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U.S. CLIMATE

Washington State's Climate Commitment Act: A model for ambitious climate policy

Background

On May 17, 2021, Governor Inslee signed the Climate Commitment Act, a bold cap-and-invest bill, into law. This legislation solidifies Washington state as a national climate leader with the most ambitious limit on emissions of any state in the nation. Washington is the second state, behind California, to place a binding, declining emissions limit across all major sectors of its economy and translate its climate goals into a policy framework designed to fully deliver.

The Climate Commitment Act **sets a new gold standard for climate policy** because it slashes greenhouse gas emissions at the pace and scale necessary to meet the urgency of the climate crisis, *and* it provides new tools to address local air pollution in overburdened communities. It also complements and supercharges Washington state's existing climate policies in the power sector, buildings, transportation and more. **Here are major features of this bill that provide a policy model for other states.**

How the cap-and-invest program works

By putting a limit on pollution, the CCA ensures emissions decline over time. In addition to existing policies designed to deploy clean technology, a price is used to help meet the limit, driving down reductions first where they are the lowest cost and enabling higher ambition. The revenue raised from the program will be put back into Washington communities through investments in climate resilience, healthier air quality and clean energy jobs.

The cap: To ensure that emissions are cut in line with Washington's 2030, 2040 and 2050 greenhouse gas reduction goals, the CCA puts **an enforceable, declining limit on all major sources of greenhouse gas emissions across the state's economy.** The cap declines annually and is enforced through emissions permits — called allowances.

Allowances: Every polluting facility covered under the program needs to hold **one allowance for every ton of greenhouse gas that it emits** — and, critically, each year Washington's Department of Ecology will create *only as many* allowances as the cap allows (one allowance per ton). Most of the allowances are auctioned off by the Department of Ecology to businesses that need them for compliance under the cap. This is where the carbon price is determined: the cost of purchasing an allowance at auction is set by the market. Utilities and some industries are given allowances directly to benefit ratepayers and to prevent businesses from moving across state borders to pollute unabated.

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If a business fails to turn in sufficient allowances to the Department for compliance, they are fined and required to turn in four allowances for each ton of greenhouse gas emissions. This makes their compliance obligation four times what it would otherwise be.

Linking: Pending a stringent review process, Washington has the ability to link its climate program with California and Quebec's program or with other states in the future, which may lower compliance costs.

Program review: The bill provides for regular program reviews to ensure that Washington is on track to reduce its emissions in line with its climate goals and has the opportunity to adjust the program as needed.

Offsets: The CCA allows a small number of offsets (8% per regulated entity in the first compliance period) to help reduce pollution where onsite reductions are not feasible or too expensive. At least half of the offsets must come from activities that provide direct environmental benefits to Washington. Ecology must reduce the number of allowances it issues to make up for allowed offset usage.

Equity innovations in the Climate Commitment Act

The CCA makes a number of important advances in addressing equity and local air quality.

Air quality tools: To ensure that air pollution declines in overburdened communities, the Department of Ecology has to identify communities in Washington with high cumulative pollution burdens and engage with those communities to deploy air pollution monitors. Ecology must then set air quality targets that would improve air quality to eliminate disparities between overburdened communities and neighboring communities that are not overburdened, and — critically — adopt new standards and regulations to meet those targets. This is a powerful innovation that advances new tools for mitigating local air pollution in the same policy framework designed to tackle global climate pollution — and reinforces a standard for advancing these dual priorities concurrently.

Investments in healthier communities: The CCA requires at least 35% of revenues raised from the program, with a goal of 40%, to provide direct and meaningful benefits to communities that are disproportionately burdened with environmental harms and health impacts. An additional 10% of the investments must also go to tribal projects and programs.

Environmental Justice Council: A standing environmental justice council will provide recommendations on program design and implementation, revenue investment and any potential linkage with other states. The council will have representation from overburdened and tribal communities across the state, as well as union representatives and environmental justice experts.

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