Washington’s Climate Commitment Act

Use of cap-and-invest revenues to support Washington’s clean energy future

Legislative intent

RCW 70A.65.230

- (1) It is the intent of the legislature that each year the total investments made through the carbon emissions reduction account created in RCW **70A.65.240**, the climate commitment account created in RCW **70A.65.260**, the natural climate solutions account created in RCW **70A.65.270**, and the air quality and health disparities improvement account created in RCW **70A.65.280**, achieve the following:
- (a) A minimum of not less than 35 percent and a goal of 40 percent of total investments that provide direct and meaningful benefits to vulnerable populations within the boundaries of overburdened communities identified under chapter **70A.02** RCW; and
- (b) In addition to the requirements of (a) of this subsection, a minimum of not less than 10 percent of total investments that are used for programs, activities, or projects formally supported by a resolution of an Indian tribe, with priority given to otherwise qualifying projects directly administered or proposed by an Indian tribe. An investment that meets the requirements of both this subsection (1)(b) and (a) of this subsection may count toward the minimum percentage targets for both subsections.
- (2) The expenditure of moneys under this chapter must be consistent with applicable federal, state, and local laws, and treaty rights including, but not limited to, prohibitions on uses of funds imposed by the state Constitution.
- (3) For the purposes of this section, "benefits" means investments or activities that:
- (a) Reduce vulnerable population characteristics, environmental burdens, or associated risks that contribute significantly to the cumulative impact designation of overburdened communities;
- (b) Meaningfully protect an overburdened community from, or support community response to, the impacts of air pollution or climate change; or
- (c) Meet a community need identified by vulnerable members of the overburdened community that is consistent with the intent of this chapter.
- (4) The state must develop a process by which to evaluate the impacts of the investments made under this chapter, work across state agencies to develop and track priorities across the different eligible funding categories, and work with the environmental justice council pursuant to RCW **70A.65.040**.

Legislative intent

- Our goal was and is to invest the proceeds of cap-and-invest auctions in reducing greenhouse gas emissions, primarily by accelerating our transition away from fossil fuel combustion.

Climate Commitment Act (CCA) Allowance Auction Proceeds

To CERA: set amounts in FY23-37 (e.g., $357M in FY24), then 50% of annual proceeds after FY37

Carbon Emissions Reduction Account (CERA)

Exclusively for active transportation, transit programs and projects, alternative fuel and electrification, ferries, and rail.

24%*

Climate Active Transportation Account

Only for active transportation grant programs and active transportation projects in a transportation budget identified as Move Ahead Washington projects.

20%

Remains in CERA

56%*

Climate Transit Programs Account

Only for transit grant programs as well as transit projects in a transportation budget that are identified as Move Ahead Washington projects.

To AQHDIA: amount not specified (other than intent), requires additional action in a budget or bill

Air Quality and Health Disparities Improvement Account (AQHDIA)

Used in capital or transportation budget to improve air quality and reduce health disparities in overburdened communities. *CCA intent language: at least $20M/biennium dedicated to this account*

To CIA: amount not specified, but is the default account for any proceeds not otherwise specified

Climate Investment Account (CIA)

Administration costs (no more than 5% of total proceeds) and tribal capacity grants.

Amounts remaining after admin/grant appropriations

25%**

Natural Climate Solutions Account

Clean water and healthy forest investments. *CCA intent language: At least $10M/biennium for Forestry Riparian Easement Program*

75%**

Climate Commitment Account

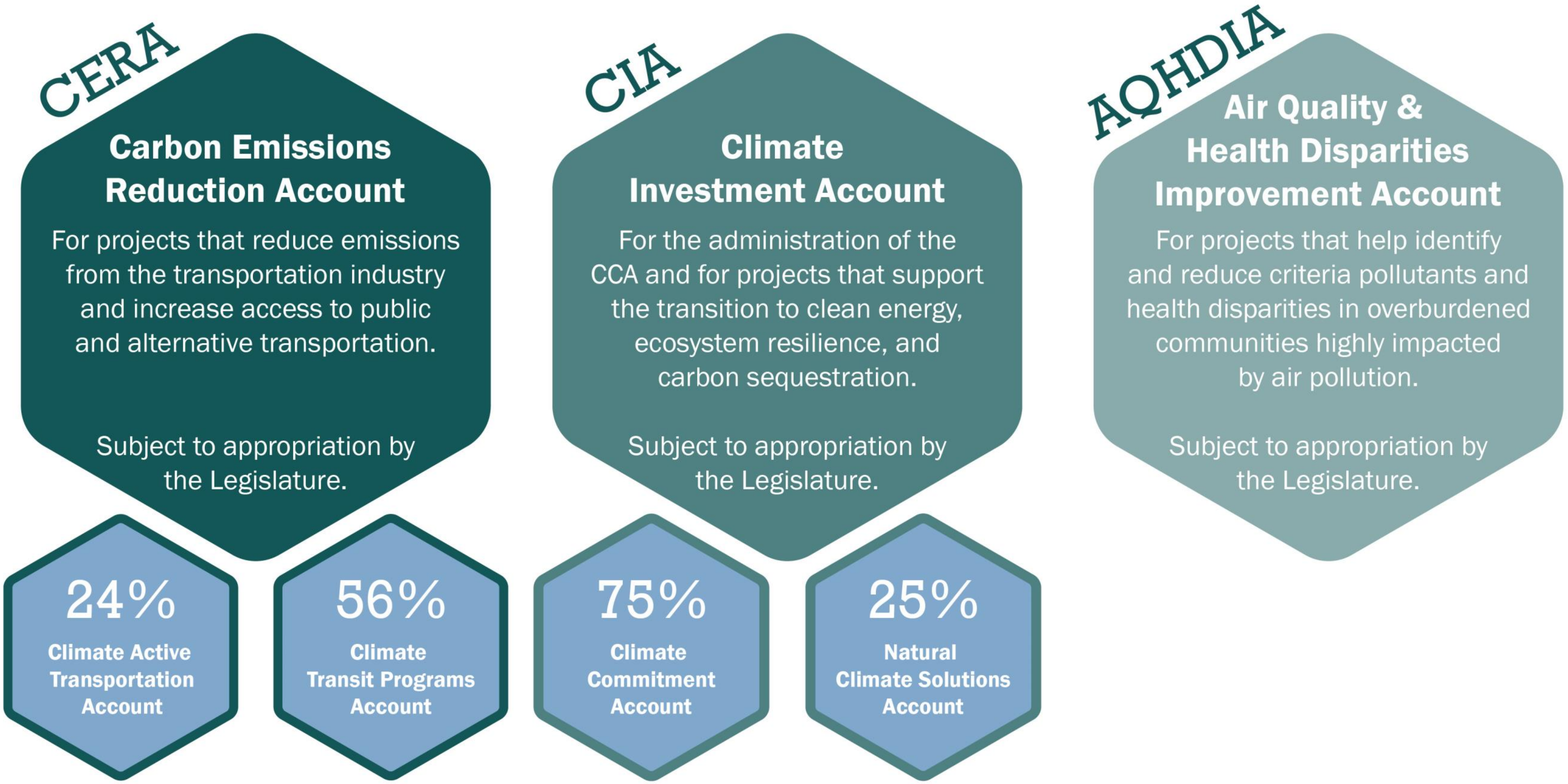
Including, but not limited to: a) working families tax rebate; b) growth management planning and environmental review funding; c) greenhouse gas (GHG) impact mitigation in overburdened communities, d) renewable energy and grid modernization, e) industrial energy efficiency/GHG reductions, f) agricultural energy efficiency/emissions reductions, g) energy efficiency in buildings, h) electrification and decarbonization of buildings, i) efficiency and market transformation of appliances and heating equipment, j) assistance for affected workers or people with lower incomes during the clean energy transition, k) landfill emissions reductions, l) CO^2 removal projects, and m) climate change mitigation for tribes, *with a stated intent of at least $50M/biennium for (m)*

CCA includes intent of minimum of 35% (goal of 40%) of total investments from CCA accounts to benefit vulnerable populations in overburdened communities. Additionally, 10% of total investments intended for projects supported by a tribe.

*Transfers begin in FY24

**Transfers begin in FY25

Office of Program Research, Dan Jones (360-786-7118) and Megan McPhaden (360-485-0401), 7/14/2022


CERA
Carbon Emissions Reduction Account
For projects that reduce emissions from the transportation industry and increase access to public and alternative transportation.
Subject to appropriation by the Legislature.
24%
Climate Active Transportation Account
56%
Climate Transit Programs Account
CIA
Climate Investment Account
For the administration of the CCA and for projects that support the transition to clean energy, ecosystem resilience, and carbon sequestration.
Subject to appropriation by the Legislature.
75%
Climate Commitment Account
25%
Natural Climate Solutions Account
AQHDIA
Air Quality & Health Disparities Improvement Account
For projects that help identify and reduce criteria pollutants and health disparities in overburdened communities highly impacted by air pollution.
Subject to appropriation by the Legislature.

Investment targets

- Minimum of 35% and goal of 40% of total investments that provide direct and meaningful benefits to vulnerable populations within the boundaries of overburdened communities
- Minimum 10 % of total investments for programs, activities, or projects formally supported by a resolution of an Indian tribe, with priority given to otherwise qualifying projects directly administered or proposed by an Indian tribe
- Some disagreement over how to measure these targets, particularly the first

Carbon Emissions Reduction Account (CERA/transportation account)

- Restricted to investments that reduce transportation sector carbon emissions
  - Transportation alternatives to single occupancy vehicles
  - VMT (vehicle miles traveled) reduction
  - Alternative fuel infrastructure and incentive programs
  - Emissions reduction from freight transportation, ferries, and other maritime and port activities
- Expenditures restricted for 18th Amendment (highway) purposes
  - Some ambiguity over the application of this restriction to ferries

Climate Investment Account (CIA)

- Where program administration is funded
- Administration costs capped by statute at 5% of auction proceeds
- In reality, administration costs have been less than 1% of auction proceeds
- $21m-$30m per biennium, relative to $3.2b in auction proceeds from Jan 2023-June 2024

Climate Commitment Account (CCA)

- 75% of remaining revenues from Climate Investment Account after program administration is accounted for
- Primary source of funding in operating and capital budgets for investments to fight climate change

Natural Climate Solutions Account (NCSA)

- 25% of remaining revenues from Climate Investment Account after program administration is accounted for
- Investments in both adaptation to a changing climate and in natural solutions to sequestering carbon and preventing carbon emissions
  - Wildfire suppression and prevention
  - Floodplains
  - Salmon recovery

Air Quality & Health Disparities Improvement Account (AQHDIA)

- Funding to reduce criteria air pollutant emissions in overburdened communities highly impacted by air pollution
- Ultra-fine particle monitoring

Lessons learned

- Our account structure is complicated and could be simplified
- Criteria for what kinds of projects can be funded could be clarified
- As revenue declines:
  - Maintenance level operating budget expenditures will need to be reduced
  - Capital and transportation budget expenditures will need to decline, but will also be less needed
- Emissions reductions are much more achievable and less expensive if cap-and-invest revenue is supporting them

Thank you!

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