H-2460.1

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**HOUSE BILL 2333**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** Representatives Reeves, Walen, Chapman, Springer, and Ramel

AN ACT Relating to assessing the carbon sequestration potential of state-owned lands for the purpose of generating offset credits under the climate commitment act; amending RCW 70A.65.210; and creating a new section.

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

NEW SECTION. **Sec.**  (1) The department of natural resources, in collaboration with the departments of ecology and enterprise services, shall conduct an assessment of state-owned assets in both the natural and built environment with potential to generate carbon offset credits as defined in RCW 70A.65.010 for the state's carbon market. The assessment must also include an analysis of the offset credit potential under protocols that the state might adopt in the future by rule, including offset protocols in voluntary carbon markets.

(2)(a) The department of natural resources, in collaboration with the departments of ecology and enterprise services, must coordinate with the following agencies to complete the assessment:

(i) The department of fish and wildlife;

(ii) The state parks and recreation commission; and

(iii) The department of transportation.

(b) The department of natural resources, in collaboration with the departments of ecology and enterprise services, may coordinate with other state agencies as necessary to complete a comprehensive analysis of carbon offset potential from state-owned lands.

(3) By July 1, 2025, and in compliance with RCW 43.01.036, the department of natural resources, in collaboration with the departments of ecology and enterprise services, must provide a report to the legislature that includes the results of the assessment and any related recommendations, including recommendations for future coordination with local governments.

(4) The department of ecology may not enter into a linkage agreement pursuant to RCW 70A.65.210 until the assessment required by this section is complete.

**Sec.**  RCW 70A.65.210 and 2021 c 316 s 24 are each amended to read as follows:

(1) Subject to making the findings and conducting the public comment process described in subsection (3) of this section, the department shall seek to enter into linkage agreements with other jurisdictions with external greenhouse gas emissions trading 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 greenhouse gas emission reduction opportunities to reduce the costs of compliance on covered entities and consumers;

(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 director of the department is authorized to execute linkage agreements with other jurisdictions with external greenhouse gas emissions trading programs consistent with the requirements in this chapter. A linkage agreement must cover the following:

(a) Provisions relating to regular, periodic 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) Before entering into a linkage agreement under this section, the department must evaluate and make a finding regarding whether the aggregate number of unused allowances in a linked program would reduce the stringency of Washington's program and the state's ability to achieve its greenhouse gas emissions reduction limits. The department must include in its evaluation a consideration of pre-2020 unused allowances that may exist in the program with which it is proposing to link. Before entering into a linkage agreement, the department must also establish a finding that the linking jurisdiction and the linkage agreement meet certain criteria identified under this subsection and conduct a public comment process to obtain input and a review of the linkage agreement by relevant stakeholders and other interested parties. The department must consider input received from the public comment process before finalizing a linkage agreement. In the event that the department determines that a full linkage agreement is unlikely to meet the criteria, it may enter into a linkage agreement with limitations, including limits on the share of compliance that may be met with allowances originating from linked jurisdictions and other limitations deemed necessary by the department. A linkage agreement approved by the department must:

(a) Achieve the purposes identified in subsection (1) of this section;

(b) Ensure that the linking jurisdiction has provisions to ensure the distribution of benefits from the program to vulnerable populations and overburdened communities;

(c) Be determined by the department to not yield net adverse impacts to either jurisdictions' highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions; and

(d) Not adversely impact Washington's ability to achieve the emission reduction limits established in RCW 70A.45.020.

(4) The department may not enter into a linkage agreement until after the assessment directed in section 1 of this act has been completed.

(5) The state retains all legal and policymaking authority over its program design and enforcement.

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