

**WAC 173-424-550 Advance crediting. (1) General provisions.**

(a) Advance credits are used to decarbonize the transportation sector pursuant to RCW 70A.535.050(3).

(b) All advance credits represent actual reductions of greenhouse gas emissions against the clean fuel standards.

(c) Vehicles must be registered in Washington to be eligible to earn advance credits.

**(2) Eligibility to generate advance credits.**

(a) Washington state department of transportation or other public entities that are implementing state transportation investment projects and programs to be funded through an omnibus transportation appropriations act may apply for advance credit, provided that:

(i) The projects and programs reduce greenhouse gas emissions and decarbonize the transportation sector.

(ii) The projects and programs that are eligible to generate credits may apply for advance credits.

(b) For the purposes of this subsection, public entities include, but are not limited to:

(i) Public transit agencies;

(ii) Political subdivisions or municipal corporations of the state of Washington;

(iii) Tribal governments;

(iv) School districts;

(v) Companies under contract to provide services to a political subdivision of the state of Washington or a Washington school district may apply if the political subdivision endorses the application, and the vehicles covered by the application are intended to provide contracted services to the public.

(c) The entities identified in this subsection may apply to earn advance credits for the purchase and use of the following types of investments:

(i) Medium and heavy-duty vehicles and infrastructure; and

(ii) Light-duty vehicles and infrastructure if they are part of an organization's plan to fully electrify its light-duty fleet within a 15-year time period.

(iii) Electrification of the state ferry fleet;

(iv) Public transit infrastructure; and

(v) Other types of investments that ecology may identify to incentivize effective GHG emissions reduction activities that can normally generate credit through the clean fuels program.

**(3) Applications for advance credits.** All of the following requirements apply to applications for advance credits:

(a) Applications for advance crediting will be accepted by ecology at least once per year from entities eligible to apply under subsection (2) of this section. Ecology will notify stakeholders when applications will be accepted and will provide application materials and guidance about how it will process and consider applications.

(b) Applicants must supply the following information to ecology:

(i) A letter describing the activities or purchases that they want to receive advance crediting for, and the estimated time frames for when those projects and programs will be put into useful service;

(ii) A detailed estimate of the potential credit generation from the investment projects or programs that they want to receive advance crediting for;

(iii) A detailed monitoring mechanism to ensure the accuracy of the credit generation from the investment projects or programs until it has exited the payback period;

(iv) Information on the location of the investment projects and programs and all materials and energy inputs and emissions that is used to estimate the potential credit generation;

(v) A proposed number of credits to be advanced for each vehicle; and

(vi) An attestation that the applicant will remain the owner or lessee of the credit generating units through the implementation of the investment projects and programs until the vehicle has paid back the advance credits, or that, if the credit generating unit is sold prior to the end of the payback period, that the applicant will buy and retire credits against the remaining unearned amount.

(c) Ecology may request additional documentation from an applicant prior to making a decision on the application. Not submitting the requested documentation can be reason to deny the application without prejudice.

(4) **Approval of advance credits.** If ecology determines that an application for advance credits meets the requirements of subsections (2) and (3) of this section, then ecology will negotiate an agreement with the applicant to issue advance credits consistent with this rule and based on all of the following considerations and requirements:

(a) A clear and objective milestone for issuing advance credits that represents when the credit generating unit implemented through the investment projects and programs covered by the application are placed into useful service to generate credits;

(b) The total number of credits being advanced;

(c) The length of the payback period, which must be at least one year longer than the number of years of credits that will be advanced;

(d) An attestation from the applicant that it understands that the advanced credits must represent real reductions and that if the activity covered by the agreement does not generate sufficient credits within the payback period that it is responsible for retiring a sufficient number of credits to make up the difference. The attestation must also include a statement that the applicant understands that it is responsible for making up the difference in credits if it sells or relocates covered credit generating units outside of Washington; and

(e) An attestation from the applicant that it will ensure that actual credits from the investment project or program are not generated from other credit generating units until the credits have been paid back.

(5) **Issuance of advance credits.** If ecology approves an application and has executed an agreement with the applicant under subsection (4) of this section, then:

(a) Ecology will issue advance credits to the applicant only after the vehicles or equipment are placed into useful service as agreed to under subsection (4) of this section;

(b) Credits will only be issued to the applicant named in the agreement; and

(c) Ecology may advance no more than six years of credits for any single investment project or program.

(6) **Payback period.** Advance credits issued under this rule are subject to the following requirements:

(a) The payback period for the investment project or program will be specified in the agreement between ecology and the applicant, except that the payback period may not exceed nine years. The payback period must be at least one year longer than the number of years of credits advanced to the applicant.

(b) In the event that the number of advance credits was not realized during the payback period, the recipient is responsible for acquiring and retiring sufficient credits to ensure the environmental integrity of the program.

(c) If the ownership of an investment project or program is transferred to another entity prior to the close of the payback period, the applicant is responsible for retiring credits against the volume of advanced credits that has not yet been covered by actual credit generation.

(7) **Reporting requirements.** An applicant that has received advance credits under this rule:

(a) Must file quarterly reports to ecology showing the amount of credit generating activities into the investment project or program covered by the agreement; and

(b) May not generate additional credits for that project until the advance credits are paid back using credits generated from that project or other banked credits. Ecology and the applicant will monitor the amount of credits that would have been generated to determine when an equal number of credits has been generated to the number of credits advanced.

(8) **Overall limitation on advance credits.** Ecology may not issue more advance credits in any one calendar year than an amount equal to five percent of the total number of deficits generated in the prior compliance year. In considering applications under this section, ecology will process applications based on the criteria ecology develops in consultation with the Washington state department of transportation towards meeting the goals of the clean fuels program.

[Statutory Authority: Chapter 70A.535 RCW. WSR 22-24-004 (Order 21-04), § 173-424-550, filed 11/28/22, effective 12/29/22.]