

# PROTECT WASHINGTON ACT I-1631 REVIEW

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WA Solar Summit

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# Carbon Pollution Fee

- \$15/metric-ton of CO<sub>2</sub> in July 2020
- July 2021 - price increases by \$2/metric-ton (inflation applied to \$2)
- Only inflation adjustment when 2035 goal is achieved and emissions reductions are on track for 2050 goal.

# Fee Details

- Fee must be spent on the issue that engenders a fee, i.e., carbon pollution
- Exemptions:
  - Energy-intensive, trade-exposed enterprises; see WAC 173-442-020(1)(m).
  - Tribal use, state and federally taxed or exempt fuels.
  - Coal plants scheduled to close by 2025 (Transalta and Colstrip 1&2).

# Clean Up Pollution Fund



*Utility Credits considered Clean Air and Clean Energy funds*

# Emissions Goals

- Reduce carbon pollution by 20 mmt by 2035 and 50 mmt by 2050
- Maximize competitive project selection, a wide range of technologies, and long-term cost-effectiveness

# Clean Air and Clean Energy Funding

- Eligible renewable energy resources
- Transportation: transit, electrified transport, rural areas solutions
- Energy efficiency, including market transformation
- Industrial energy solutions: emissions reductions, efficiency and renewables
- Non-fossil fuel gas
- Grid management
- Sequestration in water, agriculture, land, forests
- Other projects that reduce GHG

# Clean Air and Clean Energy Admin

- Investment Administrators:
  - Department of Commerce
  - Gas and Electric Utilities upon completion of criteria
  - Department of Natural Resources
  - Recreation and Conservation Office
  - Department of Agriculture
- Oversight Board, Department of Revenue, Governor's office, and UTC will have central roles in the administration, implementation and evaluation of investments

# Clean Water and Healthy Forests Funding

- Investments to increase the resiliency of the state's waters and forests to the impacts of climate change
- Investments include:
  - Restore and protect estuaries, fisheries and marine shoreline habitats
  - Reduce flood risk and restore natural floodplains
  - Increase the sustainable supply of water and aquatic habitat
  - Increase resilience to wildfires in the face of increased temperatures and drought
  - Improve forest health and reduce vulnerability to impacts of climate change



# Healthy Communities Funding

- Prepare communities for challenges caused by climate change and to ensure they are not disproportionately impacted. Investments include:
  - Community preparedness before, during and after wildfires
  - Wildfire suppression, prevention and recovery for tribal communities
  - Relocation of communities on tribal lands due to flooding and sea level rise
  - Education and teacher professional development on climate change
  - Community capacity grants

# Investment Criteria/Overlays

## Support for workers displaced as a result of transition from fossil fuels

- \$50 million fund that replenishes annually
- Transition support such as wage replacement, health benefits, retraining, etc.

# Investment Criteria/Overlays

- At least 35% of total investments (both state and utilities) must benefit “pollution and health action areas”
  - Reduce environmental burdens and vulnerabilities
  - Protect from the impacts of climate change
  - Meet the climate objectives and needs of vulnerable people
  - Support a just transition for workers in fossil fuel industries
- At least 10% of total investments must be within P&H action areas – counts towards 35%
- At least 10% of total investments must be supported by a Tribe – counts towards 35% but not 10% requirement for geographic criterion

# Investment Criteria/Overlays

## Support for people with lower incomes

- Requires sufficient funding to eliminate any increase in energy burden on people with lower incomes.
- Minimum of 15% of investments (state and utilities)
- Prioritize investments that reduce energy consumption, weatherization, create community renewables, or provide bill assistance.
- Improve access to existing and future programs

# Utility Retention of Fee

- Assessed fee liability based on the power generated (even if exported), fuel or power imported
- Utilities can claim credits for fee liability with submission of clean energy plan to UTC/Commerce
- Prior to clean energy plan - utility conducts stakeholder engagement and meet “meaningful collaboration” standard and engagement with the investment advisory panel.
- Plans must align with state pollution reduction plan, statewide emission reduction targets and low-income and worker goals.
  1. Reduce emissions associated with utility operation plus transportation and built sector coordination.
  2. Must describe long-term strategy to eliminate fee liability (electric sector)
  3. Must meet investment criteria, provide performance metrics, and address any shortfalls from previous plans

# Utility Retention con't.

- **Utility Criteria**
- Minimum - 35 percent of total investments must provide direct and meaningful benefits to pollution and health action areas
- Minimum 15 percent of total investments (can be part of 35%) must reduce energy burden on peoples with low-income as a result of actions to reduce pollution; additional funds must be allocated for program development, recruitment, enrollment and admin. Investments include:
  - Bill assistance
  - Weatherization and energy efficiency
  - Community-owned distributed energy resources
  - Transportation electrification
- Preference for investments that also:
  - Use of materials and content that have lower carbon emissions
  - Support high-quality labor standards, prevailing wage rates, apprenticeship, community workforce agreements and minority-owned businesses
  - Reduction of worker and public exposure to pollutants
- **UTC/Commerce can approve all, parts or none of submitted plan**
  - Plans must be filed every two years with an interim progress report.
  - Investments are in addition to existing emission-reduction efforts and may not support programs, activities, or projects that are otherwise legally required by federal, state, or local laws, or are required as a result of a legal settlement
  - Failure to meet plan can result in fee remitted to state account

# Utility Retention con't.

- **Utility Investment Options**

- Eligible renewable energy resources
- Increase energy efficiency or reduce carbon emissions of industrial facilities
- Increase EE in new or existing buildings; ultimately achieve net-zero buildings
- Reduce transportation-related carbon emissions through EVs, reduced VMT, or transit
- Market transformation of and investments in EE and distributed energy resources
- Biogas investments
- Customer education and outreach
- Accelerated depreciation of utility owned, fossil fuel-fired generators
- Renewable energy debt financing
- For gas utilities, 10% fee liability towards alternative carbon reduction units

# Public Oversight & Accountability

## 15 Member Oversight Board

- Gov appts chair and 4 at-large
- 6 co-chairs of advisory panels
- 4 state agency directors
- Full-time Chair, works across agencies, convenes sub-cabinet, work with advisory panels

## Duties

- Final budget recommendations, including programs and proposals
- Adopt rules and procedures
- Consult with Tribes on all decisions that directly impact tribal lands or usual and accustomed fishing areas



# Public Oversight & Accountability

## Three Investment Advisory Panels

- Clean Air and Clean Energy
  - Co-chairs – business & labor
- Clean Water and Healthy Forests
  - Co-chairs – tribal & environment
- Environmental and Economic Justice
  - Co-chairs – tribal & vulnerable community
- Governor appointed – 9 members each

## Responsibilities

- Develop criteria, evaluate projects, and prepare funding recommendations

# Public Oversight & Accountability

## Effectiveness Reports (starting 2022)

- Accountability for carbon targets and goals for each account
- Achieving investments provisions and consultation
- Impacts on Tribes, EJ, low-income, workers

## Pollution and Health Mapping (by July 2019)

- Designation of “pollution and health action areas” based on UW assessment of environmental burdens and vulnerable populations

# Rulemakings

- **Ecology** = Carbon content/emissions factors, clean water & healthy forest procedures and criteria
- **Revenue** = Fee collection and disbursement
- **Commerce** = Pollution reduction plans, utility clean energy plans, agency coordination, Oversight Board, Investment Advisory Panels
- **Utilities and Transportation Commission** = Customer attribution, utility clean energy plan – process, timelines, reporting, monitoring and evaluation
- **Health** = Pollution and Health Action Areas
- **Natural Resources, Fish and Wildlife, Puget Sound partnership, recreation and conservation office, Office of Public Instruction** - clean water & healthy forests and healthy communities