equivalent.

(10) "Compliance obligation" means the requirement to turn in to the department the number of compliance instruments equivalent to a covered or opt-in entity's covered emissions during the compliance period.

(11) "Covered emissions" means the emissions for which a covered entity has a compliance obligation under section 14 of this act.

(12) "Covered entity" means a person that is designated by the department as subject to sections 4 through 18 of this act.

(13) "Department" means the department of ecology.

(14) "Direct environmental benefits in the state" means:

(a) A reduction in or avoidance of emissions of any air contaminant in this state other than a greenhouse gas;

(b) A reduction in or avoidance of pollution of any of the waters of the state; or

(c) An improvement in the health of natural and working lands in this state.

(15) "Emissions threshold" means the greenhouse gas emission level at or above which a person has a compliance obligation.

(16) "External greenhouse gas emissions trading program" means a government program, other than Washington's program created in this chapter, that restricts greenhouse gas emissions from sources outside of Washington through an emissions trading program.

(17) "Facility" includes any physical property, plant, building structure, source, or stationary equipment located on one or more contiguous or adjacent properties in actual physical contact or separated solely by a public roadway or other public right-of-way and under common ownership or control, that emits or may emit greenhouse gas. "Facility" includes a refinery facility.

(18) "First jurisdictional deliverer" means the first person over which the state of Washington has jurisdiction that generates or procures electricity for use within the state and delivers the electricity to the first point of delivery into the state.

(19) "General market participant" means a registered entity that is not identified as a covered entity or an opt-in entity that is registered in the program registry and intends to purchase, hold, sell, or voluntarily retire compliance instruments.

(20) "Greenhouse gas" includes carbon dioxide, methane, nitrogen trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons, perfluorocarbons, and other fluorinated greenhouse gases.

(21) "Highly impacted communities" means those communities identified pursuant to section 25 of this act.

(22) "Holding limit" means the maximum number of allowances that may be held for use or trade by a registered entity at any one time.

(23) "Imported electricity" means electricity generated outside the state of Washington and delivered for use within the state, but which did not originate from any jurisdiction with which Washington has a linkage agreement.

(24) "Limits" means the greenhouse gas emissions reductions required by RCW 70.235.020.

(25) "Linkage agreement" means a formal agreement that connects two or more carbon market programs to reciprocally recognize each jurisdiction's compliance instruments.

(26) "Offset credit" means a tradable compliance instrument that represents an emissions reduction or emissions removal of one metric ton of carbon dioxide equivalent.

(27) "Offset project" means a project that reduces or removes greenhouse gases that are not regulated emissions under this chapter.

(28) "Offset protocols" means a set of procedures and standards to quantify greenhouse gas reductions or greenhouse gas removals achieved by an offset project.

(29) "Person" includes an individual, firm, partnership, franchise holder, association, organization, corporation, business trust, company, limited liability company, or government entity.

(30) "Point of delivery" means a point on the electricity transmission or distribution system physically located in Washington where a power supplier delivers electricity for use in the state. This point may be an interconnection with another system or a substation where the transmission provider's transmission and distribution systems are connected to another system, or a distribution substation where electricity is imported into the state over a multijurisdictional retail provider's distribution system.

(31) "Program" means the emissions cap and trade program implemented in this chapter.

(32) "Program registry" means the data system in which covered parties, opt-in entities, and general market participants are registered and in which compliance instruments are recorded and tracked.

(33) "Refinery facility" means a facility in Washington that is operated by a person who also produces, refines, imports, or delivers, or any combination of producing, refining, importing, or delivering, a quantity of fuel that, if completely combusted, oxidized, or used in other processes, would result in the release of greenhouse gas equivalent to or higher than the reporting threshold established in RCW 70.94.151(5)(a).

(34) "Registered entity" means a covered entity, opt-in entity, or general market participant that has completed the process for registration in the program registry.

(35) "Retire" means to permanently remove an allowance or offset credit such that the allowance or offset credit may never be sold, traded, or otherwise used again.

(36) "Supplier" means a supplier of fuel in Washington state as defined in RCW 70.94.151(5)(h)(ii). "Supplier" also means a supplier of carbon dioxide in Washington that, if released, would result in greenhouse gas emissions equivalent to or higher than that threshold.

(37) "Surrender" means to transfer an allowance or offset credit to the department, either to meet a compliance obligation or on a voluntary basis.

NEW SECTION. **Sec.**  GREENHOUSE GAS EMISSIONS CAP AND TRADE PROGRAM. (1) In order for the state's emissions reduction limits established in RCW 70.235.020 to be achieved, the department shall implement a greenhouse gas emissions cap and trade program for emissions from covered entities by creating and distributing allowances that are tradable among registered entities in the program and that are tradable beyond the program when linked to another program or programs.

(2) The program consists of:

(a) Annual allowance budgets that limit emissions from covered entities, as provided in section 4 of this act;

(b) Defining those entities covered by the program, and those entities that may voluntarily opt into coverage under the program, as provided in sections 5 and 6 of this act;

(c) Distribution of emission allowances by auction, as provided in section 10 of this act, and through the allowance price containment provisions under section 11 of this act;

(d) Providing for offset credits as a method for meeting a compliance obligation, pursuant to section 13 of this act;

(e) Defining the compliance obligation for covered entities, as provided in section 14 of this act;

(f) Establishing the authority of the department to enforce the program requirements, as provided in section 15 of this act;

(g) Creating a carbon pollution reduction account for the deposit of receipts from the distribution of emission allowances, as provided in section 21 of this act;

(h) Providing for the transfer of allowances and recognition of compliance instruments issued by jurisdictions that enter into linkage agreements with the state, as provided in section 16 of this act.

(3) The department shall implement the program in a manner that allows linking the state's program with other jurisdictions having similar programs, where such linkage will provide for a more cost-effective means for Washington covered entities to meet their compliance obligations while recognizing the special characteristics of the state's economy and industries, and ensure that the standards of section 16 of this act are met.

(4) The department shall, to the maximum extent practicable, implement the program in a manner that is integrated with other complementary policies and programs that reduce greenhouse gas emissions. The department must consider the entire life cycle of emissions associated with the consumption of fossil fuels and electricity in the state, and design the program to avoid fuel shuffling or other shifts in fuels or electricity sources that increases the net emissions when considering the combined impacts of this program and other complementary emissions reduction programs.

NEW SECTION. **Sec.**  SETTING ANNUAL ALLOWANCE BUDGETS. (1) The department shall commence the program by determining the proportionate share that the total greenhouse gas emissions of covered entities for the years 2013 through 2017 bears to the total anthropogenic greenhouse gas emissions in the state during those years. By October 1, 2020, the department shall adopt a program budget for each calendar year of allowances for all covered entities to be distributed from January 1, 2021, through December 31, 2035. The project budget must be set to achieve the share of reductions by covered entities necessary to achieve the 2035 statewide emission limits established in RCW 70.235.020. The department must adopt annual allowance budgets for the program on a calendar year basis that provide for substantially equivalent reductions year to year over this period.

(2) The department must complete an evaluation by December 31, 2026, of the performance of the program, and make adjustments in the annual budgets to ensure achievement of 2035 emission reduction limits identified in RCW 70.235.020. By October 1, 2034, the department shall adopt by rule the annual program budgets for the years 2036 through 2050. The department must complete an evaluation by December 31, 2042, of the performance of the program, and make adjustments in the annual budgets to ensure achievement of 2050 emission reduction limits identified in RCW 70.235.020. Nothing in this subsection precludes the department from making additional adjustments as necessary to ensure successful achievement of emission reduction limits.

NEW SECTION. **Sec.**  ENTITIES REQUIRED TO BE COVERED IN THE PROGRAM. (1) A person is a covered entity as of the beginning of the first compliance period and all subsequent compliance periods if the person reported emissions under RCW 70.94.151 in any calendar year from 2016 through 2018 that equals or exceeds any of the following thresholds:

(a) Where the person operates a facility and the facility's emissions equal or exceed twenty-five thousand metric tons of carbon dioxide equivalent;

(b) Where the person is a first jurisdictional deliverer bringing electricity into the state and the cumulative total of emissions associated with imported electricity into the state from specified or unspecified sources equals or exceeds twenty-five thousand metric tons of carbon dioxide equivalent. For a specified source, the person must have either full or partial ownership in the facility, or a written power contract to procure electricity at the facility, at the time of entry of the transaction to procure electricity;

(c) Where the person generates electricity in the state whose emissions associated with such generation equals or exceeds twenty-five thousand metric tons of carbon dioxide equivalent;

(d) Where the person supplies natural gas in amounts whose emissions associated with such supplies exceeds twenty-five thousand metric tons, excluding the amounts supplied to covered entities under (a), (b), (c) or (e) of this subsection;

(e) Where the person is a fuel supplier other than natural gas and has reported twenty-five thousand metric tons or more of carbon dioxide equivalent emissions that would result from the full combustion or oxidation of the supplied fuels and has a compliance obligation for the emissions from the full combustion or oxidation of those supplied fuels consistent with subsection (6) of this section; and

(f) Where the person operates a facility and is a direct purchaser of electricity from a federal power market agency or from a joint operating entity and the associated emissions from both the facility and purchased electricity equals or exceeds twenty-five thousand metric tons of carbon dioxide equivalent.

(2) When a covered entity reports, during a compliance period, emissions from a facility under RCW 70.94.151 that are below the thresholds specified in subsection (1) of this section, the covered entity continues to have a compliance obligation through the current compliance period. When a covered entity reports emissions below the threshold during an entire compliance period, or has ceased all processes at the facility requiring reporting under RCW 70.94.151, the entity is no longer a covered entity unless the department provides notice at least twelve months before the end of the compliance period that the facility's emissions were within ten percent of the threshold and that the person will continue to be designated as a covered entity in order to ensure equity among all covered entities.

(3) For types of emissions sources described in subsection (1) of this section that begin or modify operation after January 1, 2021, coverage under the program starts in the calendar year where emissions from the source exceed the applicable thresholds in subsection (1) of this section. Sources meeting these conditions are required to surrender their first allowances on the first surrender deadline of the year following the year in which their emissions were equal to or exceeded the emissions threshold.

(4) For emissions sources described in subsection (1) of this section that are in operation or otherwise active between 2014 and 2018 but were not required to report emissions for those years, coverage under the program starts in the calendar year following the year where emissions from the source exceed the applicable thresholds in subsection (1) of this section as reported pursuant to RCW 70.94.151, or upon formal notice from the department that the source is expected to exceed the applicable emissions threshold for the first year that source is required to report emissions, whichever happens first. Sources meeting these conditions are required to surrender their first allowances on the first surrender deadline of the year following the year in which their emissions, as reported under RCW 70.94.151, were equal to or exceeded the emissions threshold.

(5) Emissions that are not required to be reported under RCW 70.94.151 are not covered by the program. In addition, the following emissions are not covered by the program and must not be included in determining the applicability of the emission thresholds in subsection (1) of this section:

(a) Emissions from the combustion of biomass in the form of fuel wood, wood waste, wood by-products, and wood residuals, as long as the source biomass is harvested pursuant to an approved timber management plan prepared in accordance with the forest practices act under chapter 76.09 RCW, a habitat conservation plan, or other state or federally approved management plan, or harvested under an approved forest fire fuel reduction or forest stand improvement plan;

(b) Emissions from combustion of biofuels or the biofuel component of blended fuels. For the purposes of this section, "biofuel" means a liquid or gaseous fuel produced directly from biological feedstocks;

(c) Emissions from the combustion of aviation fuels;

(d) Emissions from watercraft fuels supplied in Washington that are combusted outside of Washington;

(e) Emissions from a coal-fired electric generation facility exempted from additional greenhouse gas limitations, requirements, or performance standards under RCW 80.80.110;

(f) Vented or fugitive emissions that are unintentional and could not reasonably pass through a stack, chimney, vent, or other functionally equivalent opening; and

(g) Emissions from facilities with North American industry classification system code 92811 (national security).

(6) The department shall not require multiple covered entities to have a compliance obligation for the same emissions. The department may by rule authorize refineries, fuel suppliers, facilities using natural gas, and natural gas suppliers to provide by agreement for the assumption of the compliance obligation for fuel or natural gas supplied and combusted in the state. The department must be notified of such an agreement at least twelve months prior to the compliance obligation period for which the agreement is applicable.

NEW SECTION. **Sec.**  REGISTRATION REQUIREMENTS FOR PROGRAM PARTICIPATION. (1) All covered entities must register to participate in the program, following procedures adopted by the department by rule.

(2) Entities registering to participate in the program must describe any direct or indirect affiliation with other registered entities.

(3) A person responsible for greenhouse gas emissions that is not a covered entity may voluntarily participate in the program by registering as an opt-in entity. An opt-in entity must satisfy the same registration requirements as covered entities. Once registered, an opt-in entity is allowed to participate as a covered entity in auctions and must assume the same compliance obligation to surrender compliance instruments equal to their emissions at the appointed surrender dates. An opt-in entity may opt out of the program at the end of any compliance period by providing written notice to the department at least six months prior to the end of the compliance period. The opt-in entity continues to have a compliance obligation through the current compliance period.

(4) A person that is not covered by the program and is not a covered entity or opt-in entity may voluntarily participate in the program as a general market participant. General market participants must meet all applicable registration requirements specified by rule.

NEW SECTION. **Sec.**  EMISSIONS INTENSIVE, TRADE-EXPOSED ENTITIES. (1)(a) In order to mitigate leakage, by January 1, 2020, the department shall adopt rules for allocating allowances that must be surrendered by those covered entities listed in (b) of this subsection and additional entities that the department determines are engaged in emissions intensive, trade-exposed processes as described in subsection (2) of this section. The rules must establish a schedule for 2021 through 2035 that provides for a declining portion of the allocation to such covered entities that must be provided at no cost. The department shall contract with third-party experts that are not financially affiliated with industries under consideration to assist the department in gathering data and conducting analysis as necessary to implement the provisions of this subsection. The department shall also consider approaches used by other jurisdictions with existing carbon reduction or carbon pricing programs.

(b) A covered or opt-in entity must receive an allocation under this subsection if the entity is classified as being engaged in one or more of the processes described by the following industry descriptions and codes in the North American industry classification system:

(i) Primary metal manufacturing, including iron and steel milling, ferroalloy and primary metal manufacturing North American industry classification system codes beginning with 331;

(ii) Secondary metals manufacturing, including smelting, refining, and alloying of nonferrous metal, North American industry classification code 331492;

(iii) Paper manufacturing, including pulp mills, paper mills, and paperboard milling, North American industry classification system codes beginning with 322;

(iv) Aerospace product and parts manufacturing, North American industry classification system codes beginning with North American industry classification system code 3364;

(v) Wood products manufacturing, North American industry classification system codes beginning with 322;

(vi) Nonmetallic mineral manufacturing, including glass container manufacturing, North American industry classification system codes beginning with 327;

(vii) Chemical manufacturing, North American industry classification system codes beginning with 325;

(viii) Computer and electronic product manufacturing, including semiconductor and related device manufacturing, North American industry classification system codes beginning with 334;

(ix) Food manufacturing, North American industry classification system codes beginning with 311;

(x) Petroleum refining, North American industry classification system codes beginning with 324; and

(xi) Cement manufacturing, North American industry classification system code 327310.

(2) By January 1, 2021, the department must adopt a rule establishing objective numerical criteria for both emissions intensity and trade exposure for the purpose of identifying emissions-intensive trade-exposed manufacturing businesses not listed in subsection (1)(b) of this section. The criteria must incorporate, to the extent possible, approaches used by other jurisdictions with existing carbon reduction or carbon pricing programs, particularly those with which linkage agreements are anticipated. A manufacturing business that can demonstrate to the department that it meets this criteria is eligible for the same treatment as entities listed in subsection (1)(b) of this section.

(3) Rules adopted under this section must utilize a combined output-based and emissions intensity-based assessment benchmarking methodology for determining the allocation of allowances to energy intensive, trade-exposed industries. The rules must apply, for each energy intensive, trade-exposed process, an emissions intensity benchmark that is consistent with that provided in similar emissions reduction programs in other jurisdictions for covered entities in the same industry. A covered entity with a lower emissions intensity benchmark must receive a larger allocation than other covered entities engaged in the same industry with higher emissions intensities.

(4) The rules must provide a means for attributing a covered entity's emissions to the manufacture of individual goods and requirements for providing pertinent records to verify the output data used to calculate the emissions intensity benchmark.

(5) The annual allocation of allowances for direct distribution to an entity described under subsection (1) of this section must be equal to the sum of the annual goods-specific emissions calculation for the goods manufactured by the covered entity, multiplied by:

(a) During calendar year 2024, one hundred percent;

(b) Beginning in 2025 and for each year thereafter through 2050, a percentage that is adjusted annually, as set forth in a schedule adopted by the department by rule. The schedule must result in an amount of annual allowances that a covered entity may receive under this section and from the allowance price containment reserve that declines annually by a constant amount proportionate to the decline in the amount of allowances available in annual allowance budgets pursuant to section 4 of this act.

(6) By 2025, and once every two years thereafter, the department shall conduct a review of the rules adopted under this section and any updated data and analysis to determine whether updates to the rules are necessary to:

(a) Mitigate leakage by covered entities engaged in energy intensive, trade-exposed processes;

(b) Prevent allocation to covered entities of allowances under this section that are in excess of the allocation necessary to mitigate leakage;

(c) Update the applicable emissions intensity benchmarks for any energy-intensive, trade-exposed processes; and

(d) Revise the scope of industries designated by rule as energy-intensive, trade-exposed under this section.

(7) The department shall by rule provide for covered entities to apply to the department for an adjustment to the allocation for direct distribution of allowances. The department may grant the adjustment based only on either:

(a) A significant change in the emissions attributable to the manufacture of an individual good or goods in this state by a covered entity based on a finding by the department that an adjustment is necessary to accommodate for changes in the manufacturing process that have a material impact on emissions; or

(b) Significant changes to a covered entity's external competitive environment that result in a significant increase in leakage risk.

NEW SECTION. **Sec.**  ELECTRICITY SUPPLIERS. (1)(a) The legislature intends by this section to align the program created in section 3 of this act with the requirements of chapter . . ., (Second Substitute Senate Bill No. 5116 or Substitute House Bill No. 1211), Laws of 2019, which will require declining emissions in the supply of electricity in the state to achieve a 2030 carbon neutral standard and no greenhouse gas emissions by 2045. If Second Substitute Senate Bill No. 5116 or Substitute House Bill No. 1211 is not enacted by June 30, 2019, this section is void and has no force or effect.

(b) In order to mitigate the impact on rates or charges on citizens of the state for electricity services, by January 1, 2020, the department, in consultation and collaboration with both the department of commerce and the utilities and transportation commission, shall adopt rules for allocating allowances that must be surrendered by those covered entities listed in section 5(1) (b) and (c) of this act. The rules must establish a schedule for 2021 through 2035 that provides for the allocation to such covered entities that must be provided at no cost. The department shall contract with third-party experts not financially affiliated with industries under consideration to assist the department in gathering data and conducting analysis as necessary to implement the provisions of this subsection.

(2) The rules must provide a means for attributing a covered entity's emissions to the delivery of electricity and requirements for providing pertinent records to verify the output data used to calculate the emissions intensity benchmark.

(3) By December 31, 2020, the department, the department of commerce, and the utilities and transportation commission shall provide a report to the appropriate committees of the legislature that analyzes the implications of the emerging energy imbalance market and a fully regionalized grid for allowance allocation to covered entities that are electricity providers.

NEW SECTION. **Sec.**  NATURAL GAS SUPPLIERS. (1) The department shall adopt rules for allocating allowances for direct distribution at no cost to covered entities that are natural gas utilities. Rules adopted under this subsection must allow for a natural gas utility to be directly distributed allowances at no cost in an amount equal to the covered emissions attributable to the provision of natural gas service to the natural gas utility's low-income residential customers. By January 1st of the first year of each compliance period, the department shall determine, after consultation with the utilities and transportation commission, the quantity of allowances to allocate directly at no cost to a natural gas utility over the course of the compliance period. The rules must require the allowances be used exclusively to minimize the impacts of sections 2 through 19 of this act on low-income residential customers through actions that include, but are not limited to, weatherization, conservation and efficiency services, and bill pay assistance. The rules must also ensure public input on the use of the allowances, including the recommendations of the environmental and economic justice panel created in section 28 of this act.

(2) By December 31, 2023, the department in collaboration with the department of commerce and the utilities and transportation commission must provide a report to the appropriate committees of the legislature on the allocation of allowances to natural gas companies. The report must address the:

(a) Procedures and standards for using the allowances provided at no cost for the benefit of low-income customers, obtaining emission reductions, and achieving system and end-use energy efficiency; and

(b) Merits of increasing the allocation of allowances to natural gas utilities to minimize the impacts of the program upon additional residential uses as well as small businesses.

NEW SECTION. **Sec.**  ALLOWANCE DISTRIBUTION THROUGH AUCTIONS. (1) Except as provided in sections 7 and 8 of this act, the department shall distribute allowances through auctions as provided in this section and section 11 of this act, and in rules adopted by the department to implement these sections. An allowance is not a property right.

(2) The department shall hold a maximum of four auctions annually. An auction may include allowances from the annual allowance budget of the current year and allowances from the annual allowance budgets from prior years that remain to be distributed. The department must make future vintage allowances available through separate auctions at least twice annually in addition to the auctions through which current vintage allowances are exclusively offered.

(3) The department shall engage a qualified, independent contractor to run the auctions. The department shall also engage a qualified financial services administrator to hold the bid guarantees, evaluate bid guarantees, and inform the department of the value of bid guarantees once the bids are accepted.

(4) To help minimize allowance price volatility in the auction and any secondary markets, the department shall adopt by rule an auction floor price and a schedule for the floor price to increase by a predetermined amount every year through 2030. The department shall not sell allowances at bids lower than the auction floor price. The department's rules must specify holding limits that determine the maximum number of allowances that may be held for use or trade by a registered entity at any one time. The department shall also establish an auction ceiling price to limit extraordinary prices and to determine when to offer allowances through the allowance price containment reserve auctions authorized under section 11 of this act.

(5) Auctions are open to covered entities, opt-in entities, and general market participants that are registered entities in good standing. The department shall adopt by rule the requirements for a registered entity to register and participate in a given auction.

(a) Registered entities intending to participate in an auction must submit an application to participate at least thirty days prior to the auction. The application must include the documentation required for review and approval by the department. A registered entity is eligible to participate only after receiving a notice of approval by the department.

(b) Each registered entity that elects to participate in the auction must have a different representative. Only a representative with an approved auction account is authorized to access the auction platform to submit an application or confirm the intent to bid for the registered entity, submit bids on behalf of the registered entity during the bidding window, or to download reports specific to the auction.

(6) To protect the integrity of the auctions, a registered entity or group of registered entities with a direct corporate association are subject to the following auction purchase limits:

(a) A covered entity or an opt-in entity may not buy more than twenty-five percent of the allowances offered during a single auction;

(b) A general market participant may not buy more than four percent of the allowances offered during a single auction;

(c) No registered entity may buy more than the entity's bid guarantee; and

(d) No registered entity may buy allowances that would exceed the entity's holding limit at the time of the auction.

(7) Upon completion of the auction results, the financial services administrator shall notify winning bidders and transfer the auction proceeds to the state treasurer for deposit in the carbon pollution reduction account created in section 21 of this act.

(8) The department shall adopt by rule provisions to guard against bidder collusion and minimize the potential for market manipulation. A registered entity may not release or disclose any bidding information including: Intent to participate or refrain from participation; auction approval status; intent to bid; bidding strategy; bid price or bid quantity; or information on the bid guarantee provided to the financial services administrator. The department may cancel or restrict a previously approved auction participation application or reject a new application if the department determines that a registered entity has:

(a) Provided false or misleading facts;

(b) Withheld material information that could influence a decision by the department;

(c) Violated any part of the auction rules;

(d) Violated registration requirements; or

(e) Violated any of the rules regarding the conduct of the auction.

(9) Any cancellation or restriction approved by the department may be permanent or for a specified number of auctions and the cancellation or restriction imposed is in addition to any other penalties, fines, and additional remedies available under the law.

(10) The department shall design allowance auctions so as to allow, to the maximum extent practicable, linking with external greenhouse gas emissions trading programs in other jurisdictions and to facilitate the transfer of allowances when the state's program is linked with other external greenhouse gas emissions trading programs. The department may conduct auctions jointly with other jurisdictions with which it has a linkage agreement under section 16 of this act. For joint auctions, the financial services administrator, the market monitor, and the auction administrator must be the same as the one employed by those jurisdictions.

NEW SECTION. **Sec.**  ALLOWANCE PRICE CONTAINMENT RESERVE. (1) During years 2021 through 2023, the department shall place not less than four percent of the total number of allowances available from the allowance budgets for those years in an allowance price containment reserve. The reserve must be designated as a mechanism to assist in containing compliance costs for covered and opt-in entities in the event of unanticipated high costs for compliance instruments.

(2) The department shall adopt rules for holding auctions of allowances from the price containment reserve when the settlement prices in the preceding auction approach the adopted auction ceiling price. The auction must be separate from auctions of other allowances. Allowances unsold through the reserve auction must be made available again at future reserve auctions.

(3) Only covered and opt-in entities may participate in the auction of allowances from the allowance price containment reserve.

(4) The process for reserve auctions is the same as the process provided in section 10 of this act and the proceeds from reserve auctions must be treated the same.

(5) The department shall by rule:

(a) Set the reserve auction floor price in advance of the reserve auction. The department shall set the reserve auction floor price high enough to incentivize direct emissions reductions. The department may choose to establish multiple price tiers for the allowances from the reserve;

(b) Establish the requirements and schedule for the allowance price containment reserve auctions; and

(c) Establish the amount of allowances to be placed in the allowance price containment reserve after the compliance period ending in 2023.

NEW SECTION. **Sec.**  EMISSIONS CONTAINMENT RESERVE. The department shall establish an emissions containment reserve for the purpose of reserving allowances otherwise scheduled for distribution under the annual budget when auction prices in two or more recent auctions demonstrate that achievement of the annual caps and emission limits of RCW 70.235.020 may be in jeopardy. The department shall by rule adopt criteria for placing emission allowances in such a reserve, including the auction price levels at which the allowances may be placed in the reserve, the amount of allowances to be placed in the reserve, and the criteria for retiring the allowances permanently or distributing the allowances in future auctions.

NEW SECTION. **Sec.**  OFFSET CREDITS. (1) The department shall adopt by rule the protocols for establishing offset projects and securing offset credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation under section 14 of this act.

(2) Offset projects:

(a) Must be located in the United States or in a jurisdiction with which the department has entered into a linkage agreement pursuant to section 16 of this act;

(b) Must result in greenhouse gas reductions or removals that:

(i) Are real, permanent, quantifiable, verifiable, and enforceable; and

(ii) Are in addition to greenhouse gas emissions reductions or removals otherwise required by law and other greenhouse gas emissions reductions or removals that would otherwise occur; and

(c) Must have been certified by a recognized registry within two years prior to the effective date of this section.

(3)(a) A total of no more than eight percent of a covered or opt-in entity's compliance obligation during the years 2021 through 2023 may be met by surrendering offset credits. During these years, at least seventy-five percent of a covered entity's compliance obligation satisfied by offset credits must be sourced from offset projects that provide direct environmental benefits in the state.

(b) A total of no more than six percent of a covered or opt-in entity's compliance obligation during the years 2024 through 2034 may be met by surrendering offset credits. During these years, at least fifty percent of a covered entity's compliance obligation satisfied by offset credits must be sourced from offset projects that provide direct environmental benefits in the state.

(c) The limits in (a) and (b) of this subsection may be modified by rules adopted by the department when appropriate to ensure achievement of the statewide emissions limits established in RCW 70.235.020 and to provide for alignment with other jurisdictions to which the state has entered or proposes to enter a linkage agreement.

(d) Any offset project on tribal land do not count against the offset credit limits described in (a) and (b) of this subsection. No more than five percent of a covered or opt-in entity's compliance obligation may be met by surrendering offset credits from projects on tribal land.

(4) In adopting protocols governing offset projects and covered and opt-in entities' use of offset credits, the department shall:

(a) Take into consideration standards, rules, or protocols for offset projects and offset credits established by other states, provinces, and countries with programs comparable to the program established in this chapter;

(b) Encourage opportunities for the development of offset projects in this state by adopting offset protocols that may include, but need not be limited to, protocols that make use of aggregation or other mechanisms to reduce transaction costs related to the development of offset projects;

(c) Consult with and consider the recommendations of the advisory committee required by subsection (6) of this section, and the departments of agriculture, commerce, and natural resources, and other relevant agencies;

(d) Adopt a process for monitoring and invalidating offset credits as necessary to ensure the credit reflects emissions reductions or removals that continue to meet the standards required by subsection (1) of this section. If an offset credit is invalidated, the covered or opt-in entity must, within six months of the invalidation, surrender replacement credits or allowances to meet its compliance obligation. Failure to surrender the required credits or allowances is a violation subject to penalties as provided in section 15 of this act.

(5) The offset credit must be registered and tracked as a compliance instrument under section 18 of this act.

(6) The director shall appoint a compliance offsets protocol advisory committee to advise the department in adopting and updating rules governing offset projects and covered and opt-in entities' use of offset credits. The advisory committee shall provide guidance in developing protocols for the purposes of increasing offset projects with direct environmental benefits in this state while prioritizing projects that benefit highly impacted communities, Indian tribes, and natural and working lands. The director shall appoint at least one member to the advisory committee from each of the following groups:

(a) Scientists;

(b) Public health experts;

(c) Carbon market experts;

(d) Representatives of Indian tribes;

(e) A member of the environmental and economic justice panel created in section 28 of this act;

(f) Labor and workforce representatives;

(g) Forestry experts;

(h) Agriculture experts;

(i) Environmental advocates;

(j) Conservation advocates;

(k) Dairy experts; and

(l) Covered entities.

NEW SECTION. **Sec.**  COMPLIANCE REQUIREMENTS. (1) A covered or opt-in entity has a compliance obligation for its emissions during each three-year compliance period, with the first compliance period commencing January 1, 2021, except that the covered entities designated in or pursuant to section 7 of this act have a compliance obligation beginning with the compliance period commencing January 1, 2024. A covered or opt-in entity shall surrender a number of compliance instruments equal to their allocated allowances under section 4 of this act as follows:

(a) By November 1, 2022, and every three years thereafter by November 1st, thirty percent of a covered or opt-in entities' compliance obligation for the previous year's covered emissions must be submitted.

(b) By November 1, 2023, and every three years thereafter by November 1st, thirty percent of a covered or opt-in entities' compliance obligation for the previous year's covered emissions must be submitted.

(c) By November 1, 2024, and every three years thereafter by November 1st, compliance instruments covering the remainder of their emissions for the preceding three-year compliance period must be submitted.

(d) Submission of allowances occurs through the transfer of compliance instruments, on or before the surrender date, from the holding account to the compliance account of the covered or opt-in entity as described in section 18 of this act.

(2) A covered or opt-in entity submitting insufficient compliance instruments to meet its compliance obligation is subject to a penalty as provided in section 15 of this act.

(3) Surrendered allowances must be from an allowance budget year that is from the current year or any previous compliance years.

(4) An emission allowance may be surrendered in the same compliance period in which it is created or in any future compliance year.

(5) A covered or opt-in entity may not borrow an allowance from a future allowance year to meet a current or past compliance obligation.

(6) A covered or opt-in entity may bank allowances for use to meet future compliance obligations consistent with subsections (3) and (4) of this section.

(7) A compliance instrument representing an offset credit provided by an entity pursuant to section 13 of this act may be submitted to meet a compliance obligation.

(8) Upon receipt by the department of all compliance instruments surrendered by a covered or opt-in entity to meet its compliance obligation, the department shall retire the allowances or offset credits.

NEW SECTION. **Sec.**  ENFORCEMENT. (1) If a covered or opt-in entity does not submit sufficient allowances to meet its compliance obligation by the specified surrender dates, a penalty of two hundred dollars must be imposed for every one allowance that is missing. Beginning with compliance year 2025, the penalty amount must be adjusted on an annual basis according to the rate of change of the inflation indicator, gross domestic price deflator, as published by the bureau of economic analysis of the United States department of commerce or its successor.

(2) The department may issue an order or issue a penalty of up to ten thousand dollars per day per violation, or both, for a violation of this chapter or the rules adopted under this chapter, including failure to remit the penalty imposed under subsection (1) of this section within six months of issuance of the notice of the penalty.

(3) Appeals of orders and penalties issued under this chapter must be to the pollution control hearings board under chapter 43.21B RCW.

(4) For the first compliance period, the department may reduce the amount of the penalty by adjusting the monetary amount or the number of penalty allowances described in subsections (1) and (2) of this section.

NEW SECTION. **Sec.**  LINKING TO PROGRAMS IN OTHER JURISDICTIONS. (1) The department shall seek to link with other jurisdictions with established market-based carbon emissions reduction programs in order to:

(a) Allow for the mutual use and recognition of compliance instruments issued by Washington and other linked jurisdictions;

(b) Broaden the carbon market to provide Washington businesses with greater flexibility and opportunities for reduced costs to meet their compliance obligations;

(c) Enable allowance auctions to be held jointly and provide for the use of a unified tracking system for compliance instruments;

(d) Enhance market security;

(e) Reduce program administration costs; and

(f) Provide consistent requirements for covered entities whose operations span jurisdictional boundaries.

(2) The department is authorized to execute linkage agreements with other jurisdictions with established market-based carbon emissions reduction programs consistent with the requirements in this chapter and rules adopted by the department. The department must adopt a rule prior to executing a linkage agreement. The rule must be supported by peer-reviewed economic analysis of the impacts of the linkage agreement. A linkage agreement must cover the following:

(a) Provisions relating to quarterly auctions, including requirements for eligibility for auction participation, the use of a single auction provider to facilitate joint auctions, publication of auction-related information, processes for auction participation, purchase limits by auction participant type, bidding processes, dates of auctions, and financial requirements;

(b) Provisions related to holding limits to ensure no entities in any of the programs are disadvantaged relative to their counterparts in the other jurisdictions;

(c) Other requirements, such as greenhouse gas reporting and verification, offset protocols, criteria and process, and supervision and enforcement, to prevent fraud, abuse, and market manipulation;

(d) Common program registry, electronic auction platform, tracking systems for compliance instruments, and monitoring of compliance instruments;

(e) Provisions to ensure coordinated administrative and technical support;

(f) Provisions for public notice and participation; and

(g) Provisions to collectively resolve differences, amend the agreements, and delink or otherwise withdraw from the agreements.

(3) The state must retain legal and policymaking authority over its program design and enforcement.

NEW SECTION. **Sec.**  ALLOWANCE MARKET MONITORING AND OVERSIGHT. (1) The department shall contract with an independent organization to provide the following services relating to the functioning of the compliance instrument market:

(a) Creating a market monitoring and security plan;

(b) Reviewing auction and reserve sale procedures and protocols to ensure fair and competitive auctions;

(c) Auditing and monitoring the auctions to assess the adherence of participants and the auction operator to the adopted procedures and protocols;

(d) Monitoring compliance instrument holding, transfer activity, and secondary market behavior;

(e) Preparing reports on auction results, market activities, and trends; and

(f) Reviewing program guidance documents, program rules, and other policies to mitigate market risk and improve the efficiency of the auctions and market activities.

(2) The department shall coordinate with existing state and federal market regulatory agencies, including the United States commodity futures trading commission, to ensure that all regulatory requirements for conducting trading in allowances are met. The department may consult with other jurisdictions administering emissions trading programs to observe and track market participant behavior across multiple emission trading venues.

(3) The department shall create a carbon markets advisory committee to provide advice and guidance to the department in the design and implementation of the emissions allowance auctions and compliance elements of the program authorized in this chapter. The committee must be composed of experts in emissions trading design with academic, nonprofit, governmental, private sector, or other relevant backgrounds. Committee members must not have a financial conflict with covered or opt-in entities or general market participants under the program authorized in this chapter. By July 1, 2022, and by July 1st every two years thereafter, the committee shall provide an independent assessment of the market monitoring functions and performance of the program.

NEW SECTION. **Sec.**  ALLOWANCE TRADING AND TRACKING COMPLIANCE INSTRUMENTS. (1) The department shall use a secure, online electronic tracking system to: Register entities in the state program; issue compliance instruments; track ownership of compliance instruments; enable and record compliance instrument transfers; facilitate program compliance; and support market oversight. The department may use an existing market tracking system in use by jurisdictions to which it seeks to link programs.

(2) Covered and opt-in entities are each allowed two accounts:

(a) A compliance account where the allowances are transferred to the department for retirement. Allowances in compliance accounts may not be sold, traded, or transferred to another account or person.

(b) A holding account that is used when a registered entity is interested in trading allowances. Allowances in holding accounts may be bought, sold, or traded. The amount of allowances a registered entity may have in its holding account is constrained by the holding limit.

(3) Registered general market participants are each allowed an account, to hold, trade, sell, or surrender allowances.

(4) The department shall maintain an account for the purpose of retiring allowances surrendered by registered entities.

(5) The department may establish or use other existing tracking systems as needed for a functioning carbon market.

NEW SECTION. **Sec.**  PUBLIC RECORDS. In the administration of the program required by this chapter, the department shall ensure the protection from public disclosure of financial, commercial, and proprietary information whose release would place the registered entity submitting the information at a competitive disadvantage. The department shall require any of its contractors working on the program to comply with the disclosure requirements of RCW 42.56.070 and 42.56.270. Nothing in this chapter affects the department's ability to release air quality data or emissions data pursuant to RCW 70.94.205.

**Sec.**  RCW 70.235.020 and 2008 c 14 s 3 are each amended to read as follows:

(1)(a) The state shall limit emissions of greenhouse gases to achieve the following emission reductions for Washington state:

(i) By 2020, reduce overall emissions of greenhouse gases in the state to 1990 levels;

(ii) By 2035, reduce overall emissions of greenhouse gases in the state to ((~~twenty-five~~)) forty percent below 1990 levels;

(iii) By 2050, the state will do its part to reach global climate stabilization levels by reducing overall emissions to ((~~fifty~~)) eighty percent below 1990 levels((~~, or seventy percent below the state's expected emissions that year~~)).

(b) By December 1, 2008, the department shall submit a greenhouse gas reduction plan for review and approval to the legislature, describing those actions necessary to achieve the emission reductions in (a) of this subsection by using existing statutory authority and any additional authority granted by the legislature. Actions taken using existing statutory authority may proceed prior to approval of the greenhouse gas reduction plan.

(c) Except where explicitly stated otherwise, nothing in chapter 14, Laws of 2008 limits any state agency authorities as they existed prior to June 12, 2008.

(d) Consistent with this directive, the department shall take the following actions:

(i) Develop and implement a system for monitoring and reporting emissions of greenhouse gases as required under RCW 70.94.151; and

(ii) Track progress toward meeting the emission reductions established in this subsection, including the results from policies currently in effect that have been previously adopted by the state and policies adopted in the future, and report on that progress.

(2) By December 31st of each even-numbered year beginning in 2010, the department and the department of ((~~community, trade, and economic development~~)) commerce shall report to the governor and the appropriate committees of the senate and house of representatives the total emissions of greenhouse gases for the preceding two years, and totals in each major source sector. The department shall ensure the reporting rules adopted under RCW 70.94.151 allow it to develop a comprehensive inventory of emissions of greenhouse gases from all significant sectors of the Washington economy.

(3) Except for purposes of reporting, emissions of carbon dioxide from industrial combustion of biomass in the form of fuel wood, wood waste, wood by-products, and wood residuals shall not be considered a greenhouse gas as long as the region's silvicultural sequestration capacity is maintained or increased.

NEW SECTION. **Sec.**  CARBON POLLUTION REDUCTION ACCOUNT CREATED. (1) The carbon pollution reduction account is created in the state treasury. All receipts by the state from the distribution of allowances under sections 1 through 19 of this act must be deposited in the account. Moneys in the account may be spent only after appropriation. Moneys in the account must first be appropriated for the administration of chapter . . ., Laws of 2019 (this act).

(2) Beginning July 1, 2021, and annually thereafter, the state treasurer shall distribute funds in the account as follows:

(a) Forty percent of the moneys to the energy transformation account created in section 22 of this act;

(b) Thirty-five percent of the moneys to the energy transition assistance account created in section 23 of this act; and

(c) Twenty-five percent of the moneys to the climate impacts resilience account created in section 27 of this act.

NEW SECTION. **Sec.**  ENERGY TRANSFORMATION ACCOUNT. (1) The energy transformation account is created in the state treasury. The account must receive moneys distributed to the account from the carbon pollution reduction account created in section 21 of this act, any penalty moneys received under section 13 of this act, as well as other moneys directed to the account by the legislature. Moneys in the account may only by spent after appropriation. Moneys in the account must be used by the department of commerce for projects and incentive programs that yield verifiable reductions in carbon pollution in excess of current practices.

(2) Projects and programs eligible for funding from the account must be physically located in Washington state and include but are not limited to the following:

(a) Programs, activities, or projects that deploy renewable energy resources, such as solar and wind power, and projects to deploy distributed generation, energy storage, demand side technologies and strategies, and other grid modernization projects;

(b) Programs, activities, or projects that increase the energy efficiency or reduce carbon emissions of industrial facilities including, but not limited to, proposals to implement combined heat and power, district energy, or on-site renewables, such as solar and wind power, to upgrade the energy efficiency of existing equipment, to reduce process emissions, and to switch to less carbon intensive fuel sources;

(c) Programs, activities, or projects that achieve energy efficiency or emissions reductions in the agricultural sector including fertilizer management, soil management, bioenergy, and biofuels;

(d) Programs, activities, or projects that increase energy efficiency in new and existing buildings, or that promote low-carbon architecture, including use of newly emerging alternative building materials that result in a lower carbon footprint in the built environment over the life cycle of the building and component building materials;

(e) Programs, activities, or projects that reduce carbon emissions in the transportation sector, including projects and programs that:

(i) Accelerate the deployment of zero emission fleets and vehicles, create zero emission vehicle refueling infrastructure, implement biomethane or other gaseous or liquid biofuels for transportation, or deploy grid infrastructure to integrate electric vehicles and charging equipment;

(ii) Reduce vehicle miles traveled or increase public transportation, including investing in public transit, transportation demand management, nonmotorized transportation, affordable transit-oriented housing, and high-speed rural broadband facilities to enable telecommuting options; and

(iii) Increase fuel efficiency in vehicles and vessels where options to convert to zero emission, low-carbon fuels, or public transportation are cost-prohibitive;

(f) Programs, activities, or projects that improve energy efficiency, including district energy, and investments in market transformation of energy efficiency products; and

(g) Programs, activities, or projects that result in sequestration of carbon in forests, agricultural soils, and other terrestrial and aquatic areas.

(3) Public entities including, but not limited to, state agencies, municipal corporations, and federally recognized Indian tribes, as well as private entities, both not-for-profit and for-profit, subject to constitutional limitations, are eligible to receive energy transformation account funds authorized by this section.

(4) Projects, activities, and programs must meet all of the following criteria to be eligible for funding. Emissions reductions from the funding must be:

(a) Real, specific, identifiable, and quantifiable;

(b) Permanent: The department must survey other jurisdictions and make a reasonable determination on length of time recognizing the advantages of near-term reductions and the potential for future technology to mitigate the long-term release of greenhouse gas emissions into the atmosphere; and

(c) Verifiable.

(5) Projects or activities funded under this section must meet high labor standards, including family level wages, providing benefits including health care and pensions, and maximize access to economic benefits from such projects for local workers and diverse businesses.

(6) Funding may be provided for incremental carbon reductions from projects that have already secured funding, but can furnish more carbon reductions with additional resources.

(7) Recipients of funding for projects must submit to the department a progress report at a date or dates to be determined by the department. The progress report must include the following, in addition to any other information the department may require:

(a) A summary of the investments made and technology or other changes installed and deployed; and

(b) Verification of the avoided greenhouse gas emissions since the date of the signed contract or the last report from a qualified third party, as identified by the department of commerce. The qualified third party must report on:

(i) Whether the project was built or implemented according to the proposed design and any protocols or methodologies that were referenced in the proposal, as approved in the funding contract;

(ii) A verification plan that details the methods used to evaluate the project;

(iii) Their review of the recipient's accounting of current and projected emissions reductions;

(iv) The site visits conducted by verifiers; and

(v) Any additional data the department identifies by rule to sufficiently evaluate the project and to provide the highest level of integrity and verification for the emissions reductions.

(8) The department must design project funding contracts, monitor project implementation, and track contract performance, to actively assist the project proponent in securing the expected project outcomes. The department may suspend or terminate funding when projects do not achieve projected reductions as provided in the funding agreement and, in cases of gross misuse of funds, may require a return of grant funding.

(9) A minimum of ten percent of the total investment of funds from the energy transformation account must fund programs, activities, or projects that are located within the boundaries of highly impacted areas identified pursuant to section 25 of this act.

(10) The department must develop an electronic database available to the public to track projects and incentive programs receiving funding under this section. Projects must be ranked and sortable based on quantitative performance metrics, including the avoided cost of a ton of carbon dioxide.

(11) The department must develop an implementation plan for providing funding under this section. The implementation plan, together with recommendations for appropriations and recommended legislative action, must be provided to the climate oversight board created in section 30 of this act and to the governor and appropriate committees of the senate and house of representatives by December 31, 2020.

NEW SECTION. **Sec.**  ENERGY TRANSITION ASSISTANCE ACCOUNT. The energy transition assistance account is created in the state treasury. The account must receive moneys distributed to the account from the carbon pollution reduction account created in section 21 of this act as well as other moneys directed to the account by the legislature. Moneys in the account may only be spent after appropriation. Moneys in the account may only be used for the purposes described in sections 24 and 26 of this act.

NEW SECTION. **Sec.**  ENERGY TRANSITION ASSISTANCE TO LOW-INCOME HOUSEHOLDS. (1) Using funds appropriated from the account created in section 23 of this act, the department of commerce must provide for an equitable transition to a clean energy economy by providing funding to assist low-income households during that transition with increased energy prices that have a disproportionate impact upon such households and to provide access to clean energy and low-carbon housing, transportation options, and technologies to those with greater barriers and where pollution is concentrated. Funding must also be provided to displaced fossil fuel-related industry workers.

(2) Funding must be prioritized to mitigate for the additional energy and transportation costs borne by low-income persons as a result of this chapter and other policies and programs that reduce fossil fuels in the state's energy fuel mix. Funding must also be prioritized to provide assistance to displaced fossil fuel-related industries' workers as provided under section 26 of this act. Remaining funds must be used to reduce carbon pollution and reduce vulnerable population characteristics or environmental burdens in highly impacted communities designated by the department of health under section 25 of this act.

(3) Transition assistance may include direct financial assistance in the form of a grant, subsidy, rebate, or other similar financial benefit or product including:

(a) Expansion of or increases to existing programs and authorizations administered by the department of social and health services;

(b) Expansion of or increases to existing regional community health programs administered by the health care authority;

(c) New programs that efficiently enable direct financial assistance; or

(d) Energy bill pay subsidies, energy efficiency and weatherization assistance and services, public health programs and services, affordable transportation services and options, affordable housing, and improved community services.

(4) The department must develop an implementation plan for providing assistance under this section. The implementation plan, together with recommendations for appropriations and recommended legislative action, must be provided to the climate oversight board created in section 30 of this act and to the governor and appropriate committees of the senate and house of representatives by December 31, 2020.

(5) The department must consult with and accord substantial weight to the recommendations of the environmental and economic justice panel created in section 28 of this act, both in the development of the implementation plan and in developing biennial spending plans for assistance to be provided from funds from the account.

(6) As used in the section, "low-income households" means those Washington residents with an annual income, adjusted for household size, that are at or below the greater of:

(a) Eighty percent of the area median income as reported by the federal department of housing and urban development; or

(b) Two hundred percent of the federal poverty line; and all members of an Indian tribe who meet the income-based criteria for other means-tested benefits through formal resolution by the governing council of an Indian tribe.

NEW SECTION. **Sec.**  IDENTIFICATION OF HIGHLY IMPACTED COMMUNITIES. (1) By December 1, 2020, the department of health must designate highly impacted communities at the census tract level after completing a statewide analysis of environmental disparities and their cumulative impacts on communities. The analysis must be conducted in consultation with vulnerable communities in Washington, including Indian tribes, and must build upon the environmental health disparities analysis and mapping prepared by the University of Washington department of environmental and occupational health sciences.

(2) The environmental disparities analysis must map, rank, and designate a percentile of census tracts as highly impacted communities based on an index of criteria, including:

(a) Vulnerable population characteristics;

(b) Environmental hazard characteristics including, but not limited to, exposures to degraded air and water and toxic compounds, proximity to toxic and hazardous waste sites, and impacts from climate change; and

(c) Census tracts that are wholly or partly "Indian country," as that term is defined in 25 U.S.C. Sec. 1151, in effect on the effective date of this section.

(3) By March 1, 2024, and every two years thereafter, the department of health, under advisement from the environmental and economic justice panel created in section 28 of this act, must update communities designated as highly impacted communities pursuant to this section. By March 1, 2025, and every four years thereafter, the department of health must review and consider revisions to reflect best practices, to the methodology used to analyze environmental disparities for designating highly impacted communities.

NEW SECTION. **Sec.**  FOSSIL FUEL INDUSTRY WORKER ASSISTANCE. (1) From funds appropriated from the energy transition assistance account created in section 23 of this act, the department of commerce must develop a worker support program for bargaining unit and nonsupervisory fossil fuel industry workers who are affected by the transition away from fossil fuels to a clean energy economy. The department, in consultation with the environmental and economic justice panel created in section 28 of this act, may allocate additional funding, if necessary to meet the needs of eligible workers in the event of unforeseen or extraordinary amounts of dislocation.

(2) The department must develop an implementation plan for investments to be made to assist displaced fossil fuel industry workers. The department must consult with and accord substantial weight to the recommendations of the environmental and economic justice panel created in section 28 of this act, both in the development of the implementation plan and in developing biennial spending plans for assistance to be provided with funds from the account. The investment plan must be completed by December 31, 2020, and provided to the climate oversight board created in section 30 of this act, and to the governor and appropriate committees of the senate and house of representatives.

NEW SECTION. **Sec.**  CLIMATE IMPACTS RESILIENCE ACCOUNT. (1) The climate impacts resilience account is created in the state treasury. The account must receive moneys distributed to the account from the carbon pollution reduction account created in section 21 of this act as well as other moneys directed to the account by the legislature. Moneys in the account may only be spent after appropriation.

(2) On a biennial basis, at least half of the funds from the account must be used for the following purposes:

(a) Enhancing community preparedness and awareness before, during, and after wildfires;

(b) Developing and implementing resources to support fire suppression, prevention, and recovery for tribal communities impacted or at risk from wildfires;

(c) Relocating communities on tribal lands that are impacted by flooding and sea level rise; and

(d) Developing and implementing education programs to expand awareness of and increase preparedness for the environmental, social, and economic impacts of climate change and strategies to reduce pollution.

(3) The remainder of the funds appropriated from the account must be used for natural resources resilience and related purposes including, but not limited to:

(a) Improving forest and natural lands health and resilience to climate change impacts, including thinning and prescribed fire project and wildland fire prevention;

(b) Project-specific planning, design, and construction projects that reduce stormwater impacts from existing infrastructure and development;

(c) Reducing the risk of flooding by restoring natural floodplain ecological functions, protecting against damage caused by floods, and protecting or restoring naturally functioning areas where floods occur;

(d) Improving the availability and reliability of water supplies for instream and out-of-stream uses;

(e) Construction of fish barrier correction projects on state highways and local roads, with first priority given to projects required by the injunction entered in *United States v. Washington (Civ No CV9213RSM)*;

(f) Projects to prepare for sea level rise and to restore and protect estuaries, fisheries, marine shoreline, and inland habitats, including small forestland owner fish passage barrier projects; and

(g) Increasing the ability to adapt to and remediate the impacts of ocean acidification.

(4) The departments of ecology and natural resources through an interagency agreement must jointly develop an implementation plan for investments to be made from the climate impacts resilience account. The departments must consult with and accord substantial weight to the recommendations of the environmental and economic justice panel created in section 28 of this act, both in the development of the implementation plan and in developing biennial spending plans for assistance to be provided with funds from the account. The investment plan must be completed by December 31, 2020, and provided to the climate oversight board created in section 30 of this act, and to the governor and appropriate committees of the senate and house of representatives.

(5) The departments must utilize the cumulative impact analysis in section 25 of this act when developing the implementation plan and prioritize funding and investments to benefit highly impacted communities.

(6) The departments must require annual progress reports by all recipients of funding under this section, and provide summaries of those reports and assessment of achievement of the performance-based criteria and objectives to the climate oversight board created in section 30 of this act at such intervals as the climate oversight board requests.

NEW SECTION. **Sec.**  ENVIRONMENTAL AND ECONOMIC JUSTICE PANEL. (1) An environmental and economic justice panel is established to provide recommendations in the development and implementation of the programs on energy transformation, transition assistance, and climate impacts resilience authorized under sections 22 through 27 of this act.

(2) The governor must appoint the members of the environmental and economic justice panel, which must be cochaired by one tribal leader and one person that is a representative of the interests of highly impacted communities identified in section 25 of this act. The membership of the panel must consist of at least nine persons, based on the nomination of statewide organizations that represent the following interests:

(a) Five members, including at least one tribal leader and at least two nontribal leaders representing the interests of vulnerable populations residing in highly impacted communities in different geographic areas of the state;

(b) Two members representing union labor with expertise in economic dislocation, clean energy economy, or energy intensive, trade-exposed facilities; and

(c) Two members representing tribal governments.

(3) The purpose of the panel is to:

(a) Provide recommendations in the development of investment plans and funding proposals for energy transformation, energy transition assistance, and climate impacts resilience under sections 22 through 27 of this act;

(b) Provide a forum to analyze policies adopted under this chapter to determine if the policies lead to improvements within highly impacted communities;

(c) Make recommendations on the environmental disparities analysis and highly impacted communities designation required by section 25 of this act;

(d) Recommend procedures and criteria for evaluating programs, activities, or projects for review;

(e) Evaluate the level of funding provided to assist vulnerable populations, low-income individuals, and displaced workers and the funding of projects and activities located within or benefiting highly impacted communities designated under section 25 of this act;

(f) Provide recommendations to implementation agencies for meaningful consultation with vulnerable populations; and

(g) At the request of the climate oversight board created in section 30 of this act, conduct an evaluation of the economic impacts on and outcomes for low and middle-income households and vulnerable populations, including communities of color and Indian tribal communities of the emissions reduction policies required in this chapter and the financial assistance provided under this chapter.

NEW SECTION. **Sec.**  INDIAN TRIBE CONSULTATION. (1) In order to achieve the goals set forth in this chapter, any state agency receiving funding from the accounts created in this chapter must consult with Indian tribes on all decisions that may affect Indian tribes' rights and interests in their tribal lands. The consultation must occur pursuant to chapter 43.376 RCW and must be independent of any public participation process required by state law, or by a state agency, and regardless of whether the agency receives a request for consultation from an Indian tribe. A consultation framework must be developed in coordination with tribal governments that includes best practices, protocols for communication, and collaboration with Indian tribes.

(2) No project that impacts tribal lands may be funded prior to meaningful consultation with affected Indian tribes. For projects that directly impact tribal lands, the goal of the consultation process is to obtain free, prior, and informed consent for the project, and at the end of such consultation, the Indian tribe's government will provide the climate oversight board created in section 30 of this act with a written resolution providing consent or withholding consent. If any project that impacts tribal lands is funded under this chapter without consultation with Indian tribes, an affected Indian tribe may request that all further action on the project cease until consultation with any directly impacted Indian tribe is completed.

NEW SECTION. **Sec.**  CLIMATE OVERSIGHT BOARD. (1) The climate oversight board is created. The climate oversight board consists of:

(a) The governor or the governor's designee;

(b) The commissioner of public lands or the commissioner's designee;

(c) The state auditor or the auditor's designee;

(d) Two members of the senate, appointed by the president of the senate, one from each major political party;

(e) Two members of the house of representatives, appointed by the speaker of the house of representatives, one from each major political party;

(f) Two members representing federally recognized Indian tribes must be invited to participate on the board;

(g) Representatives of stationary emissions sources, the transportation fuels sector, the electricity and gas distribution sectors, renewable energy production, climate action organizations, and a member of the environmental and economic justice panel created in section 28 of this act; and

(h) Persons with economic, environmental, and energy expertise and experience in greenhouse gas emissions reductions policies and programs.

(2) The climate oversight board must select a chair from among its members. All state agencies must provide information and assistance as requested by the board in order to perform its responsibilities.

(3) The climate oversight board is responsible for ongoing review of the implementation of the emissions reduction program and funding from the revenues of the auctions of allowances to ensure the fairest, most efficient, and timely achievement of the objectives in this chapter regarding greenhouse gas emissions reductions, transition assistance, jobs development, and climate resilience. The board's responsibilities include but are not limited to:

(a) Reviewing the plans for implementing the funding programs authorized in sections 22 through 27 of this act;

(b) Reviewing the criteria for funding allocations and project award decisions;

(c) Reviewing project and activity funding decisions as well as summary reports and information regarding implementing projects;

(d) Reviewing implementation progress reports by agencies;

(e) Reviewing compliance with consultation requirements; and

(f) Providing recommendations for standards by which to measure emissions reductions outcomes from investments of funds under sections 22 through 27 of this act.

(4) The climate oversight board may contract for independent evaluative expertise in its review of the performance of the program in meeting this chapter's objectives regarding greenhouse gas emissions reductions, energy transformation, energy transition assistance, and climate resilience.

(5) Beginning July 1, 2020, the climate oversight board must meet at least quarterly.

(6) The climate oversight board has no appropriation authority.

NEW SECTION. **Sec.**  STATEWIDE OR LOCAL GREENHOUSE GAS EMISSIONS CAPS. (1) Except where explicitly stated otherwise, nothing in this chapter limits any state agency authority as it existed prior to the effective date of this section. This chapter supersedes the provisions of RCW 70.235.005 to the extent that section is inconsistent with the provisions of this chapter.

(2) This act preempts the provisions of chapter 173-442 WAC.

(3) No regional air quality agency, city, county, or other subdivision of the state may directly regulate greenhouse gas emissions through a cap, charge, low-carbon fuel standard or clean fuels standard, or charge upon the sale or use, except as provided for in this act.

NEW SECTION. **Sec.**  By December 31, 2020, the department of ecology shall adopt rules providing guidance to state agencies and local governments that are reviewing a project owned or sponsored by a covered entity that is in compliance with the program created in section 3 of this act. The rules must provide that such compliance satisfies the identification and analysis of the greenhouse gas emissions associated with the project otherwise required under RCW 43.21C.031 and the guidelines adopted under chapter 43.21C RCW.

**Sec.**  RCW 70.94.151 and 2010 c 146 s 2 are each amended to read as follows:

(1) The board of any activated authority or the department, may classify air contaminant sources, by ordinance, resolution, rule or regulation, which in its judgment may cause or contribute to air pollution, according to levels and types of emissions and other characteristics which cause or contribute to air pollution, and may require registration or reporting or both for any such class or classes. Classifications made pursuant to this section may be for application to the area of jurisdiction of such authority, or the state as a whole or to any designated area within the jurisdiction, and shall be made with special reference to effects on health, economic and social factors, and physical effects on property.

(2) Except as provided in subsection (3) of this section, any person operating or responsible for the operation of air contaminant sources of any class for which the ordinances, resolutions, rules or regulations of the department or board of the authority, require registration or reporting shall register therewith and make reports containing information as may be required by such department or board concerning location, size and height of contaminant outlets, processes employed, nature of the contaminant emission and such other information as is relevant to air pollution and available or reasonably capable of being assembled. In the case of emissions of greenhouse gases as defined in RCW 70.235.010 the department shall adopt rules requiring reporting of those emissions. The department or board may require that such registration or reporting be accompanied by a fee, and may determine the amount of such fee for such class or classes: PROVIDED, That the amount of the fee shall only be to compensate for the costs of administering such registration or reporting program which shall be defined as initial registration and annual or other periodic reports from the source owner providing information directly related to air pollution registration, on-site inspections necessary to verify compliance with registration requirements, data storage and retrieval systems necessary for support of the registration program, emission inventory reports and emission reduction credits computed from information provided by sources pursuant to registration program requirements, staff review, including engineering or other reliable analysis for accuracy and currentness, of information provided by sources pursuant to registration program requirements, clerical and other office support provided in direct furtherance of the registration program, and administrative support provided in directly carrying out the registration program: PROVIDED FURTHER, That any such registration made with either the board or the department shall preclude a further registration and reporting with any other board or the department, except that emissions of greenhouse gases as defined in RCW 70.235.010 must be reported as required under subsection (5) of this section.

All registration program and reporting fees collected by the department shall be deposited in the air pollution control account. All registration program fees collected by the local air authorities shall be deposited in their respective treasuries.

(3) If a registration or report has been filed for a grain warehouse or grain elevator as required under this section, registration, reporting, or a registration program fee shall not, after January 1, 1997, again be required under this section for the warehouse or elevator unless the capacity of the warehouse or elevator as listed as part of the license issued for the facility has been increased since the date the registration or reporting was last made. If the capacity of the warehouse or elevator listed as part of the license is increased, any registration or reporting required for the warehouse or elevator under this section must be made by the date the warehouse or elevator receives grain from the first harvest season that occurs after the increase in its capacity is listed in the license.

This subsection does not apply to a grain warehouse or grain elevator if the warehouse or elevator handles more than ten million bushels of grain annually.

(4) For the purposes of subsection (3) of this section:

(a) A "grain warehouse" or "grain elevator" is an establishment classified in standard industrial classification (SIC) code 5153 for wholesale trade for which a license is required and includes, but is not limited to, such a licensed facility that also conducts cleaning operations for grain;

(b) A "license" is a license issued by the department of agriculture licensing a facility as a grain warehouse or grain elevator under chapter 22.09 RCW or a license issued by the federal government licensing a facility as a grain warehouse or grain elevator for purposes similar to those of licensure for the facility under chapter 22.09 RCW; and

(c) "Grain" means a grain or a pulse.

(5)(a) The department shall adopt rules requiring persons to report emissions of greenhouse gases as defined in RCW 70.235.010, and supporting data, where those emissions from a single facility((~~, source, or site,~~)) or from electricity, fossil fuels ((~~sold~~)), or fuels supplied in Washington by a single supplier, meet or exceed ten thousand metric tons of carbon dioxide equivalent emissions annually. The ((~~department may phase in the requirement to report greenhouse gas emissions until the reporting threshold in this subsection is met, which must occur by January 1, 2012~~)) rules adopted by the department must support implementation of the program created in section 3 of this act, including reporting of natural gas delivered to covered entities that are customers of the supplier. In addition, the rules must require that:

(i) Emissions of greenhouse gases resulting from the combustion of fossil fuels be reported separately from emissions of greenhouse gases resulting from the combustion of biomass; and

(ii) ((~~Reporting will start in 2010 for 2009 emissions.~~)) Each annual report must include emissions data for the preceding calendar year and must be submitted to the department by October 31st of the year in which the report is due. However, starting in 2011, a person who is required to report greenhouse gas emissions to the United States environmental protection agency under 40 C.F.R. Part 98, as adopted on September 22, 2009, must submit the report required under this section to the department concurrent with the submission to the United States environmental protection agency. Except as otherwise provided in this section, the data for emissions in Washington and any corrections thereto that are reported to the United States environmental protection agency must be the emissions data reported to the department((~~; and~~

~~(iii) Emissions of carbon dioxide associated with the complete combustion or oxidation of liquid motor vehicle fuel, special fuel, or aircraft fuel that is sold in Washington where the annual emissions associated with that combustion or oxidation equal or exceed ten thousand metric tons be reported to the department. Each person who is required to file periodic tax reports of motor vehicle fuel sales under RCW 82.36.031 or special fuel sales under RCW 82.38.150, or each distributor of aircraft fuel required to file periodic tax reports under RCW 82.42.040 must report to the department the annual emissions of carbon dioxide from the complete combustion or oxidation of the fuels listed in those reports as sold in the state of Washington. The department shall not require suppliers to use additional data to calculate greenhouse gas emissions other than the data the suppliers report to the department of licensing. The rules may allow this information to be aggregated when reported to the department. The department and the department of licensing shall enter into an interagency agreement to ensure proprietary and confidential information is protected if the departments share reported information. Any proprietary or confidential information exempt from disclosure when reported to the department of licensing is exempt from disclosure when shared by the department of licensing with the department under this provision~~)). Electric power entities and persons filing an abbreviated report must submit their annual report for the preceding year by June 1st.

(b)(i) ((~~Except as otherwise provided in this subsection, the rules adopted by the department under (a) of this subsection must be consistent with the regulations adopted by the United States environmental protection agency in 40 C.F.R. Part 98 on September 22, 2009~~)) The department may allow facility operators without a compliance obligation under section 14 of this act to submit an abbreviated report. Abbreviated reports must be consistent with full reports, but may use less stringent monitoring, calculation, and verification methods.

(ii) The department may by rule include additional gases to the definition of "greenhouse gas" in RCW 70.235.010 only if the gas has been designated as a greenhouse gas by the United States congress ((~~or~~)), by the United States environmental protection agency, or included in external greenhouse gas emissions trading programs where Washington has a linkage agreement in effect pursuant to section 16 of this act. Prior to including additional gases to the definition of "greenhouse gas" in RCW 70.235.010, the department shall notify the appropriate committees of the legislature. ((~~Decisions to amend the rule to include additional gases must be made prior to December 1st of any year and the amended rule may not take effect before the end of the regular legislative session in the next year.~~))

(iii) The department may by rule exempt persons who are required to report greenhouse gas emissions to the United States environmental protection agency and who emit less than ten thousand metric tons carbon dioxide equivalent annually.

(iv) The department must establish a methodology for persons who are not required to report under this section to voluntarily report their greenhouse gas emissions.

(c)(i) The department shall review and if necessary update its rules whenever:

(A) The United States environmental protection agency adopts final amendments to 40 C.F.R. Part 98 to ensure consistency with federal reporting requirements for emissions of greenhouse gases; or

(B) Needed to ensure consistency with emissions reporting requirements for jurisdictions with a linkage agreement pursuant to section 16 of this act. ((~~However,~~))

(ii) The department shall not amend its rules in a manner that conflicts with ((~~(a) of this subsection~~)) this section.

(d) The department shall share any reporting information reported to it with the local air authority in which the person reporting under the rules adopted by the department operates.

(e) The fee provisions in subsection (2) of this section apply to reporting of emissions of greenhouse gases. Persons required to report under (a) of this subsection who fail to report or pay the fee required in subsection (2) of this section are subject to enforcement penalties under this chapter. The department shall enforce the reporting rule requirements ((~~unless it approves a local air authority's request to enforce the requirements for persons operating within the authority's jurisdiction. However, neither the department nor a local air authority approved under this section are authorized to assess enforcement penalties on persons required to report under (a) of this subsection until six months after the department adopts its reporting rule in 2010~~)). When a person that holds a compliance obligation under section 14 of this act fails to submit an emissions data report or fails to obtain a positive emissions data verification statement in accordance with (g)(iii) of this subsection, the department must attempt to provide assistance to the person. If the person refuses assistance from the department, the department may develop an assigned emissions level for that person.

(f) The energy facility site evaluation council shall, simultaneously with the department, adopt rules that impose greenhouse gas reporting requirements in site certifications on owners or operators of a facility permitted by the energy facility site evaluation council. The greenhouse gas reporting requirements imposed by the energy facility site evaluation council must be the same as the greenhouse gas reporting requirements imposed by the department. The department shall share any information reported to it from facilities permitted by the energy facility site evaluation council with the council, including notice of a facility that has failed to report as required. The energy facility site evaluation council shall contract with the department to monitor the reporting requirements adopted under this section.

(g) The ((~~inclusion or failure to include any person, source, classes of persons or sources, or types of emissions of greenhouse gases into the department's rules for reporting under this section does not indicate whether such a person, source, or category is appropriate for inclusion in state, regional, or national greenhouse gas reduction programs or strategies. Furthermore, aircraft fuel purchased in the state may not be considered equivalent to aircraft fuel combusted in the state~~)) department must establish by rule the methods of verifying the accuracy of emissions reports.

(i) Verification requirements apply to persons required to report under (a) of this subsection with emissions that equal or exceed twenty-five thousand metric tons of carbon dioxide equivalent emissions, or if a fuels supplier, emissions that equal or exceed ten thousand metric tons of carbon dioxide emissions, including carbon dioxide from biomass-derived fuels, or to persons who have a compliance obligation under section 14 of this act in any year of the current compliance period.

(ii) Persons subject to verification must obtain third-party verification services for that report from a verification body accredited by the department. The verification body must not have a conflict of interest when verifying the reporting person's report.

(iii) Persons are responsible for ensuring that verification services are completed and verification statements must be submitted by the verification body to the department by September 1st each year for emissions data for the preceding calendar year.

(h)(i) The definitions in RCW 70.235.010 apply throughout this subsection (5) unless the context clearly requires otherwise.

(ii) For the purpose of this subsection (5), the term "supplier" includes: (A) ((~~A motor vehicle fuel supplier or a motor vehicle fuel importer, as those terms are defined in RCW 82.36.010; (B) a special fuel supplier or a special fuel importer, as those terms are defined in RCW 82.38.020; and (C) a distributor of aircraft fuel, as those terms are defined in RCW 82.42.010~~)) Suppliers of fuels that produce, refine, import, or deliver, or any combination of producing, refining, importing, or delivering, a quantity of fuel in Washington that, if completely combusted, oxidized, or used in other processes, would result in the release of greenhouse gases equivalent to or higher than the threshold established under (a) of this subsection; and (B) suppliers of carbon dioxide that produce, import, or deliver a quantity of carbon dioxide in Washington that, if released, would result in emissions equivalent to or higher than the threshold established under (a) of this subsection. A refinery facility, as defined in section 2 of this act, is considered a supplier for the purposes of this section.

(iii) For the purpose of this subsection (5), the term "person" includes: (A) An owner or operator((~~, as those terms are defined by the United States environmental protection agency in its mandatory greenhouse gas reporting regulation in 40 C.F.R. Part 98, as adopted on September 22, 2009; and (B) a supplier~~)) of a facility; (B) a supplier; or (C) an electric power entity.

(iv) For the purpose of this subsection (5), the term "facility" includes facilities that directly emit greenhouse gases in Washington equivalent to the threshold established under (a) of this subsection with at least one source category listed in the United States environmental protection agency's mandatory greenhouse gas reporting regulation, 40 C.F.R. Part 98 Subparts C through II and RR through UU, as adopted on April 25, 2011, except for the following source categories: (A) Municipal solid waste landfills; (B) industrial waste landfills; (C) industrial wastewater treatment; and (D) manure management.

(v) For the purpose of this subsection (5), the term "electric power entity" includes any of the following that supply electric power in Washington with associated emissions of greenhouse gases equal to or above the threshold established under (a) of this subsection: (A) Electricity importers and exporters; (B) retail providers, including multijurisdictional retail providers; and (C) first jurisdictional deliverers, as defined in section 2 of this act, not otherwise included here. A federal power market agency may voluntarily report associated emissions of greenhouse gases under this section in the same manner as an electric power entity.

NEW SECTION. **Sec.**  This act may be known and cited as the carbon pollution reduction act.

NEW SECTION. **Sec.**  (1) Sections 1 through 19 and 21 through 31 of this act expire December 31, 2055, in the event that the department of ecology determines that the 2050 emissions limits of RCW 70.235.020 have been met for two or more consecutive years.

(2) Upon the occurrence of the events identified in subsection (1) of this section, the department of ecology must provide written notice of the expiration date of sections 1 through 19 and 21 through 31 of this act to affected parties, the chief clerk of the house of representatives, the secretary of the senate, the office of the code reviser, and others as deemed appropriate by the department.

NEW SECTION. **Sec.**  Sections 1 through 19, 21 through 31, 34, and 35 of this act constitute a new chapter in Title 70 RCW.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**--- END ---**