

The Washington state legislature passed a historic climate change [bill](#) on April 24. The bill requires a 95% cut in carbon emissions by 2050. After much travail, the state has finally managed to put a price on carbon by adopting a cap-and-trade system. With the decision of additional states to join the east coast RGGI system, this may be a sign that the stalled momentum for carbon pricing might be picking up a bit. In any event, Washington State is giving California real competition for the leadership position in climate policy.

The current bill builds on previous state legislation. The 2019 Clean Energy Transformation Act requires state utilities to achieve carbon neutrality by 2030 and zero-carbon by 2045. In 2020, Washington adopted ambitious carbon reduction goals, and in other legislation adopted rules mandates to increase sales of zero emission vehicles. This has already been a busy year for climate legislation, with other recent laws phasing out natural gas use and establishing a clean fuel standard for vehicles.

The new bill is complex, but the core provisions are fairly straightforward. (You can find the legislative analyst's description [here](#), but be sure to scroll down the end to see the changes made in the house version.) The bill borrows from the California system but attempts to fix some of the issues that have arisen since the California system launched. In rough outline, here are the key features.

- With some exceptions and differences in timing, the trading system will cover all entities that emit over 25,000 tons of carbon in the state as well as importers of electricity into the state. There's a "price collar" to ensure that prices don't dive below a floor amount or soar above a ceiling.
- Natural gas and utility companies get some free allowances that they are required to use to offset emissions or sell, with the proceeds being passed on to ratepayers or used to reduce emissions. The amount of free allowances seems to be flexible. For utilities, the amount is supposed to be "consistent with a forecast of each utility's supply and demand and the cost burden resulting from the inclusion of the covered entities in each compliance period." There's a phase-down for the natural gas credits.
- The system provides a role for offsets. However, the offsets are set up a little differently from California's in a way that guarantees they won't imperil achievement of the cap.
- The bill requires the state to seek to link its trading programs with those of other states, which at this point would mean either California or the RGGI program on the east coast.
- Compliance obligations only become effective after transportation funding is increased in a separate bill, along with a bump in the gas tax. There seems to be some concern that the funding would put too much money into roads, though others dispute that.

- The bill contains some significant environmental-justice provisions, including reserving use of a large share of auction revenue for disadvantaged communities. It also places special emphasis on improving air quality in those communities. Many though not all environmental justice groups support the bill.

The state is now poised to enter a new era of climate policy. The bill now awaits the governor's signature. The only question at this point seems to be whether Inslee will use his line-item veto for some last minute tweaking of the bill.