

Washington State Climate Change Law: the Clean Energy Transformation Act and the Climate Commitment Act

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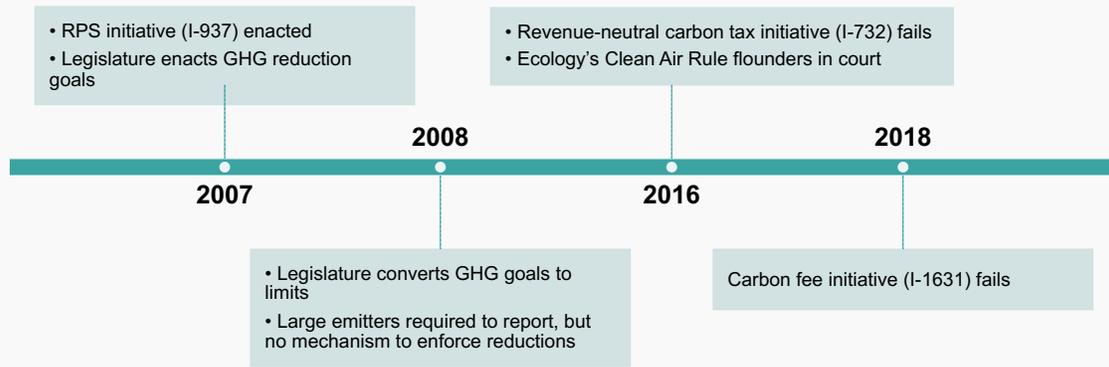
Agenda

- Early climate change efforts
- Clean Energy Transformation Act of 2019 (CETA)
- CETA Implementation
- Climate Commitment Act of 2021 (CCA)
- CCA Implementation
- Clean Energy Siting

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Early Efforts



Clean Energy Transformation Act Major Features



Applies only to electric utilities (both IOUs and COUs)



2026: No coal-fired electricity



2030: All retail electric sales GHG neutral



2045: 100% non-emitting resources or renewables

CETA – Major Features (cont.)

Requires non-emitting generation (includes nuclear) or renewables

Assures utility recovery of prudently-incurred costs

Alternative compliance options for up to 20% of obligation, 2030-2044

- Pay \$60 to \$150 /MWh for fossil generation
- Retire unbundled RECs
- Invest in energy transformation projects (e.g. home weatherization, EV infrastructure, DERs, RNG)

CETA – Major Features (cont.)

Safety valves

- 2% annual cost increase cap
- Temporary relief from 2030 standard in event of reliability problems

Environmental justice (EJ)

- Utilities must assure through their IRP and CEIP processes that vulnerable populations and highly impacted communities benefit from the clean energy transition
- Generally tracks HEAL Act definitions and DOH implementation

CETA – Implementation

- **Interim compliance before statutory 2030 GHG-neutrality requirement:**

- Statute requires utilities to set and progress toward interim targets through their CEIP
- WUTC and Commerce added controversial requirement that generally requires retirement of RECs to show interim progress

- **Double counting:** Strict approach requires not only retiring a REC, but showing that no other non-power attributes (e.g. source specifications or emissions rates) were counted elsewhere

- **Storage:** Does not affect eligibility of power for CETA compliance; details left for future proceedings

CETA – Rulemaking Links

- Finalized rules:

- COU rules are in [Chapter 194-40 WAC](#)
- IOU rules are in [WAC 480-100-600](#) through -665

- To dive into the various rulemakings:

- Commerce: <https://www.commerce.wa.gov/growing-the-economy/energy/ceta-rulemaking>
- WUTC:
 - Dockets UE-191023/UE-190698 (CEIPs; IRPs)
 - Docket UE-210183 (“use”; double counting; markets)

- Individual utility CEIPs:

- COUs: [Compilation of plans](#) linked from Commerce [CETA Compliance & Reporting](#) page
- IOUs: Dockets linked from [WUTC CEIP page](#)

CETA – The “Use” Dispute

- By 2030, utilities must “**use electricity** from renewable resources and nonemitting electric generation in an amount equal to one hundred percent of the utility’s retail electric loads over each multiyear compliance period.” [RCW 19.405.040\(1\)\(a\)\(ii\)](#)
- Dispute over what “use” means in this context
- WUTC kicked the issue down the road in June 2022 order; watch Docket UE-210183

Climate Commitment Act – Major Features

- Second state to adopt cap and trade
- Economy-wide (covers about 3/4 of state emissions)
- Utilities (gas & electric) receive free allowances to mitigate retail rate impacts
- Special treatment for emissions-intensive, trade-exposed (EITE) industries
- Major EJ provisions in CCA and accompanying HEAL Act
- Linkage with CA encouraged, but only if CA adopts comparable EJ measures

CCA – 2022 amendments

- Fixes preemption language to avoid conflict with state & federal laws
- Lowers unintended barriers to linkage
- Clarifies compliance obligation (after Inslee line-item veto to avoid poison pill in original bill)

CCA – Regulations

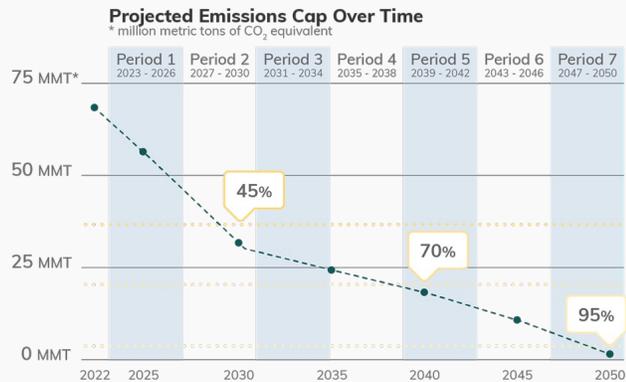
Revised GHG
reporting rules
(WAC 173-441)

New cap &
invest program
rules (WAC
173-446)

New EITE-
specific rules
(WAC 173-
446A)

CCA – Cap & Trade Program

- First compliance period began January 1
- First auction on February 28
- Extensive auction training materials on Ecology’s website
- Aggressive GHG caps in early years to catch up with Legislature’s mandates



CCA – Cap & Trade Program (cont.)



Four allowance auctions annually



Each year, covered entities must retire allowances for 30% of prior year emissions



Every four years, must retire allowances for all remaining emissions from preceding four years

CCA – Follow the Money

- CCA allocates auction revenues to several climate and EJ focused funds
- Subject to appropriation for specified purposes - Legislature now considering
- **Estimated** \$1.7 billion for 2023-2024 biennium

CCA – What's Ahead?

- Allowance price signals
- Carbon accounting for organized electricity markets
- Linkage – do CA agencies need new legislation?
- Mandatory free allowances may exceed declining program cap (late 2030s / early 2040s?)
- How much will the IRA reduce CCA compliance costs?

2022 EFSEC Amendments

- EFSEC independent from WUTC
- More EFSEC feedback to applicant early in process
- Greater tribal, EJ, and public involvement
- Expedited processing for projects with less environmental impact
- Expanded range of facilities eligible for EFSEC process

2022 EFSEC Amendments – Newly Eligible Facilities

- Storage
- Transmission of 115kV or higher
- Clean energy product manufacturing (EVs; charging & fueling infrastructure; equipment for hydrogen, renewable generation, and energy storage)
- RNG and green/renewable hydrogen facilities
- Small biofuel refineries

Pending Clean Energy Siting Legislation (HB 1216)

- Creates Interagency Clean Energy Siting Coordinating Council
- Facilitates permitting of clean energy projects of statewide significance, but doesn't affect EFSEC process
- Expedites SEPA process, and requires programmatic EIS for solar in the Columbia Basin and green hydrogen
- Broad support at January 19 hearing

Questions?



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