

Clean Air Rule

Overview of Proposed Rule

January 4, 2016



Clean Air Rule Concept

Ecology's Clean Air Rule will set limits on carbon pollution in Washington using existing statutory authority.

The rule concept looks like this:



Covered Categories

Applicable GHG
Emissions Include:

Stationary
Sources

Petroleum fuel
producers and
Importers

Natural Gas
Distributors

Stationary Sources

Large
Industrial
Plants

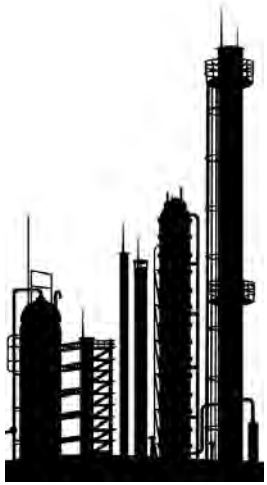
Power Plants

Landfills

Petroleum and
Natural Gas
Infrastructure

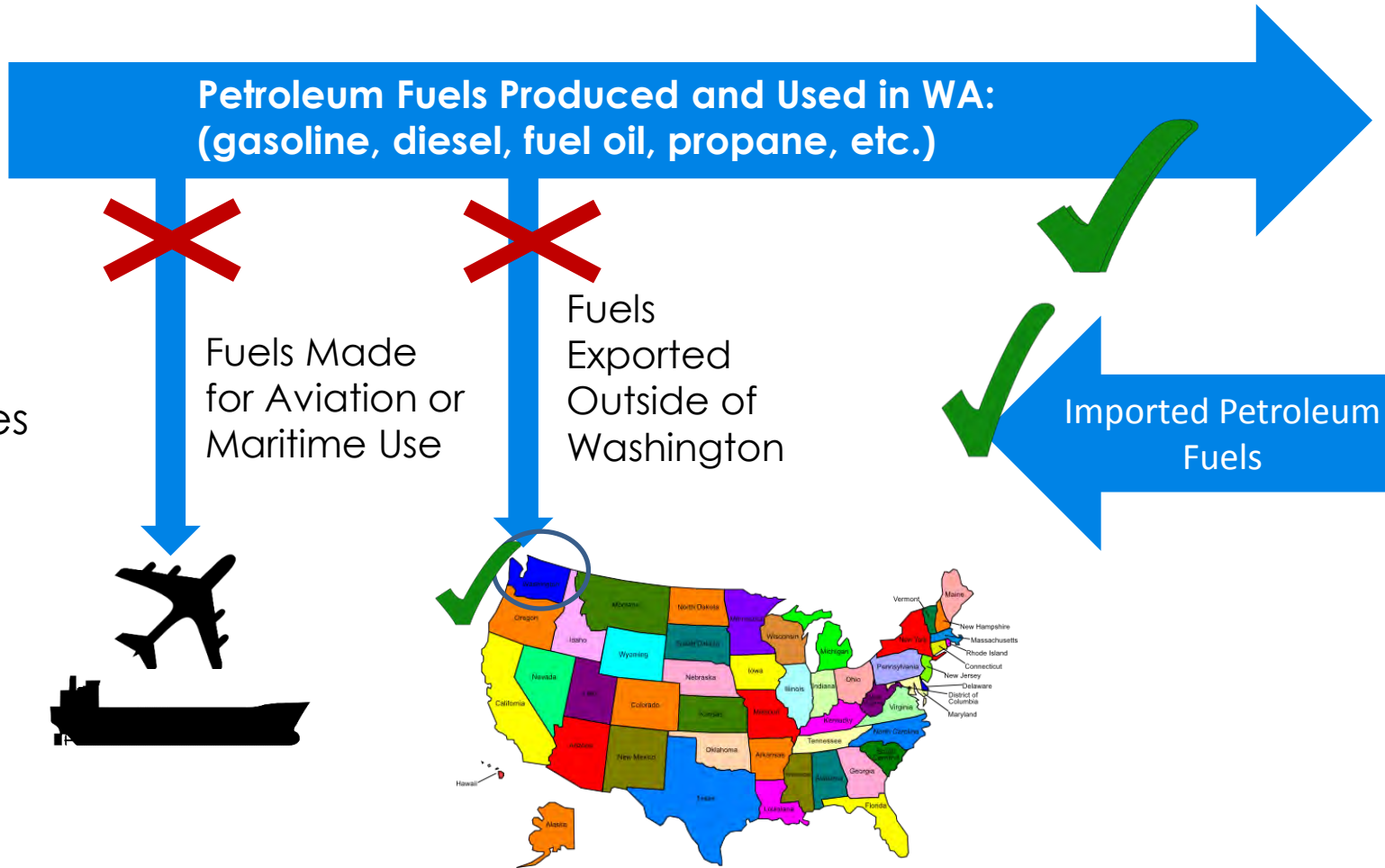


Petroleum Fuel Producers and Importers

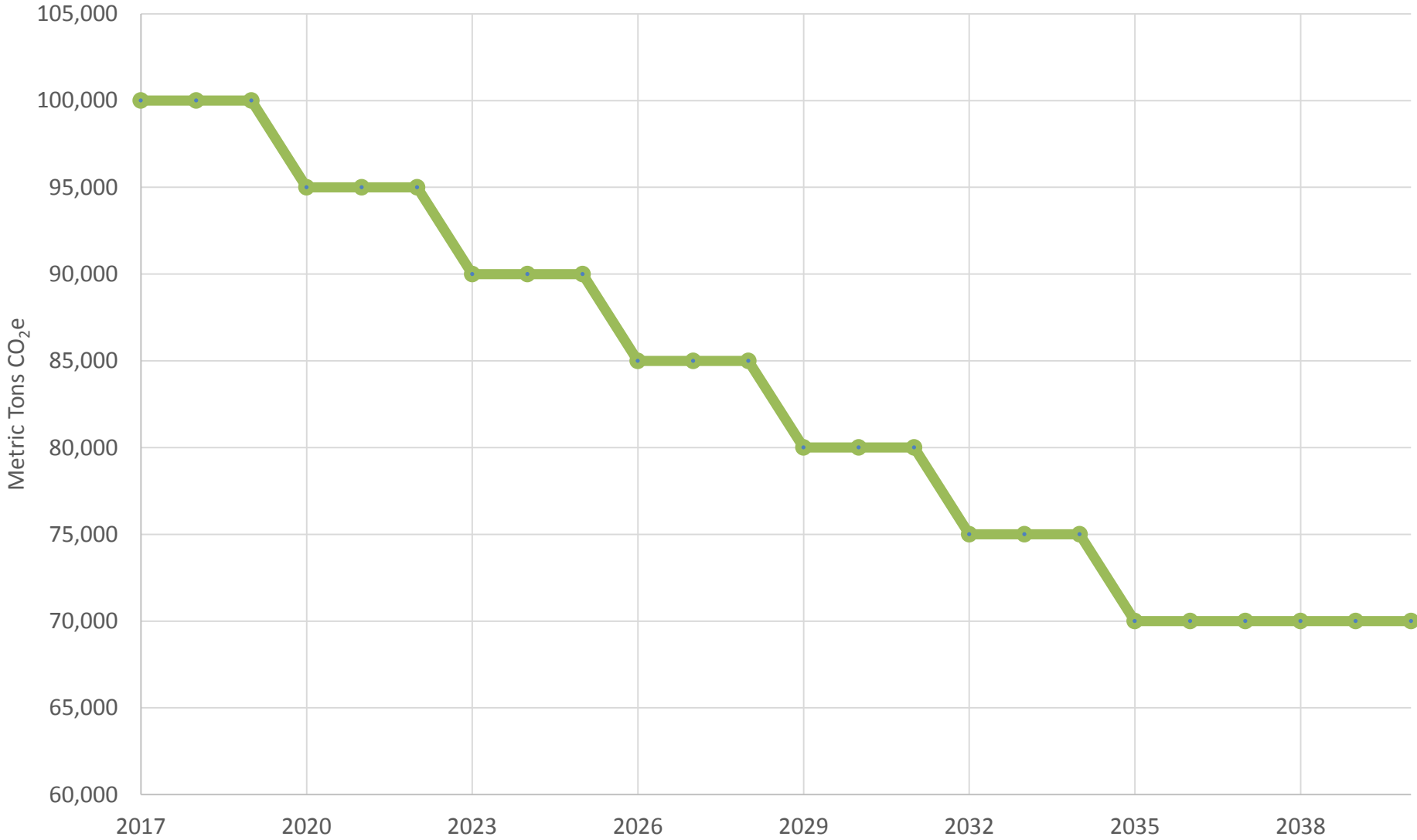


WA Refineries

- British Petroleum
- Phillips 66
- Shell
- Tesoro
- U.S. Oil



Threshold



Applicability

Requirements to reduce GHG emissions begin with the 1st year an entity exceeds the compliance threshold.

Program begins in 2017.

New entities enter based on the 1st year their 3 year average is above the threshold.

Once in the program entities may leave if:

- Their emissions stay < 70,000 MT CO₂e, or
- All applicable GHG emissions processes cease to operate.

Option for voluntary participation.



Baseline GHG Emissions

Each entity gets a baseline that defines their GHG emissions reduction pathway

Existing entities: 2012-2016 average

New entities:

- Average of 1st 3 years available data, or
- Benchmarking



GHG Emissions Reduction Pathway

Each entity gets an assigned GHG emissions reduction pathway.

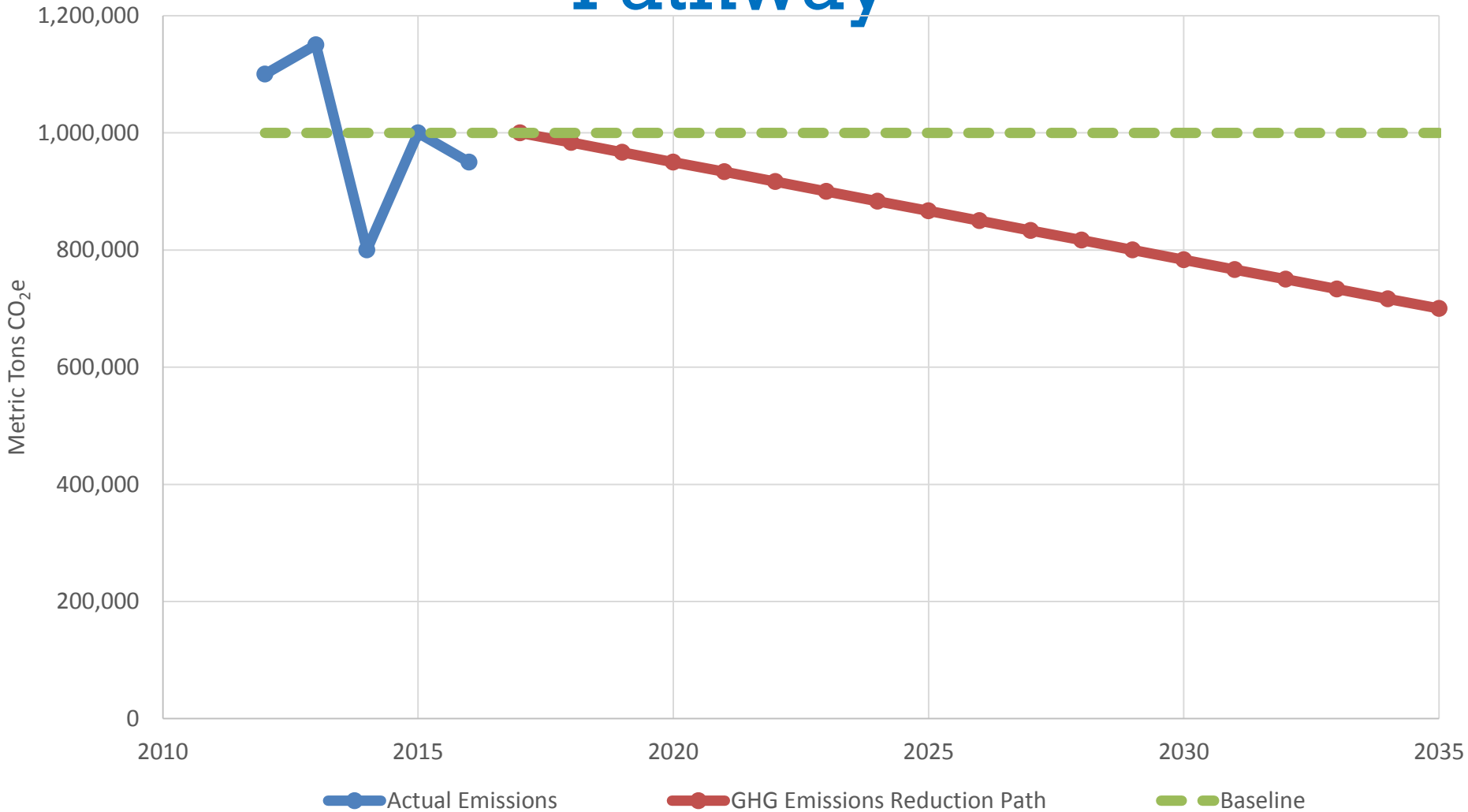
First year = same as baseline value.

Declines at 1 & 2/3 percent of baseline value each subsequent year.

Follows the 2035 target in statute.



GHG Emissions Reduction Pathway



Compliance Obligation

3-year compliance periods

2017 - 2019

2020 - 2022

2023 - 2025

and so forth



Compliance Reporting

Submit compliance report in year following each compliance period

Demonstrate achievement of cap through:

- Greenhouse gas reporting data
- Acquiring emission reductions through other means



Credits Representing Emission Reductions

Generate credits from:

Reducing
emissions
below cap

Reporters
voluntarily
participating
in program

Projects,
programs, or
emission
reduction
activities

Instruments
from external
carbon
markets
(e.g.,
allowances)



Credit Flexibility

Once generated, credits can be:

Banked: Held for future use for up to 10 years

Traded: Trade, barter, or otherwise exchange credits as needed



Credits need to be retired upon use and not used again



Compliance report acts as a “ledger” for tracking credits used, held, banked, or exchanged



Criteria for Emission Reductions

Real

Specific, identifiable, and quantifiable reduction

Permanent

Not reversible or, if so, an insurance mechanism is in place

Enforceable

Washington jurisdiction or external instruments over which limits could be placed

Verifiable

Third-party verification

Additional



Instruments from External Carbon Markets

“Pre-packaged”, high-quality emission reductions from existing carbon markets

Allowances from cap-and-trade systems

Western Climate Initiative (California, Quebec)

Regional Greenhouse Gas Initiative (RGGI, Northeast US)

Offset credits from the *California cap-and-trade system* (except sequestration)



Verification of Emission Reductions

Emission reduction projects must be verified by a third-party

Similar procedures and protocol as proposed for reporting program

Instruments from carbon markets will have been verified by standards of those programs

Ecology will use the compliance report to verify overall program compliance



Draft Costs (20 year, Present Value)

- Covered parties except petroleum and natural gas importers: \$190-\$460 million
- Petroleum and natural gas importers: \$10-\$40 million
- Reporting costs: \$342 thousand
- Verification costs: \$6.8 million
- Reporting fees: \$3 million



Areas for Further Consideration

Energy Intense Trade Exposed Industries

- Ecology is providing a three year delay in compliance for EITEs and will work with stakeholders to develop an approach in the interim
- Ecology also proposing an “off-ramp” if compliance costs would force closure of a facility

Limitations on use of out of state “credits” for compliance



More information or to sign up
for the listserv visit:

<http://www.ecy.wa.gov/climatechange/carbonlimit.htm>