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**HOUSE BILL 1887**

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**State of Washington**

**68th Legislature**

**2024 Regular Session**

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

Prefiled 12/06/23. Read first time 01/08/24. Referred to Committee on Environment & Energy.

1 AN ACT Relating to mitigating the consumer impacts of the climate  
2 commitment act by creating greater administrability of emissions  
3 exemptions and improving the transparency and business practices  
4 under the act; amending RCW 70A.65.010, 70A.65.070, 70A.65.150,  
5 70A.65.080, 46.17.350, 46.17.355, and 70A.65.100; adding new sections  
6 to chapter 70A.65 RCW; creating new sections; and providing an  
7 expiration date.

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

9 **Part 1**

10 **Stabilizing Cap and Invest Allowance Prices**

11 **Sec. 101.** RCW 70A.65.010 and 2022 c 181 s 10 are each amended to  
12 read as follows:

13 The definitions in this section apply throughout this chapter  
14 unless the context clearly requires otherwise.

15 (1) "Allowance" means an authorization to emit up to one metric  
16 ton of carbon dioxide equivalent.

17 (2) "Allowance price containment reserve" means an account  
18 maintained by the department with allowances available for sale  
19 through separate reserve auctions at predefined prices to assist in

1 containing compliance costs for covered and opt-in entities in the  
2 event of unanticipated high costs for compliance instruments.

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

6 (4) "Asset controlling supplier" means any entity that owns or  
7 operates interconnected electricity generating facilities or serves  
8 as an exclusive marketer for these facilities even though it does not  
9 own them, and has been designated by the department and received a  
10 department-published emissions factor for the wholesale electricity  
11 procured from its system. The department shall use a methodology  
12 consistent with the methodology used by an external greenhouse gas  
13 emissions trading program that shares the regional electricity  
14 transmission system. Electricity from an asset controlling supplier  
15 is considered a specified source of electricity.

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

19 (6) "Auction floor price" means a price for allowances below  
20 which bids at auction are not eligible to be accepted.

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

25 (8) "Balancing authority" means the responsible entity that  
26 integrates resource plans ahead of time, maintains load-interchange-  
27 generation balance within a balancing authority area, and supports  
28 interconnection frequency in real time.

29 (9) "Balancing authority area" means the collection of  
30 generation, transmission, and load within the metered boundaries of a  
31 balancing authority. A balancing authority maintains load-resource  
32 balance within this area.

33 (10) "Best available technology" means a technology or  
34 technologies that will achieve the greatest reduction in greenhouse  
35 gas emissions, taking into account the fuels, processes, and  
36 equipment used by facilities to produce goods of comparable type,  
37 quantity, and quality. Best available technology must be technically  
38 feasible, commercially available, economically viable, not create  
39 excessive environmental impacts, and be compliant with all applicable

1 laws while not changing the characteristics of the good being  
2 manufactured.

3 (11) "Biomass" means nonfossilized and biodegradable organic  
4 material originating from plants, animals, and microorganisms,  
5 including products, by-products, residues, and waste from  
6 agriculture, forestry, and related industries as well as the  
7 nonfossilized and biodegradable organic fractions of municipal  
8 wastewater and industrial waste, including gases and liquids  
9 recovered from the decomposition of nonfossilized and biodegradable  
10 organic material.

11 (12) "Biomass-derived fuels," "biomass fuels," or "biofuels"  
12 means fuels derived from biomass that (~~have at least 40 percent~~  
13 ~~lower greenhouse gas emissions based on a full life-cycle analysis~~  
14 ~~when compared to petroleum fuels for which biofuels~~) are capable as  
15 serving as a substitute for petroleum fuels.

16 (13) "Carbon dioxide equivalents" means a measure used to compare  
17 the emissions from various greenhouse gases based on their global  
18 warming potential.

19 (14) "Carbon dioxide removal" means deliberate human activities  
20 removing carbon dioxide from the atmosphere and durably storing it in  
21 geological, terrestrial, or ocean reservoirs, or in products. "Carbon  
22 dioxide removal" includes existing and potential anthropogenic  
23 enhancement of biological or geochemical sinks and including, but not  
24 limited to, carbon mineralization and direct air capture and storage.

25 (15) "Climate commitment" means the process and mechanisms to  
26 ensure a coordinated and strategic approach to advancing climate  
27 resilience and environmental justice and achieving an equitable and  
28 inclusive transition to a carbon neutral economy.

29 (16) "Climate resilience" is the ongoing process of anticipating,  
30 preparing for, and adapting to changes in climate and minimizing  
31 negative impacts to our natural systems, infrastructure, and  
32 communities. For natural systems, increasing climate resilience  
33 involves restoring and increasing the health, function, and integrity  
34 of our ecosystems and improving their ability to absorb and recover  
35 from climate-affected disturbances. For communities, increasing  
36 climate resilience means enhancing their ability to understand,  
37 prevent, adapt, and recover from climate impacts to people and  
38 infrastructure.

1 (17) "Closed facility" means a facility at which the current  
2 owner or operator has elected to permanently stop production and will  
3 no longer be an emissions source.

4 (18) "Compliance instrument" means an allowance or offset credit  
5 issued by the department or by an external greenhouse gas emissions  
6 trading program to which Washington has linked its greenhouse gas  
7 emissions cap and invest program. One compliance instrument is equal  
8 to one metric ton of carbon dioxide equivalent.

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

13 (20) "Compliance period" means the four-year period for which the  
14 compliance obligation is calculated for covered entities.

15 (21) "Cost burden" means the impact on rates or charges to  
16 customers of electric utilities in Washington state for the  
17 incremental cost of electricity service to serve load due to the  
18 compliance cost for greenhouse gas emissions caused by the program.  
19 Cost burden includes administrative costs from the utility's  
20 participation in the program.

21 (22) "Covered emissions" means the emissions for which a covered  
22 entity has a compliance obligation under RCW 70A.65.080.

23 (23) "Covered entity" means a person that is designated by the  
24 department as subject to RCW 70A.65.060 through 70A.65.210.

25 (24) "Cumulative environmental health impact" has the same  
26 meaning as provided in RCW 70A.02.010.

27 (25) "Curtailed facility" means a facility at which the owner or  
28 operator has temporarily suspended production but for which the owner  
29 or operator maintains operating permits and retains the option to  
30 resume production if conditions become amenable.

31 (26) "Department" means the department of ecology.

32 (27) "Electricity importer" means:

33 (a) For electricity that is scheduled with a NERC e-tag to a  
34 final point of delivery into a balancing authority area located  
35 entirely within the state of Washington, the electricity importer is  
36 identified on the NERC e-tag as the purchasing-selling entity on the  
37 last segment of the tag's physical path with the point of receipt  
38 located outside the state of Washington and the point of delivery  
39 located inside the state of Washington;

1 (b) For facilities physically located outside the state of  
2 Washington with the first point of interconnection to a balancing  
3 authority area located entirely within the state of Washington when  
4 the electricity is not scheduled on a NERC e-tag, the electricity  
5 importer is the facility operator or owner;

6 (c) For electricity imported through a centralized market, the  
7 electricity importer will be defined by rule consistent with the  
8 rules required under RCW 70A.65.080(1)(c);

9 (d) For electricity from facilities allocated to serve retail  
10 electricity customers of a multijurisdictional electric company, the  
11 electricity importer is the multijurisdictional electric company;

12 (e) If the importer identified under (a) of this subsection is a  
13 federal power marketing administration over which the state of  
14 Washington does not have jurisdiction, and the federal power  
15 marketing administration has not voluntarily elected to comply with  
16 the program, then the electricity importer is the next purchasing-  
17 selling entity in the physical path on the NERC e-tag, or if no  
18 additional purchasing-selling entity over which the state of  
19 Washington has jurisdiction, then the electricity importer is the  
20 electric utility that operates the Washington transmission or  
21 distribution system, or the generation balancing authority;

22 (f) For electricity that is imported into the state by a federal  
23 power marketing administration and sold to a public body or  
24 cooperative customer or direct service industrial customer located in  
25 Washington pursuant to section 5(b) or (d) of the Pacific Northwest  
26 electric power planning and conservation act of 1980, P.L. 96-501,  
27 the electricity importer is the federal marketing administration;

28 (g) If the importer identified under (f) of this subsection has  
29 not voluntarily elected to comply with the program, then the  
30 electricity importer is the public body or cooperative customer or  
31 direct service industrial customer; or

32 (h) For electricity from facilities allocated to a consumer-owned  
33 utility inside the state of Washington from a multijurisdictional  
34 consumer-owned utility, the electricity importer is the consumer-  
35 owned utility inside the state of Washington.

36 (28) "Emissions containment reserve allowance" means a  
37 conditional allowance that is withheld from sale at an auction by the  
38 department or its agent to secure additional emissions reductions in  
39 the event prices fall below the emissions containment reserve trigger  
40 price.

1 (29) "Emissions containment reserve trigger price" means the  
2 price below which allowances will be withheld from sale by the  
3 department or its agent at an auction, as determined by the  
4 department by rule.

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

7 (31) "Environmental benefits" has the same meaning as defined in  
8 RCW 70A.02.010.

9 (32) "Environmental harm" has the same meaning as defined in RCW  
10 70A.02.010.

11 (33) "Environmental impacts" has the same meaning as defined in  
12 RCW 70A.02.010.

13 (34) "Environmental justice" has the same meaning as defined in  
14 RCW 70A.02.010.

15 (35) "Environmental justice assessment" has the same meaning as  
16 identified in RCW 70A.02.060.

17 (36) "External greenhouse gas emissions trading program" means a  
18 government program, other than Washington's program created in this  
19 chapter, that restricts greenhouse gas emissions from sources outside  
20 of Washington and that allows emissions trading.

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

27 (38) "First jurisdictional deliverer" means the owner or operator  
28 of an electric generating facility in Washington or an electricity  
29 importer.

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

34 (40) "Greenhouse gas" has the same meaning as in RCW 70A.45.010.

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

37 (42) "Imported electricity" means electricity generated outside  
38 the state of Washington with a final point of delivery within the  
39 state.

1 (a) "Imported electricity" includes electricity from an organized  
2 market, such as the energy imbalance market.

3 (b) "Imported electricity" includes imports from linked  
4 jurisdictions, but such imports shall be construed as having no  
5 emissions.

6 (c) Electricity from a system that is marketed by a federal power  
7 marketing administration shall be construed as "imported  
8 electricity," not electricity generated in the state of Washington.

9 (d) "Imported electricity" does not include electricity imports  
10 of unspecified electricity that are netted by exports of unspecified  
11 electricity to any jurisdiction not covered by a linked program by  
12 the same entity within the same hour.

13 (e) For a multijurisdictional electric company, "imported  
14 electricity" means electricity, other than from in-state facilities,  
15 that contributes to a common system power pool. Where a  
16 multijurisdictional electric company has a cost allocation  
17 methodology approved by the utilities and transportation commission,  
18 the allocation of specific facilities to Washington's retail load  
19 will be in accordance with that methodology.

20 (f) For a multijurisdictional consumer-owned utility, "imported  
21 electricity" includes electricity from facilities that contribute to  
22 a common system power pool that are allocated to a consumer-owned  
23 utility inside the state of Washington pursuant to a methodology  
24 approved by the governing board of the consumer-owned utility.

25 (43) "Leakage" means a reduction in emissions of greenhouse gases  
26 within the state that is offset by a directly attributable increase  
27 in greenhouse gas emissions outside the state and outside the  
28 geography of another jurisdiction with a linkage agreement with  
29 Washington.

30 (44) "Limits" means the greenhouse gas emissions reductions  
31 required by RCW 70A.45.020.

32 (45) "Linkage" means a bilateral or multilateral decision under a  
33 linkage agreement between greenhouse gas market programs to accept  
34 compliance instruments issued by a participating jurisdiction to meet  
35 the obligations of regulated entities in a partner jurisdiction and  
36 to otherwise coordinate activities to facilitate operation of a joint  
37 market.

38 (46) "Linkage agreement" means a nonbinding agreement that  
39 connects two or more greenhouse gas market programs and articulates a

1 mutual understanding of how the participating jurisdictions will work  
2 together to facilitate a connected greenhouse gas market.

3 (47) "Linked jurisdiction" means a jurisdiction with which  
4 Washington has entered into a linkage agreement.

5 (48) "Multijurisdictional consumer-owned utility" means a  
6 consumer-owned utility that provides electricity to member owners in  
7 Washington and in one or more other states in a contiguous service  
8 territory or from a common power system.

9 (49) "Multijurisdictional electric company" means an investor-  
10 owned utility that provides electricity to customers in Washington  
11 and in one or more other states in a contiguous service territory or  
12 from a common power system.

13 (50) "NERC e-tag" means North American electric reliability  
14 corporation (NERC) energy tag representing transactions on the North  
15 American bulk electricity market scheduled to flow between or across  
16 balancing authority areas.

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

20 (52) "Offset project" means a project that reduces or removes  
21 greenhouse gases that are not covered emissions under this chapter.

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

25 (54) "Overburdened community" means a geographic area where  
26 vulnerable populations face combined, multiple environmental harms  
27 and health impacts or risks due to exposure to environmental  
28 pollutants or contaminants through multiple pathways, which may  
29 result in significant disparate adverse health outcomes or effects.

30 (a) "Overburdened community" includes, but is not limited to:

31 (i) Highly impacted communities as defined in RCW 19.405.020;

32 (ii) Communities located in census tracts that are fully or  
33 partially on "Indian country" as defined in 18 U.S.C. Sec. 1151; and

34 (iii) Populations, including Native Americans or immigrant  
35 populations, who may be exposed to environmental contaminants and  
36 pollutants outside of the geographic area in which they reside based  
37 on the populations' use of traditional or cultural foods and  
38 practices, such as the use of resources, access to which is protected  
39 under treaty rights in ceded areas, when those exposures in  
40 conjunction with other exposures may result in disproportionately

1 greater risks, including risks of certain cancers or other adverse  
2 health effects and outcomes.

3 (b) Overburdened communities identified by the department may  
4 include the same communities as those identified by the department  
5 through its process for identifying overburdened communities under  
6 RCW 70A.02.010.

7 (55) "Person" has the same meaning as defined in RCW  
8 70A.15.2200(5)(h)(iii).

9 (56) "Point of delivery" means a point on the electricity  
10 transmission or distribution system where a deliverer makes  
11 electricity available to a receiver, or available to serve load. This  
12 point may be an interconnection with another system or a substation  
13 where the transmission provider's transmission and distribution  
14 systems are connected to another system, or a distribution substation  
15 where electricity is imported into the state over a  
16 multijurisdictional retail provider's distribution system.

17 (57) "Price ceiling unit" means the units issued at a fixed price  
18 by the department for the purpose of limiting price increases and  
19 funding further investments in greenhouse gas reductions.

20 (58) "Program" means the greenhouse gas emissions cap and invest  
21 program created by and implemented pursuant to this chapter.

22 (59) "Program registry" means the data system in which covered  
23 entities, opt-in entities, and general market participants are  
24 registered and in which compliance instruments are recorded and  
25 tracked.

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

29 (61) "Resilience" means the ability to prepare, mitigate and plan  
30 for, withstand, recover from, and more successfully adapt to adverse  
31 events and changing conditions, and reorganize in an equitable manner  
32 that results in a new and better condition.

33 (62) "Retire" means to permanently remove a compliance instrument  
34 such that the compliance instrument may never be sold, traded, or  
35 otherwise used again.

36 (63) "Specified source of electricity" or "specified source"  
37 means a facility, unit, or asset controlling supplier that is  
38 permitted to be claimed as the source of electricity delivered. The  
39 reporting entity must have either full or partial ownership in the  
40 facility or a written power contract to procure electricity generated

1 by that facility or unit or from an asset controlling supplier at the  
2 time of entry into the transaction to procure electricity.

3 (64) "Supplier" means a supplier of fuel in Washington state as  
4 defined in RCW 70A.15.2200(5)(h)(ii).

5 (65) "Tribal lands" has the same meaning as defined in RCW  
6 70A.02.010.

7 (66) "Unspecified source of electricity" or "unspecified source"  
8 means a source of electricity that is not a specified source at the  
9 time of entry into the transaction to procure electricity.

10 (67) "Voluntary renewable reserve account" means a holding  
11 account maintained by the department from which allowances may be  
12 retired for voluntary renewable electricity generation, which is  
13 directly delivered to the state and has not and will not be sold or  
14 used to meet any other mandatory requirements in the state or any  
15 other jurisdiction, on behalf of voluntary renewable energy  
16 purchasers or end users.

17 (68) "Vulnerable populations" has the same meaning as defined in  
18 RCW 70A.02.010.

19 **Sec. 102.** RCW 70A.65.070 and 2022 c 181 s 1 are each amended to  
20 read as follows:

21 (1)(a) The department shall commence the program by January 1,  
22 2023, by determining an emissions baseline establishing the  
23 proportionate share that the total greenhouse gas emissions of  
24 covered entities for the first compliance period bears to the total  
25 anthropogenic greenhouse gas emissions in the state during 2015  
26 through 2019, based on data reported to the department under RCW  
27 70A.15.2200 or provided as required by this chapter, as well as other  
28 relevant data. By October 1, 2022, the department shall adopt annual  
29 allowance budgets for the first compliance period of the program,  
30 calendar years 2023 through 2026, to be distributed from January 1,  
31 2023, through December 31, 2026.

32 (b) By October 1, 2026, the department shall add to its emissions  
33 baseline by incorporating the proportionate share that the total  
34 greenhouse gas emissions of new covered entities in the second  
35 compliance period bear to the total anthropogenic greenhouse gas  
36 emissions in the state during 2015 through 2019. In determining the  
37 addition to the baseline, the department may exclude a year from the  
38 determination if the department identifies that year to have been an  
39 outlier due to a state of emergency. The department shall adopt

1 annual allowance budgets for the second compliance period of the  
2 program, calendar years 2027 through 2030, that will be distributed  
3 from January 1, 2027, through December 31, 2030.

4 (c) By October 1, 2028, the department shall adopt by rule the  
5 annual allowance budgets for calendar years 2031 through 2040.

6 (d) (i) By July 1, 2024, the department must amend its rules,  
7 including WAC 173-446-200 and 173-446-210, to align with the table  
8 and requirements in (d) (ii) of this subsection specifying annual  
9 allowance budgets for calendar years 2023 through 2049.

10 (ii) (A) Table 001 displays the total program annual allowance  
11 budgets for calendar years 2023 through 2026 required by this  
12 subsection (1) (d) (ii).

13 Table 001: Total program allowance budget for calendar  
14 year 2023 through 2026 established in this subsection  
15 (1)(d)(ii).

<u>Emissions Year</u>	<u>Total Covered Emissions (MT CO2e)</u>	<u>Change from Previous Year</u>
<u>2023</u>	<u>63,288,565</u>	<u>N/A</u>
<u>2024</u>	<u>61,010,177</u>	<u>-3.6 percent</u>
<u>2025</u>	<u>58,813,810</u>	<u>-3.6 percent</u>
<u>2026</u>	<u>56,696,513</u>	<u>-3.6 percent</u>

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24 (B) The total program annual allowance budgets for each calendar  
25 year from 2027 through 2040 must decrease annually relative to the  
26 previous year by an additional 3.6 percent.

27 (C) The total program annual allowance budgets for each calendar  
28 year from 2041 through 2049 must decrease annually relative to the  
29 previous year by an additional 3.1 percent.

30 (2) ((The)) Except as otherwise provided in subsection (1) (d) of  
31 this section, the annual allowance budgets must be set to achieve the  
32 share of reductions by covered entities necessary to achieve the  
33 2030, 2040, and 2050 statewide emissions limits established in RCW  
34 70A.45.020, based on data reported to the department under chapter  
35 70A.15 RCW or provided as required by this chapter. Annual allowance  
36 budgets must be set such that the use of offsets as compliance  
37 instruments, consistent with RCW 70A.65.170, does not prevent the

1 achievement of the emissions limits established in RCW 70A.45.020. In  
2 so setting annual allowance budgets, the department must reduce the  
3 annual allowance budget relative to the limits in an amount  
4 equivalent to offset use, or in accordance with a similar methodology  
5 adopted by the department. The department must adopt annual allowance  
6 budgets for the program on a calendar year basis that provide for  
7 progressively equivalent reductions year over year. An allowance  
8 distributed under the program, either directly by the department  
9 under RCW 70A.65.110 through 70A.65.130 or through auctions under RCW  
10 70A.65.100, does not expire and may be held or banked consistent with  
11 RCW 70A.65.100(6) and 70A.65.150(1).

12 (3) The department must complete evaluations by December 31,  
13 2027, and by December 31, 2035, of the performance of the program,  
14 including its performance in reducing greenhouse gases. If the  
15 evaluation shows that adjustments to the annual allowance budgets are  
16 necessary for covered entities to achieve their proportionate share  
17 of the 2030 and 2040 emission reduction limits identified in RCW  
18 70A.45.020, as applicable, the department shall adjust the annual  
19 allowance budgets accordingly. The department must complete  
20 additional evaluations of the performance of the program by December  
21 31, 2040, and by December 31, 2045, and make any necessary  
22 adjustments in the annual allowance budgets to ensure that covered  
23 entities achieve their proportionate share of the 2050 emission  
24 reduction limit identified in RCW 70A.45.020. Nothing in this  
25 subsection precludes the department from making additional  
26 adjustments to annual allowance budgets as necessary to ensure  
27 successful achievement of the proportionate emission reduction limits  
28 by covered entities. The department shall determine and make public  
29 the circumstances, metrics, and processes that would initiate the  
30 public consideration of additional allowance budget adjustments to  
31 ensure successful achievement of the proportionate emission reduction  
32 limits.

33 (4) Data reported to the department under RCW 70A.15.2200 or  
34 provided as required by this chapter for 2015 through 2019 is deemed  
35 sufficient for the purpose of adopting annual allowance budgets and  
36 serving as the baseline by which covered entities demonstrate  
37 compliance under the first compliance period of the program. Data  
38 reported to the department under RCW 70A.15.2200 or provided as  
39 required by this chapter for 2023 through 2025 is deemed sufficient  
40 for adopting annual allowance budgets and serving as the baseline by

1 which covered entities demonstrate compliance under the second  
2 compliance period of the program.

3 (5) The legislature intends to promote a growing and sustainable  
4 economy and to avoid leakage of emissions from manufacturing to other  
5 jurisdictions. Therefore, the legislature finds that implementation  
6 of this section is contingent upon the enactment of RCW 70A.65.110.

7 **Sec. 103.** RCW 70A.65.150 and 2022 c 181 s 6 are each amended to  
8 read as follows:

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

20 (2) For calendar years 2023 through 2026, the department must  
21 place no less than two percent of the total number of allowances  
22 available from the allowance budgets for those years in an allowance  
23 price containment reserve. The reserve must be designed as a  
24 mechanism to assist in containing compliance costs for covered and  
25 opt-in entities in the event of unanticipated high costs for  
26 compliance instruments.

27 (3)(a) The department shall adopt rules for holding auctions of  
28 allowances from the price containment reserve when the settlement  
29 prices in the preceding auction exceed the adopted reserve auction  
30 floor price. The auction must be separate from auctions of other  
31 allowances.

32 (b) Allowances must also be distributed from the allowance price  
33 containment reserve by auction when new covered and opt-in entities  
34 enter the program and allowances in the emissions containment reserve  
35 under RCW 70A.65.140(5) are exhausted.

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

1 (5) The process for reserve auctions is the same as the process  
2 provided in RCW 70A.65.100 and the proceeds from reserve auctions  
3 must be treated the same.

4 (6) The department shall by rule:

5 (a) Set the reserve auction floor price in advance of the reserve  
6 auction. The department may choose to establish multiple price tiers  
7 for the allowances from the reserve;

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

10 (c) Establish the amount of allowances to be placed in the  
11 allowance price containment reserve after the first compliance period  
12 ending in 2026 in conformance with subsection (7) of this section.

13 (7)(a) In addition to amounts the department placed into the  
14 allowance price containment reserve account pursuant to WAC  
15 173-446-370, as it existed on January 1, 2023, the department must  
16 place an additional five percent of the annual allowance budgets for  
17 calendar years 2031 through 2042 into the allowance price containment  
18 reserve account by July 1, 2024.

19 (b) All of the additional allowances placed in the allowance  
20 price containment reserve account pursuant to (a) of this subsection  
21 must be made available in separate auctions held during calendar year  
22 2024 and must be in addition to any normally scheduled allowance  
23 price containment reserve auctions. Any remaining unsold allowances  
24 may be made available in separate allowance price containment reserve  
25 auctions in subsequent years.

26 (c) By March 1, 2024, the department must adopt rules  
27 implementing the requirements of this subsection.

## 28 Part 2

### 29 Fuel Price Transparency and Review

30 NEW SECTION. Sec. 201. (1) By April 1, 2024, the joint  
31 transportation committee must convene a work group to examine  
32 consumer motor vehicle fuel pricing in Washington state.

33 (2) The membership of the work group established under subsection  
34 (1) of this section must include, but is not limited to:

35 (a) The chair and ranking member of the transportation committees  
36 of the legislature;

37 (b) Representatives of the department of licensing, the  
38 department of commerce, the department of ecology, the office of

1 financial management, and the antitrust division of the attorney  
2 general's office;

3 (c) Fuel refineries, distributors, suppliers, and retail  
4 establishments; and

5 (d) Academic experts and consumer advocacy organizations with  
6 knowledge and expertise in fuel pricing.

7 (3) The work group established under subsection (1) of this  
8 section must review issues including, but not limited to:

9 (a) Previous studies and evaluations of fuel pricing in  
10 Washington state, including an update of the 2007-2008 gas price  
11 study through 2022 as deemed appropriate by the work group;

12 (b) Trends in fuel pricing in Washington state;

13 (c) Factors causing fuel prices in Washington state to be higher  
14 than the national average and how these factors have changed over  
15 time;

16 (d) (i) Margins and profits at the fuel production, distribution,  
17 and retail levels;

18 (ii) Information provided pursuant to (d) (i) of this subsection  
19 must be kept confidential and is exempt from disclosure under chapter  
20 42.56 RCW. Such information must be aggregated to ensure  
21 confidentiality, but may be utilized in summarized form as part of  
22 the work group process and in the final report under subsection (4)  
23 of this section;

24 (e) State tax policies, environmental protections, and regulatory  
25 factors that may impact fuel pricing and make the state's fuel  
26 marketplace more or less competitive;

27 (f) Supply dynamics affecting the fuel markets in Washington  
28 state; and

29 (g) Potential reporting and audit requirements that would make  
30 fuel pricing more transparent to Washington state consumers.

31 (4) The joint transportation committee must report its findings  
32 and recommendations to the governor's office and the appropriate  
33 policy and fiscal committees of the legislature by December 1, 2024.

34 (5) This section expires January 1, 2025.

35 **Part 3**  
36 **Implementing the Emission Exemptions Under the Climate Commitment Act**

37 NEW SECTION. **Sec. 301.** A new section is added to chapter 70A.65  
38 RCW to read as follows:

1 (1)(a) By January 1, 2025, the department must establish a  
2 remittance program for entities consuming fuels, on or after January  
3 1, 2023, whose emissions are exempted from coverage in the program  
4 under RCW 70A.65.080(7)(e). The remittance program must include a  
5 climate commitment act remittance portal that allows farm fuel users  
6 and freight haulers of agricultural products to electronically  
7 submit, on a quarterly basis, an application for remittance and  
8 supporting documentation.

9 (b) Supporting documentation for farm fuel users must include  
10 receipts showing fuel purchases for fuel used exclusively for  
11 agricultural purposes and the farm fuel user's department of revenue  
12 farmer's certificate for wholesale purchases and sales tax  
13 exemptions.

14 (c) Supporting documentation for entities transporting  
15 agricultural products on public highways must include fuel tax  
16 reports submitted to the department of licensing and documentation  
17 indicating the approximate time, date, and location of each  
18 agricultural product haul and a general description of the  
19 agricultural products transported.

20 (2)(a) An approved application for remittance under subsection  
21 (1) of this section is eligible for a remittance equal to the auction  
22 settlement price in effect for the calendar quarter in which the fuel  
23 was purchased multiplied by eight-tenths of one percent and the  
24 number of gallons in the remittance application.

25 (b) An entity consuming fuels whose emissions are exempted from  
26 coverage in the program under RCW 70A.65.080(7)(e) with an approved  
27 remittance application may, at their discretion, have their  
28 remittance amount held as credits based on the auction settlement  
29 price in effect for that calendar quarter in which the fuel was  
30 purchased. These credits may be held for future trading rather than  
31 returned based on cash value. The department must establish a  
32 mechanism for tracking and administering these tradable credits for  
33 each entity exempted from coverage in the program under RCW  
34 70A.65.080(7)(e) with an approved remittance application. The  
35 department is not responsible for any gain or loss in value  
36 associated with the change in subsequent auction prices. The  
37 department must adjust the volume of allowances available at  
38 subsequent auctions to account for these held remittance credits.

39 (3) The remittance program authorized under this section applies  
40 both prospectively as well as retroactively to entities consuming

1 fuels, on or after January 1, 2023, whose emissions are exempted from  
2 coverage in the program under RCW 70A.65.080(7)(e).

3 **Sec. 302.** RCW 70A.65.080 and 2022 c 179 s 14 are each amended to  
4 read as follows:

5 (1) A person is a covered entity as of the beginning of the first  
6 compliance period and all subsequent compliance periods if the person  
7 reported emissions under RCW 70A.15.2200 for any calendar year from  
8 2015 through 2019, or if additional data provided as required by this  
9 chapter indicates that emissions for any calendar year from 2015  
10 through 2019 equaled or exceeded any of the following thresholds, or  
11 if the person is a first jurisdictional deliverer and imports  
12 electricity into the state during the compliance period:

13 (a) Where the person owns or operates a facility and the  
14 facility's emissions equal or exceed 25,000 metric tons of carbon  
15 dioxide equivalent;

16 (b) Where the person is a first jurisdictional deliverer and  
17 generates electricity in the state and emissions associated with this  
18 generation equals or exceeds 25,000 metric tons of carbon dioxide  
19 equivalent;

20 (c) Where the person is a first jurisdictional deliverer  
21 importing electricity into the state and the cumulative annual total  
22 of emissions associated with the imported electricity, whether from  
23 specified or unspecified sources, exceeds 25,000 metric tons of  
24 carbon dioxide equivalent. In consultation with any linked  
25 jurisdiction to the program created by this chapter, by October 1,  
26 2026, the department, in consultation with the department of commerce  
27 and the utilities and transportation commission, shall adopt by rule  
28 a methodology for addressing imported electricity associated with a  
29 centralized electricity market;

30 (d) Where the person is a supplier of fossil fuel other than  
31 natural gas and from that fuel 25,000 metric tons or more of carbon  
32 dioxide equivalent emissions would result from the full combustion or  
33 oxidation, excluding the amounts for fuel products that are produced  
34 or imported with a documented final point of delivery outside of  
35 Washington and combusted outside of Washington; and

36 (e)(i) Where the person supplies natural gas in amounts that  
37 would result in exceeding 25,000 metric tons of carbon dioxide  
38 equivalent emissions if fully combusted or oxidized, excluding the  
39 amounts for fuel products that are produced or imported with a

1 documented final point of delivery outside of Washington and  
2 combusted outside of Washington, and excluding the amounts: (A)  
3 Supplied to covered entities under (a) through (d) of this  
4 subsection; and (B) delivered to opt-in entities;

5 (ii) Where the person who is not a natural gas company and has a  
6 tariff with a natural gas company to deliver to an end-use customer  
7 in the state in amounts that would result in exceeding 25,000 metric  
8 tons of carbon dioxide equivalent emissions if fully combusted or  
9 oxidized, excluding the amounts: (A) Supplied to covered entities  
10 under (a) through (d) of this subsection; and (B) the amounts  
11 delivered to opt-in entities;

12 (iii) Where the person is an end-use customer in the state who  
13 directly purchases natural gas from a person that is not a natural  
14 gas company and has the natural gas delivered through an interstate  
15 pipeline to a distribution system owned by the purchaser in amounts  
16 that would result in exceeding 25,000 metric tons of carbon dioxide  
17 equivalent emissions if fully combusted or oxidized, excluding the  
18 amounts: (A) Supplied to covered entities under (a) through (d) of  
19 this subsection; and (B) delivered to opt-in entities.

20 (2) A person is a covered entity as of the beginning of the  
21 second compliance period and all subsequent compliance periods if the  
22 person reported emissions under RCW 70A.15.2200 or provided emissions  
23 data as required by this chapter for any calendar year from 2023  
24 through 2025, where the person owns or operates a waste to energy  
25 facility utilized by a county and city solid waste management program  
26 and the facility's emissions equal or exceed 25,000 metric tons of  
27 carbon dioxide equivalent.

28 (3) A person is a covered entity beginning January 1, 2031, and  
29 all subsequent compliance periods if the person reported emissions  
30 under RCW 70A.15.2200 or provided emissions data as required by this  
31 chapter for any calendar year from 2027 through 2029, where the  
32 person owns or operates a railroad company, as that term is defined  
33 in RCW 81.04.010, and the railroad company's emissions equal or  
34 exceed 25,000 metric tons of carbon dioxide equivalent.

35 (4) When a covered entity reports, during a compliance period,  
36 emissions from a facility under RCW 70A.15.2200 that are below the  
37 thresholds specified in subsection (1) or (2) of this section, the  
38 covered entity continues to have a compliance obligation through the  
39 current compliance period. When a covered entity reports emissions  
40 below the threshold for each year during an entire compliance period,

1 or has ceased all processes at the facility requiring reporting under  
2 RCW 70A.15.2200, the entity is no longer a covered entity as of the  
3 beginning of the subsequent compliance period unless the department  
4 provides notice at least 12 months before the end of the compliance  
5 period that the facility's emissions were within 10 percent of the  
6 threshold and that the person will continue to be designated as a  
7 covered entity in order to ensure equity among all covered entities.  
8 Whenever a covered entity ceases to be a covered entity, the  
9 department shall notify the appropriate policy and fiscal committees  
10 of the legislature of the name of the entity and the reason the  
11 entity is no longer a covered entity.

12 (5) For types of emission sources described in subsection (1) of  
13 this section that begin or modify operation after January 1, 2023,  
14 and types of emission sources described in subsection (2) of this  
15 section that begin or modify operation after 2027, coverage under the  
16 program starts in the calendar year in which emissions from the  
17 source exceed the applicable thresholds in subsection (1) or (2) of  
18 this section, or upon formal notice from the department that the  
19 source is expected to exceed the applicable emissions threshold,  
20 whichever happens first. Sources meeting these conditions are  
21 required to transfer their first allowances on the first transfer  
22 deadline of the year following the year in which their emissions were  
23 equal to or exceeded the emissions threshold.

24 (6) For emission sources described in subsection (1) of this  
25 section that are in operation or otherwise active between 2015 and  
26 2019 but were not required to report emissions for those years under  
27 RCW 70A.15.2200 for the reporting periods between 2015 and 2019,  
28 coverage under the program starts in the calendar year following the  
29 year in which emissions from the source exceed the applicable  
30 thresholds in subsection (1) of this section as reported pursuant to  
31 RCW 70A.15.2200 or provided as required by this chapter, or upon  
32 formal notice from the department that the source is expected to  
33 exceed the applicable emissions threshold for the first year that  
34 source is required to report emissions, whichever happens first.  
35 Sources meeting these criteria are required to transfer their first  
36 allowances on the first transfer deadline of the year following the  
37 year in which their emissions, as reported under RCW 70A.15.2200 or  
38 provided as required by this chapter, were equal to or exceeded the  
39 emissions threshold.

1 (7) The following emissions are exempt from coverage in the  
2 program, regardless of the emissions reported under RCW 70A.15.2200  
3 or provided as required by this chapter:

4 (a) Emissions from the combustion of aviation fuels;

5 (b) Emissions from watercraft fuels supplied in Washington that  
6 are combusted outside of Washington;

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

10 (d) Carbon dioxide emissions from the combustion of biomass or  
11 biofuels;

12 (e)(i) Motor vehicle fuel or special fuel that is used  
13 exclusively for agricultural purposes by a farm fuel user. (~~This~~  
14 ~~exemption is available only if a buyer of motor vehicle fuel or~~  
15 ~~special fuel provides the seller with an exemption certificate in a~~  
16 ~~form and manner prescribed by the department.~~) For the purposes of  
17 this subsection, "agricultural purposes" and "farm fuel user" have  
18 the same meanings as provided in RCW 82.08.865.

19 (ii) The department must determine a method for expanding the  
20 exemption provided under (e)(i) of this subsection to include fuels  
21 used for the purpose of transporting agricultural products, as  
22 defined in RCW 82.04.213, on public highways. The department must  
23 maintain this expanded exemption for a period of five years, in order  
24 to provide the agricultural sector with a feasible transition period.

25 (iii) The exemptions under this subsection (7)(e) must be  
26 provided through at least two methods in a form and manner required  
27 by the department:

28 (A) A remittance program established in section 301 of this act,  
29 including a tradable credit mechanism as provided under section  
30 301(2)(b) of this act; or

31 (B) An exemption certificate method if a buyer of motor vehicle  
32 fuel or special fuel provides the seller with an exemption  
33 certificate in a form and manner prescribed by the department.

34 (iv) In addition to the methods described in (e)(iii) of this  
35 subsection, the department may prescribe by rule additional methods  
36 for implementing the exemptions under this subsection (7)(e);

37 (f) Emissions from facilities with North American industry  
38 classification system code 92811 (national security); and

39 (g) Emissions from municipal solid waste landfills that are  
40 subject to, and in compliance with, chapter 70A.540 RCW.

1 (8) The department shall not require multiple covered entities to  
2 have a compliance obligation for the same emissions. The department  
3 may by rule authorize refineries, fuel suppliers, facilities using  
4 natural gas, and natural gas utilities to provide by agreement for  
5 the assumption of the compliance obligation for fuel or natural gas  
6 supplied and combusted in the state. The department must be notified  
7 of such an agreement at least 12 months prior to the compliance  
8 obligation period for which the agreement is applicable.

9 (9) (a) The legislature intends to promote a growing and  
10 sustainable economy and to avoid leakage of emissions from  
11 manufacturing to other locations. The legislature further intends to  
12 see innovative new businesses locate and grow in Washington that  
13 contribute to Washington's prosperity and environmental objectives.

14 (b) Consistent with the intent of the legislature to avoid the  
15 leakage of emissions to other jurisdictions, in achieving the state's  
16 greenhouse gas limits in RCW 70A.45.020, the state, including lead  
17 agencies under chapter 43.21C RCW, shall pursue the limits in a  
18 manner that recognizes that the siting and placement of new or  
19 expanded best-in-class facilities with lower carbon emitting  
20 processes is in the economic and environmental interests of the state  
21 of Washington.

22 (c) In conducting a life-cycle analysis, if required, for new or  
23 expanded facilities that require review under chapter 43.21C RCW, a  
24 lead agency must evaluate and attribute any potential net cumulative  
25 greenhouse gas emissions resulting from the project as compared to  
26 other existing facilities or best available technology including  
27 best-in-class facilities and emerging lower carbon processes that  
28 supply the same product or end use. The department may adopt rules to  
29 determine the appropriate threshold for applying this analysis.

30 (d) Covered emissions from an entity that is or will be a covered  
31 entity under this chapter may not be the basis for denial of a permit  
32 for a new or expanded facility. Covered emissions must be included in  
33 the analysis undertaken pursuant to (c) of this subsection. Nothing  
34 in this subsection requires a lead agency or a permitting agency to  
35 approve or issue a permit to a permit applicant, including to a new  
36 or expanded fossil fuel project.

37 (e) A lead agency under chapter 43.21C RCW or a permitting agency  
38 shall allow a new or expanded facility that is a covered entity or  
39 opt-in entity to satisfy a mitigation requirement for its covered  
40 emissions under chapter 316, Laws of 2021 and under any greenhouse

1 gas emission mitigation requirements for covered emissions under  
2 chapter 43.21C RCW by submitting to the department the number of  
3 compliance instruments equivalent to its covered emissions during a  
4 compliance period.

5 NEW SECTION. **Sec. 303.** (1) The department of ecology must  
6 convene a work group to review rules and processes that are developed  
7 to exempt the emissions in RCW 70A.65.080 from coverage under chapter  
8 70A.65 RCW and to develop recommendations for changes to laws, rules,  
9 policies, and practices to ensure the full use and benefit of the  
10 exemptions.

11 (2) The work group must be comprised of the following members:

- 12 (a) A representative from the department of revenue;
- 13 (b) A representative from the department of licensing;
- 14 (c) A representative from the department of transportation;
- 15 (d) Representatives from statewide organizations advocating for  
16 the aviation industry and aviation enthusiasts;
- 17 (e) Representatives from statewide organizations advocating for  
18 the watercraft industry and watercraft users;
- 19 (f) Representatives from statewide organizations advocating for  
20 the agricultural industry and farmers;
- 21 (g) Representatives from statewide organizations advocating for  
22 the fuel refineries, manufacturers, distributors, and retailers; and
- 23 (h) Representatives from statewide organizations that advocate  
24 for the other products and activities that fall within the exemption  
25 provided in RCW 70A.65.080.

26 (3) The work group shall review and make recommendations on the  
27 following topics:

- 28 (a) Whether exemption processes have been responsive to how  
29 markets have reacted to the greenhouse gas emissions cap and invest  
30 program;
- 31 (b) Whether exemption processes can be improved or alternatives  
32 developed to reduce the burdens on those seeking an exemption;
- 33 (c) The adequacy of current guidance and tools to report  
34 exemptions;
- 35 (d) Whether changes are necessary related to the remittance  
36 program created in section 301 of this act; and
- 37 (e) Other issues and topics the work group determines are  
38 necessary to review the full use and enjoyment of the exemptions  
39 provided in RCW 70A.65.080.

1 (4) Any statewide organizations advocating for an industry or  
2 activity described in RCW 70A.65.080 may submit in writing its  
3 recommendations to the work group for its review and consideration.

4 (5) Committee members are not entitled to be reimbursed for  
5 travel expenses if they are elected officials or are participating on  
6 behalf of an employer, governmental entity, or other organization.  
7 Any reimbursement for members is subject to chapter 43.03 RCW.

8 (6) The department of ecology must submit a report containing its  
9 review and recommendations to the appropriate committees of the  
10 legislature by September 1, 2024.

11 NEW SECTION. **Sec. 304.** A new section is added to chapter 70A.65  
12 RCW to read as follows:

13 The climate commitment act remittance account is created in the  
14 state treasury. The account may receive deposits from auction  
15 proceeds pursuant to RCW 70A.65.100. Moneys in the account may be  
16 spent only after appropriation. Expenditures from the account may  
17 only be used for the purpose of the remittance program established in  
18 section 301 of this act for entities consuming fuels whose emissions  
19 are exempted from coverage in the program under RCW 70A.65.080(7)(e).  
20 The department may not expend more than 10 percent per year on  
21 administrative costs associated with the remittance program.

22 **Part 4**

23 **Vehicle Fee Reductions**

24 NEW SECTION. **Sec. 401.** A new section is added to chapter 70A.65  
25 RCW to read as follows:

26 (1) By March 1, 2024, and January 1, 2025, the office of  
27 financial management and the department of ecology must jointly  
28 calculate the amount of revenue collected from auctions under this  
29 chapter for the immediately preceding fiscal year in excess of the  
30 revenue estimate prepared in October 2022, reduced by any amount  
31 appropriated in the omnibus operating appropriations act from the  
32 climate commitment act remittance account created in section 304 of  
33 this act for the fiscal year. This information must be transmitted to  
34 the department of licensing and to the appropriate policy and fiscal  
35 committees of the legislature.

36 (2) Using the amount determined under subsection (1) of this  
37 section, for fiscal year 2025 and fiscal year 2026, the department

1 must reduce vehicle license fees and the license fees based on  
 2 declared gross weight under RCW 46.17.350 and 46.17.355. The fee  
 3 reduction per vehicle is the lesser of: The amount determined under  
 4 subsection (1) of this section divided by the anticipated number of  
 5 vehicles eligible for the fee reduction; or the license fee for the  
 6 vehicle.

7 **Sec. 402.** RCW 46.17.350 and 2019 c 44 s 4 are each amended to  
 8 read as follows:

9 (1) Before accepting an application for a vehicle registration,  
 10 the department, county auditor or other agent, or subagent appointed  
 11 by the director shall require the applicant, unless specifically  
 12 exempt, to pay the following vehicle license fee by vehicle type:

13	VEHICLE TYPE	INITIAL	RENEWAL	DISTRIBUTED
14		FEE	FEE	UNDER
15	(a) Auto stage, six seats or	\$ 30.00	\$ 30.00	RCW 46.68.030
16	less			
17	(b) Camper	\$ 4.90	\$ 3.50	RCW 46.68.030
18	(c) Commercial trailer	\$ 34.00	\$ 34.00	RCW 46.68.035
19	(d) For hire vehicle, six	\$ 30.00	\$ 30.00	RCW 46.68.030
20	seats or less			
21	(e) Mobile home (if	\$ 30.00	\$ 30.00	RCW 46.68.030
22	registered)			
23	(f) Moped	\$ 30.00	\$ 30.00	RCW 46.68.030
24	(g) Motor home	\$ 30.00	\$ 30.00	RCW 46.68.030
25	(h) Motorcycle	\$ 30.00	\$ 30.00	RCW 46.68.030
26	(i) Off-road vehicle	\$ 18.00	\$ 18.00	RCW 46.68.045
27	(j) Passenger car	\$ 30.00	\$ 30.00	RCW 46.68.030
28	(k) Private use single-axle	\$ 15.00	\$ 15.00	RCW 46.68.035
29	trailer			
30	(l) Snowmobile	\$ 50.00	\$ 50.00	RCW 46.68.350
31	(m) Snowmobile, vintage	\$ 12.00	\$ 12.00	RCW 46.68.350
32	(n) Sport utility vehicle	\$ 30.00	\$ 30.00	RCW 46.68.030
33	(o) Tow truck	\$ 30.00	\$ 30.00	RCW 46.68.030

1	(p) Trailer, over 2000	\$ 30.00	\$ 30.00	RCW 46.68.030
2	pounds			
3	(q) Travel trailer	\$ 30.00	\$ 30.00	RCW 46.68.030
4	(r) Wheeled all-terrain	\$ 12.00	\$ 12.00	RCW 46.09.540
5	vehicle, on-road use			
6	(s) Wheeled all-terrain	\$ 18.00	\$ 18.00	RCW 46.09.510
7	vehicle, off-road use			

8       (2) The vehicle license fee required in subsection (1) of this  
9 section is in addition to the filing fee required under RCW  
10 46.17.005, and any other fee or tax required by law.

11       (3) For the following vehicle types, vehicle license fees under  
12 this section for vehicle registrations that are due or become due on  
13 or after July 1, 2024, through June 30, 2026, must be lowered by the  
14 amounts as determined under section 401 of this act.

- 15       (a) For hire vehicle, six seats or less;
- 16       (b) Moped;
- 17       (c) Motor home;
- 18       (d) Motorcycle;
- 19       (e) Passenger car;
- 20       (f) Sport utility vehicle; and
- 21       (g) Tow truck.

22       **Sec. 403.** RCW 46.17.355 and 2015 3rd sp.s. c 44 s 201 are each  
23 amended to read as follows:

24       (1)(a) For vehicle registrations that are due or become due  
25 before July 1, 2016, in lieu of the vehicle license fee required  
26 under RCW 46.17.350 and before accepting an application for a vehicle  
27 registration for motor vehicles described in RCW 46.16A.455, the  
28 department, county auditor or other agent, or subagent appointed by  
29 the director shall require the applicant, unless specifically exempt,  
30 to pay the following license fee by weight:

31	WEIGHT	SCHEDULE	SCHEDULE
32		A	B
33	4,000 pounds	\$ 38.00	\$ 38.00
34	6,000 pounds	\$ 48.00	\$ 48.00
35	8,000 pounds	\$ 58.00	\$ 58.00
36	10,000 pounds	\$ 60.00	\$ 60.00

1	12,000 pounds	\$ 77.00	\$ 77.00
2	14,000 pounds	\$ 88.00	\$ 88.00
3	16,000 pounds	\$ 100.00	\$ 100.00
4	18,000 pounds	\$ 152.00	\$ 152.00
5	20,000 pounds	\$ 169.00	\$ 169.00
6	22,000 pounds	\$ 183.00	\$ 183.00
7	24,000 pounds	\$ 198.00	\$ 198.00
8	26,000 pounds	\$ 209.00	\$ 209.00
9	28,000 pounds	\$ 247.00	\$ 247.00
10	30,000 pounds	\$ 285.00	\$ 285.00
11	32,000 pounds	\$ 344.00	\$ 344.00
12	34,000 pounds	\$ 366.00	\$ 366.00
13	36,000 pounds	\$ 397.00	\$ 397.00
14	38,000 pounds	\$ 436.00	\$ 436.00
15	40,000 pounds	\$ 499.00	\$ 499.00
16	42,000 pounds	\$ 519.00	\$ 609.00
17	44,000 pounds	\$ 530.00	\$ 620.00
18	46,000 pounds	\$ 570.00	\$ 660.00
19	48,000 pounds	\$ 594.00	\$ 684.00
20	50,000 pounds	\$ 645.00	\$ 735.00
21	52,000 pounds	\$ 678.00	\$ 768.00
22	54,000 pounds	\$ 732.00	\$ 822.00
23	56,000 pounds	\$ 773.00	\$ 863.00
24	58,000 pounds	\$ 804.00	\$ 894.00
25	60,000 pounds	\$ 857.00	\$ 947.00
26	62,000 pounds	\$ 919.00	\$ 1,009.00
27	64,000 pounds	\$ 939.00	\$ 1,029.00
28	66,000 pounds	\$ 1,046.00	\$ 1,136.00
29	68,000 pounds	\$ 1,091.00	\$ 1,181.00
30	70,000 pounds	\$ 1,175.00	\$ 1,265.00
31	72,000 pounds	\$ 1,257.00	\$ 1,347.00
32	74,000 pounds	\$ 1,366.00	\$ 1,456.00

1	76,000 pounds	\$ 1,476.00	\$ 1,566.00
2	78,000 pounds	\$ 1,612.00	\$ 1,702.00
3	80,000 pounds	\$ 1,740.00	\$ 1,830.00
4	82,000 pounds	\$ 1,861.00	\$ 1,951.00
5	84,000 pounds	\$ 1,981.00	\$ 2,071.00
6	86,000 pounds	\$ 2,102.00	\$ 2,192.00
7	88,000 pounds	\$ 2,223.00	\$ 2,313.00
8	90,000 pounds	\$ 2,344.00	\$ 2,434.00
9	92,000 pounds	\$ 2,464.00	\$ 2,554.00
10	94,000 pounds	\$ 2,585.00	\$ 2,675.00
11	96,000 pounds	\$ 2,706.00	\$ 2,796.00
12	98,000 pounds	\$ 2,827.00	\$ 2,917.00
13	100,000 pounds	\$ 2,947.00	\$ 3,037.00
14	102,000 pounds	\$ 3,068.00	\$ 3,158.00
15	104,000 pounds	\$ 3,189.00	\$ 3,279.00
16	105,500 pounds	\$ 3,310.00	\$ 3,400.00

17 (b) For vehicle registrations that are due or become due on or  
18 after July 1, 2016, in lieu of the vehicle license fee required under  
19 RCW 46.17.350 and before accepting an application for a vehicle  
20 registration for motor vehicles described in RCW 46.16A.455, the  
21 department, county auditor or other agent, or subagent appointed by  
22 the director shall require the applicant, unless specifically exempt,  
23 to pay the following license fee by weight:

24	WEIGHT	SCHEDULE	SCHEDULE
25		A	B
26	4,000 pounds	\$ 53.00	\$ 53.00
27	6,000 pounds	\$ 73.00	\$ 73.00
28	8,000 pounds	\$ 93.00	\$ 93.00
29	10,000 pounds	\$ 93.00	\$ 93.00
30	12,000 pounds	\$ 81.00	\$ 81.00
31	14,000 pounds	\$ 88.00	\$ 88.00
32	16,000 pounds	\$ 100.00	\$ 100.00
33	18,000 pounds	\$ 152.00	\$ 152.00

1	20,000 pounds	\$ 169.00	\$ 169.00
2	22,000 pounds	\$ 183.00	\$ 183.00
3	24,000 pounds	\$ 198.00	\$ 198.00
4	26,000 pounds	\$ 209.00	\$ 209.00
5	28,000 pounds	\$ 247.00	\$ 247.00
6	30,000 pounds	\$ 285.00	\$ 285.00
7	32,000 pounds	\$ 344.00	\$ 344.00
8	34,000 pounds	\$ 366.00	\$ 366.00
9	36,000 pounds	\$ 397.00	\$ 397.00
10	38,000 pounds	\$ 436.00	\$ 436.00
11	40,000 pounds	\$ 499.00	\$ 499.00
12	42,000 pounds	\$ 519.00	\$ 609.00
13	44,000 pounds	\$ 530.00	\$ 620.00
14	46,000 pounds	\$ 570.00	\$ 660.00
15	48,000 pounds	\$ 594.00	\$ 684.00
16	50,000 pounds	\$ 645.00	\$ 735.00
17	52,000 pounds	\$ 678.00	\$ 768.00
18	54,000 pounds	\$ 732.00	\$ 822.00
19	56,000 pounds	\$ 773.00	\$ 863.00
20	58,000 pounds	\$ 804.00	\$ 894.00
21	60,000 pounds	\$ 857.00	\$ 947.00
22	62,000 pounds	\$ 919.00	\$ 1,009.00
23	64,000 pounds	\$ 939.00	\$ 1,029.00
24	66,000 pounds	\$ 1,046.00	\$ 1,136.00
25	68,000 pounds	\$ 1,091.00	\$ 1,181.00
26	70,000 pounds	\$ 1,175.00	\$ 1,265.00
27	72,000 pounds	\$ 1,257.00	\$ 1,347.00
28	74,000 pounds	\$ 1,366.00	\$ 1,456.00
29	76,000 pounds	\$ 1,476.00	\$ 1,566.00
30	78,000 pounds	\$ 1,612.00	\$ 1,702.00
31	80,000 pounds	\$ 1,740.00	\$ 1,830.00
32	82,000 pounds	\$ 1,861.00	\$ 1,951.00

1	84,000 pounds	\$ 1,981.00	\$ 2,071.00
2	86,000 pounds	\$ 2,102.00	\$ 2,192.00
3	88,000 pounds	\$ 2,223.00	\$ 2,313.00
4	90,000 pounds	\$ 2,344.00	\$ 2,434.00
5	92,000 pounds	\$ 2,464.00	\$ 2,554.00
6	94,000 pounds	\$ 2,585.00	\$ 2,675.00
7	96,000 pounds	\$ 2,706.00	\$ 2,796.00
8	98,000 pounds	\$ 2,827.00	\$ 2,917.00
9	100,000 pounds	\$ 2,947.00	\$ 3,037.00
10	102,000 pounds	\$ 3,068.00	\$ 3,158.00
11	104,000 pounds	\$ 3,189.00	\$ 3,279.00
12	105,500 pounds	\$ 3,310.00	\$ 3,400.00

13 (2) Schedule A applies to vehicles either used exclusively for  
14 hauling logs or that do not tow trailers. Schedule B applies to  
15 vehicles that tow trailers and are not covered under Schedule A.

16 (3) If the resultant gross weight is not listed in the table  
17 provided in subsection (1) of this section, it must be increased to  
18 the next higher weight.

19 (4) The license fees provided in subsection (1) of this section  
20 and the freight project fee provided in subsection (6) of this  
21 section are in addition to the filing fee required under RCW  
22 46.17.005 and any other fee or tax required by law.

23 (5) The license fee based on declared gross weight as provided in  
24 subsection (1) of this section must be distributed under RCW  
25 46.68.035.

26 (6) For vehicle registrations that are due or become due on or  
27 after July 1, 2016, in addition to the license fee based on declared  
28 gross weight as provided in subsection (1) of this section, the  
29 department, county auditor or other agent, or subagent appointed by  
30 the director must require an applicant with a vehicle with a declared  
31 gross weight of more than 10,000 pounds, unless specifically exempt,  
32 to pay a freight project fee equal to (~~fifteen~~) 15 percent of the  
33 license fee provided in subsection (1) of this section, rounded to  
34 the nearest whole dollar, which must be distributed under RCW  
35 46.68.035.

36 (7) For vehicle registrations that are due or become due on or  
37 after July 1, 2022, in addition to the license fee based on declared

1 gross weight as provided in subsection (1) of this section, the  
2 department, county auditor or other agent, or subagent appointed by  
3 the director must require an applicant with a vehicle with a declared  
4 gross weight of less than or equal to 12,000 pounds, unless  
5 specifically exempt, to pay an additional weight fee of (~~ten~~  
6 ~~dollars~~) \$10, which must be distributed under RCW 46.68.035.

7 (8) For vehicle registrations that are due or become due on or  
8 after July 1, 2024, through June 30, 2026, the license fee based on  
9 declared gross weight as provided in subsection (1) of this section  
10 must be lowered by the amounts as determined under section 401 of  
11 this act.

12 **Sec. 404.** RCW 70A.65.100 and 2023 c 475 s 937 are each amended  
13 to read as follows:

14 (1) Except as provided in RCW 70A.65.110, 70A.65.120, and  
15 70A.65.130, the department shall distribute allowances through  
16 auctions as provided in this section and in rules adopted by the  
17 department to implement these sections. An allowance is not a  
18 property right.

19 (2)(a) The department shall hold a maximum of four auctions  
20 annually, plus any necessary reserve auctions. An auction may include  
21 allowances from the annual allowance budget of the current year and  
22 allowances from the annual allowance budgets from prior years that  
23 remain to be distributed. The department must transmit to the  
24 environmental justice council an auction notice at least 60 days  
25 prior to each auction, as well as a summary results report and a  
26 postauction public proceeds report within 60 days after each auction.  
27 The department must communicate the results of the previous calendar  
28 year's auctions to the environmental justice council on an annual  
29 basis beginning in 2024.

30 (b) The department must make future vintage allowances available  
31 through parallel auctions at least twice annually in addition to the  
32 auctions through which current vintage allowances are exclusively  
33 offered under (a) of this subsection.

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

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

5 (a) Registered entities intending to participate in an auction  
6 must submit an application to participate at least 30 days prior to  
7 the auction. The application must include the documentation required  
8 for review and approval by the department. A registered entity is  
9 eligible to participate only after receiving a notice of approval by  
10 the department.

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

18 (5) The department may require a bid guarantee, payable to the  
19 financial services administrator, in an amount greater than or equal  
20 to the sum of the maximum value of the bids to be submitted by the  
21 registered entity.

22 (6) To protect the integrity of the auctions, a registered entity  
23 or group of registered entities with a direct corporate association  
24 are subject to auction purchase and holding limits. The department  
25 may impose additional limits if it deems necessary to protect the  
26 integrity and functioning of the auctions:

27 (a) A covered entity or an opt-in entity may not buy more than 10  
28 percent of the allowances offered during a single auction;

29 (b) A general market participant may not buy more than four  
30 percent of the allowances offered during a single auction and may not  
31 in aggregate own more than 10 percent of total allowances to be  
32 issued in a calendar year;

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

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

37 (7)(a) For fiscal year 2023, upon completion and verification of  
38 the auction results, the financial services administrator shall  
39 notify winning bidders and transfer the auction proceeds to the state  
40 treasurer for deposit as follows: (i) \$127,341,000 must first be

1 deposited into the carbon emissions reduction account created in RCW  
2 70A.65.240; and (ii) the remaining auction proceeds to the climate  
3 investment account created in RCW 70A.65.250 and the air quality and  
4 health disparities improvement account created in RCW 70A.65.280.

5 (b) For fiscal year 2024, upon completion and verification of the  
6 auction results, the financial services administrator shall notify  
7 winning bidders and transfer the auction proceeds to the state  
8 treasurer for deposit as follows: (i) \$356,697,000 must first be  
9 deposited into the carbon emissions reduction account created in RCW  
10 70A.65.240, except during fiscal year 2024, the deposit as provided  
11 in this subsection (7)(b)(i) may be prorated equally across each of  
12 the auctions occurring in fiscal year 2024; (~~and~~) (ii) \$25,000,000  
13 must then be deposited into the climate commitment act remittance  
14 account created in section 304 of this act; and (iii) the remaining  
15 auction proceeds to the climate investment account created in RCW  
16 70A.65.250 and the air quality and health disparities improvement  
17 account created in RCW 70A.65.280, which may be prorated equally  
18 across each of the auctions occurring in fiscal year 2024.

19 (c) For fiscal year 2025, upon completion and verification of the  
20 auction results, the financial services administrator shall notify  
21 winning bidders and transfer the auction proceeds to the state  
22 treasurer for deposit as follows: (i) \$366,558,000 must first be  
23 deposited into the carbon emissions reduction account created in RCW  
24 70A.65.240, except that during fiscal year 2025, the deposit as  
25 provided in this subsection (7)(c)(i) may be prorated equally across  
26 each of the auctions occurring in fiscal year 2025; (~~and~~) (ii) the  
27 amount appropriated in the omnibus operating appropriations act to  
28 the climate commitment act remittance account created in section 304  
29 of this act must then be deposited into the account; (iii) a sum  
30 equal to the dollar amount that would otherwise have been deposited  
31 into the motor vehicle fund but for the lowering of vehicle license  
32 fees and the license fees based on declared gross weight pursuant to  
33 RCW 46.17.350 and 46.17.355 must then be deposited into the motor  
34 vehicle fund; and (iv) the remaining auction proceeds to the climate  
35 investment account created in RCW 70A.65.250 and the air quality and  
36 health disparities improvement account created in RCW 70A.65.280,  
37 which may be prorated equally across each of the auctions occurring  
38 in fiscal year 2025. The amounts deposited into the climate  
39 investment account created in RCW 70A.65.250 and the air quality and  
40 health disparities improvement account created in RCW 70A.65.280 must

1 be equal to or greater than the amount that would have been deposited  
2 to those accounts based on revenue estimate prepared in October 2022  
3 by the department.

4 (d) For fiscal year 2026, upon completion and verification of the  
5 auction results, the financial services administrator shall notify  
6 winning bidders and transfer the auction proceeds to the state  
7 treasurer for deposit as follows: (i) \$359,117,000 must first be  
8 deposited into the carbon emissions reduction account created in RCW  
9 70A.65.240, except that during fiscal year 2026, the deposit as  
10 provided in this subsection (7)(d)(i) may be prorated equally across  
11 each of the auctions occurring in fiscal year 2026; (ii) the amount  
12 appropriated in the omnibus operating appropriations act to the  
13 climate commitment act remittance account created in section 304 of  
14 this act must then be deposited into the account; (iii) a sum equal  
15 to the dollar amount that would otherwise have been deposited into  
16 the motor vehicle fund but for the lowering of vehicle license fees  
17 and the license fees based on declared gross weight pursuant to RCW  
18 46.17.350 and 46.17.355 must then be deposited into the motor vehicle  
19 fund; and (iv) the remaining auction proceeds to the climate  
20 investment account created in RCW 70A.65.250 and the air quality and  
21 health disparities improvement account created in RCW 70A.65.280,  
22 which may be prorated equally across each of the auctions occurring  
23 in fiscal year 2026. The amounts deposited into the climate  
24 investment account created in RCW 70A.65.250 and the air quality and  
25 health disparities improvement account created in RCW 70A.65.280 must  
26 be equal to or greater than the amount that would have been deposited  
27 to those accounts based on the revenue estimate prepared in October  
28 2022 by the department.

29 (e) For fiscal years ((2026)) 2027 through 2037, upon completion  
30 and verification of the auction results, the financial services  
31 administrator shall notify winning bidders and transfer the auction  
32 proceeds to the state treasurer for deposit as follows: (i)  
33 \$359,117,000 per year must first be deposited into the carbon  
34 emissions reduction account created in RCW 70A.65.240; ((and)) (ii)  
35 the amount appropriated in the omnibus operating appropriations act  
36 to the climate commitment act remittance account created in section  
37 304 of this act must then be deposited into the account; and (iii)  
38 the remaining auction proceeds to the climate investment account  
39 created in RCW 70A.65.250 and the air quality and health disparities  
40 improvement account created in RCW 70A.65.280.

1        ~~((e))~~ (f) The deposits into the carbon emissions reduction  
2 account pursuant to (a) through ~~((d))~~ (e) of this subsection must  
3 not exceed \$5,200,000,000 over the first 16 fiscal years and any  
4 remaining auction proceeds must be deposited into the climate  
5 investment account created in RCW 70A.65.250 and the air quality and  
6 health disparities improvement account created in RCW 70A.65.280.

7        ~~((f))~~ (g) For fiscal year 2038 and each year thereafter, upon  
8 completion and verification of the auction results, the financial  
9 services administrator shall notify winning bidders and transfer the  
10 auction proceeds to the state treasurer for deposit as follows: (i)  
11 50 percent of the auction proceeds to the carbon emissions reduction  
12 account created in RCW 70A.65.240; and (ii) the remaining auction  
13 proceeds to the climate investment account created in RCW 70A.65.250  
14 and the air quality and health disparities improvement account  
15 created in RCW 70A.65.280.

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

26        (a) Provided false or misleading facts;

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

29        (c) Violated any part of the auction rules;

30        (d) Violated registration requirements; or

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

33        (9) Records containing the following information are confidential  
34 and are exempt from public disclosure in their entirety:

35        (a) Bidding information as identified in subsection (8) of this  
36 section;

37        (b) Information contained in the secure, online electronic  
38 tracking system established by the department pursuant to RCW  
39 70A.65.090(6);

1 (c) Financial, proprietary, and other market sensitive  
2 information as determined by the department that is submitted to the  
3 department pursuant to this chapter;

4 (d) Financial, proprietary, and other market sensitive  
5 information as determined by the department that is submitted to the  
6 independent contractor or the financial services administrator  
7 engaged by the department pursuant to subsection (3) of this section;  
8 and

9 (e) Financial, proprietary, and other market sensitive  
10 information as determined by the department that is submitted to a  
11 jurisdiction with which the department has entered into a linkage  
12 agreement pursuant to RCW 70A.65.210, and which is shared with the  
13 department, the independent contractor, or the financial services  
14 administrator pursuant to a linkage agreement.

15 (10) Any cancellation or restriction approved by the department  
16 under subsection (8) of this section may be permanent or for a  
17 specified number of auctions and the cancellation or restriction  
18 imposed is not exclusive and is in addition to the remedies that may  
19 be available pursuant to chapter 19.86 RCW or other state or federal  
20 laws, if applicable.

21 (11) The department shall design allowance auctions so as to  
22 allow, to the maximum extent practicable, linking with external  
23 greenhouse gas emissions trading programs in other jurisdictions and  
24 to facilitate the transfer of allowances when the state's program has  
25 entered into a linkage agreement with other external greenhouse gas  
26 emissions trading programs. The department may conduct auctions  
27 jointly with linked jurisdictions.

28 (12) In setting the number of allowances offered at each auction,  
29 the department shall consider the allowances in the marketplace due  
30 to the marketing of allowances issued as required under RCW  
31 70A.65.110, 70A.65.120, and 70A.65.130 in the department's  
32 determination of the number of allowances to be offered at auction.  
33 The department shall offer only such number of allowances at each  
34 auction as will enhance the likelihood of achieving the goals of RCW  
35 70A.45.020.

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