

2021 State Legislative Session Update:

E2SSB 5126 – Climate Commitment Act Overview

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General overview

- Establishes a state greenhouse gas cap-and-trade program.
- Limits the amount of greenhouse gases regulated entities may emit beginning in 2023.
 - Limits are based on Washington's greenhouse gas targets: 45% below 1990 levels by 2030, 70% below 1990 levels by 2040, and 95% below 1990 levels by 2050.
- Emissions limits will be tracked, verified and enforced through the use of "allowances."
- The state will allocate allowances for free to some entities and other allowances will be auctioned off.

Electricity sector regulation

- Regulates greenhouse gas emissions from both in-state electricity generation and electricity imports coming into the state.
- Electric utilities will be eligible to receive free allowances through 2045 to mitigate the cost burden resulting from the program.
- Free allowances should align with a utility's Clean Energy Transformation Act obligations.
- If a utility chooses to sell its allowances, it must use proceeds for the benefit of its customers, prioritizing mitigation of any rate impacts to low-income customers.

Potential impacts to the District

- Based on current resource portfolio and trading practices, the District will not be a covered entity under the program.
- The program, in conjunction with other regulatory and market drivers, should increase demand for the District's hydropower resources.
- Wholesale energy traded in Washington likely to reflect a carbon price starting in 2023.
- May drive changes in the way trading is conducted at the Mid-C hub.

Questions?