
HOUSE BILL 2416

State of Washington

69th Legislature

2026 Regular Session

By Representatives Hill, Ormsby, Parshley, Schmidt, Scott, Peterson, Obras, Shavers, Engell, and Graham

Read first time 01/13/26. Referred to Committee on Environment & Energy.

1 AN ACT Relating to fair treatment of waste to energy facilities
2 under the climate commitment act; amending RCW 70A.65.120; adding a
3 new section to chapter 70A.65 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature finds, based on a study
6 published by the department of ecology in March 2024, that the only
7 waste to energy system in the state will emit fewer greenhouse gases
8 than the alternative of managing, hauling, and disposing of that
9 system's waste to landfills in other communities. The legislature
10 intends to treat all municipal solid waste management systems fairly
11 and equivalently throughout the state under the Washington cap and
12 invest program. This act achieves more equal treatment of all
13 communities with municipal solid waste management systems under the
14 Washington cap and invest program by adding a narrow allocation of no
15 cost allowances for the state's only waste to energy municipal solid
16 waste management system.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 70A.65
18 RCW to read as follows:

19 (1) The department must allocate no cost allowances to a waste to
20 energy facility specified in RCW 70A.65.080(2), if the facility is

1 operated in compliance with federal laws and regulations and meets
2 state air quality standards, as follows:

3 (a) Beginning January 1, 2027, until the end of the second
4 compliance period, the facility must be awarded no cost allowances
5 equal to 100 percent of the facility's greenhouse gas emissions;

6 (b) At the beginning of the third compliance period, the facility
7 must be awarded no-cost allowances equal to 97 percent of the
8 facility's greenhouse gas emissions;

9 (c) At the beginning of the fourth compliance period and for each
10 subsequent compliance period, the amount of no-cost allowances
11 awarded to the facility must decline by an additional three percent
12 for each compliance period, relative to the amount awarded under (a)
13 of this subsection.

14 (2)(a) The department must make an initial allocation of no-cost
15 allowances to a facility described in subsection (1) of this section
16 for greenhouse gas emissions for a given year (t) by the end of that
17 calendar year, in an amount equal to the greenhouse gas emissions
18 reported by the facility to the department for the preceding calendar
19 year (t-1), multiplied by the appropriate percentage of the
20 facility's emissions specified in subsection (1)(a) through (c) of
21 this section.

22 (b) After the facility described in subsection (1) of this
23 section reports greenhouse gas emissions to the department for the
24 given year (t) consistent with RCW 70A.15.2200 and the department
25 receives and verifies that report, the department must either:

26 (i) If necessary to ensure that the facility receives no-cost
27 allowances for year (t) in the amount specified in subsection (1) of
28 this section, provide the facility with additional allowances prior
29 to the next compliance deadline under this chapter; or

30 (ii) If the facility has received, in its initial allocation
31 under (a) of this subsection based on the emissions from year (t-1),
32 a greater number of no-cost allowances for year (t) than the amount
33 specified in subsection (1) of this section, subtract the difference
34 from the number of allowances allocated to the facility for the next
35 emission year (t+1).

36 **Sec. 3.** RCW 70A.65.120 and 2021 c 316 s 14 are each amended to
37 read as follows:

38 (1) The legislature intends by this section to allow all
39 consumer-owned electric utilities and investor-owned electric

1 utilities subject to the requirements of chapter 19.405 RCW, the
2 Washington clean energy transformation act, to be eligible for
3 allowance allocation as provided in this section in order to mitigate
4 the cost burden of the program on electricity customers.

5 (2) (a) By October 1, 2022, the department shall adopt rules, in
6 consultation with the department of commerce and the utilities and
7 transportation commission, establishing the methods and procedures
8 for allocating allowances for consumer-owned and investor-owned
9 electric utilities. The rules must take into account the cost burden
10 of the program on electricity customers.

11 (b) By October 1, 2022, the department shall adopt an allocation
12 schedule by rule, in consultation with the department of commerce and
13 the utilities and transportation commission, for the first compliance
14 period for the provision of allowances at no cost to consumer-owned
15 and investor-owned electric utilities. This allocation must be
16 consistent with a forecast, that is approved by the appropriate
17 governing board or the utilities and transportation commission, of
18 each utility's supply and demand, and the cost burden resulting from
19 the inclusion of the covered entities in the first compliance period.

20 (c) By October 1, 2026, the department shall adopt an allocation
21 schedule by rule, in consultation with the department of commerce and
22 the utilities and transportation commission, for the provision of
23 allowances for the second compliance period at no cost to consumer-
24 owned and investor-owned electric utilities. This allocation must be
25 consistent with a forecast, that is approved by the appropriate
26 governing board or the utilities and transportation commission, of
27 each utility's supply and demand, and the cost burden resulting from
28 the inclusion of covered entities in the second compliance period.
29 The allowances included in this schedule must reflect the increased
30 scope of coverage in the electricity sector relative to the program
31 budget of allowances established in 2022.

32 (d) By October 1, 2028, the department shall adopt an allocation
33 schedule by rule, in consultation with the department of commerce and
34 the utilities and transportation commission, for the provision of
35 allowances at no cost to consumer-owned and investor-owned electric
36 utilities for the compliance periods contained within calendar years
37 2031 through 2045. This allocation must be consistent with a
38 forecast, that is approved by the appropriate governing board or the
39 utilities and transportation commission, of each utility's supply and
40 demand, and the cost burden resulting from the inclusion of the

1 covered entities in the compliance periods. The rule developed under
2 this subsection (2)(d) may prescribe an amount of allowances
3 allocated at no cost that must be consigned to auction by consumer-
4 owned and investor-owned electric utilities. However, utilities may
5 use allowances for compliance equal to their covered emissions in any
6 calendar year they were not subject to potential penalty under RCW
7 19.405.090. Under no circumstances may utilities receive any free
8 allowances after 2045.

9 (3)(a) During the first compliance period, allowances allocated
10 at no cost to consumer-owned and investor-owned electric utilities
11 may be consigned to auction for the benefit of ratepayers, deposited
12 for compliance, or a combination of both. The rules adopted by the
13 department under subsection (2) of this section must include
14 provisions for directing revenues generated under this subsection to
15 the applicable utilities.

16 (b) By October 1, 2026, the department, in consultation with the
17 department of commerce and the utilities and transportation
18 commission, must adopt rules governing the amount of allowances
19 allocated at no cost under subsection (2)(c) of this section that
20 must be consigned to auction. For calendar year 2030, electric
21 utilities may use allowances for compliance equal to their covered
22 emissions if not subject to potential penalty under RCW 19.405.090.

23 (4) The benefits of all allowances consigned to auction under
24 this section must be used by consumer-owned and investor-owned
25 electric utilities for the benefit of ratepayers, with the first
26 priority the mitigation of any rate impacts to low-income customers.

27 (5) If an entity is identified by the department as an emissions-
28 intensive, trade-exposed industry under RCW 70A.65.110, unless
29 allowances have been otherwise allocated for electricity-related
30 emissions to the entity under RCW 70A.65.110 or to a consumer-owned
31 utility under this section, the department shall allocate allowances
32 at no cost to the electric utility or power marketing administration
33 that is providing electricity to the entity in an amount equal to the
34 forecasted emissions for electricity consumption for the entity for
35 the compliance period.

36 (6) The department shall allow for allowances to be transferred
37 between a power marketing administration and electric utilities and
38 used for direct compliance.

39 (7) Rules establishing the allocation of allowances to consumer-
40 owned utilities and investor-owned utilities must consider the impact

1 of electrification of buildings, transportation, and industry on the
2 electricity sector.

3 (8) Nothing in this section affects the requirements of chapter
4 19.405 RCW.

5 (9) A consumer-owned utility that is party to a contract that
6 meets the following conditions must be issued allowances under this
7 section for emissions associated with imported electricity, in order
8 to prevent impairment of the value of the contract to either party:

9 (a) The contract does not address compliance costs imposed upon
10 the consumer-owned utility by the program created in this chapter;
11 and

12 (b) The contract was in effect as of July 25, 2021, and expires
13 no later than the end of the first compliance period.

14 (10) The department may not allocate allowances to an electric
15 utility under this section for greenhouse gas emissions associated
16 with electricity produced by a waste to energy facility that receives
17 no-cost allowances under section 2 of this act.

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