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**HOUSE BILL 1577**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Representatives Hackney, Wicks, Ramel, Lekanoff, and Pollet

Read first time 04/15/21. Referred to Committee on Environment & Energy.

1 AN ACT Relating to meeting the greenhouse gas emissions targets  
2 established in Engrossed Second Substitute House Bill No. 2311,  
3 chapter 79, Laws of 2020, and creating a tax and a temporary bond  
4 program to fund transportation investments and projects that reduce  
5 greenhouse gas emissions; amending RCW 70A.15.1030 and 70A.15.3000;  
6 adding a new chapter to Title 82 RCW; and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. (1) The legislature  
9 recognized in 2020, with the enactment of Engrossed Second Substitute  
10 House Bill No. 2311, chapter 79, Laws of 2020, that Washington state  
11 needs to make significant reductions in greenhouse gas emissions and  
12 adopted limits that are in line with both the scientific consensus  
13 and with the limits that have been adopted around the world. The  
14 targets adopted in Engrossed Second Substitute House Bill No. 2311  
15 were a clear next step to build on past legislative efforts, and it  
16 is the intent of the legislature to adopt this act to help our state  
17 transition as quickly as possible to clean and renewable sources of  
18 energy and reduction of greenhouse gas emissions to meet the goals  
19 set in Engrossed Second Substitute House Bill No. 2311 in an  
20 economically sound way while placing environmental justice at the  
21 forefront. This act accomplishes those goals by putting a price on

1 greenhouse gas emissions and dedicating the revenue to investments  
2 that deliver meaningful greenhouse gas reduction.

3 (2) The legislature recognizes that transportation emissions in  
4 the state account for 45 percent of the state's total greenhouse gas  
5 emissions and more than half of emissions covered under this act.  
6 Therefore, at least 60 percent of the revenue raised by the tax  
7 created in this act will be allocated for the miles ahead  
8 transportation investments that will reduce greenhouse gas emissions.  
9 Such investments are necessary to effectively address the greatest  
10 source of statewide greenhouse gas emissions while building a clean  
11 and just transportation system that will grow our economy and safely  
12 move people and goods across our state.

13 (3) Climate risk is economic risk and it is imperative that  
14 Washington act now to safeguard the state's communities and  
15 industries against future shocks and disasters by putting a price on  
16 practices that increase the state's exposure to risk and investing in  
17 those that increase resilience. From farmers whose business is  
18 directly threatened by the climate crisis, to coastal communities at  
19 risk of outright displacement, the state must act now by investing  
20 locally at the scale needed to move all Washingtonians toward a  
21 future of shared prosperity as we build the clean economy here in  
22 Washington state.

23 (4) Washington state is home to some of the world's most  
24 innovative companies, a highly skilled workforce, unique biodiversity  
25 and natural areas, valuable natural resource land, and important  
26 industries. As our state transitions away from a fossil fuel-based  
27 economy, we must do so in a way that protects these assets and allows  
28 our businesses to thrive. By launching a comprehensive fiscal program  
29 that incentivizes and invests in resilient infrastructure and  
30 climate-smart investments across all areas of development, we can  
31 reduce our state's carbon dioxide emissions while preparing our  
32 economy for the future.

33 (5) The legislature recognizes that rural areas are home to the  
34 state's working and natural lands, including forests and farms, and  
35 have both climate-related challenges and opportunities that differ  
36 from urban areas. Rural workers have further distances to travel to  
37 their jobs and the state must provide assistance in the transition to  
38 lower carbon transportation options. Rural areas may also have  
39 greater vulnerability to flooding, wildfires, and other events whose  
40 harm and frequency are increased by climate change, and state

1 assistance should be directed toward increasing community resilience  
2 to these harms. Programs to reduce carbon pollution and to sequester  
3 carbon in the state's forests and farming soils also provide an  
4 opportunity to benefit the state's farmers and forestland owners.

5 (6) More than half of Washington is forested with 22,000,000  
6 acres of forests covering the state, including natural and working  
7 lands, private lands, and state trust lands. Maintaining natural and  
8 working forestlands of all types is important to support both carbon  
9 sequestration and a major sector of Washington's economy. The private  
10 and state lands represent the foundation of a forest products  
11 industry. The legislature determined in RCW 70A.45.005 that  
12 maintaining and enhancing the state's ability to continue to  
13 sequester carbon through natural and working lands and forest  
14 products should be continued. These working forests are one of the  
15 state's greatest natural assets in combating global greenhouse gas  
16 emissions. A statewide carbon policy must support and maintain the  
17 ecosystem values provided by the forest products industry. Healthy,  
18 sustainable, and working forests maximize the forests' ability to  
19 absorb carbon dioxide with lumber and other forest products  
20 continuing to sequester that carbon dioxide in their useful life. For  
21 these reasons, this chapter exempts certain timber-related uses of  
22 fuels subject to the carbon pollution tax imposed under this chapter,  
23 and also creates a voluntary incentive program to increase carbon  
24 sequestration on both state and private lands.

25 (7) Washington is also home to one of the most productive and  
26 innovative agricultural sectors in the world. Agriculture is not only  
27 critical to our economy, but is also integral to our culture. With  
28 farmers and farmworkers on the front lines of climate-related  
29 disruption such as wildfire, flooding, drought, pests, and other  
30 threats to the land, labor, and business of farming, investing in  
31 practices that increase the natural and economic resilience of, and  
32 decrease the greenhouse gas emissions from, Washington agriculture is  
33 critical. Farmers have been leading the way on land stewardship and  
34 soil health for decades, while operating in a highly trade-exposed  
35 and price-constrained industry that imposes singular economic  
36 challenges. For these reasons, this chapter exempts certain  
37 agricultural uses of fuels subject to the carbon pollution tax  
38 imposed under this chapter.

39 (8) Washington is leading the transition to a clean energy  
40 economy and in 2019 adopted chapter 19.405 RCW, the Washington clean

1 energy transformation act, to eliminate coal-fired electricity; to  
2 transition the state's electricity supply to 100 percent greenhouse  
3 gas neutral by 2030 and to 100 percent nonemitting and renewable  
4 resources by 2045; and to establish strong compliance mechanisms and  
5 significant penalties within chapter 19.405 RCW if a utility failed  
6 to meet the mandates. Because of the laws created in 2019 to  
7 transition the electricity sector to 100 percent carbon free,  
8 emissions from fossil fuels consumed in the electricity sector is not  
9 included in the requirements of this chapter.

10 (9) The legislature recognizes the concern from imposing the  
11 requirements of this chapter on energy-intensive, trade-exposed  
12 industries in our state and the possibility that it might provide a  
13 comparative advantage to producers in unregulated states or  
14 countries, leading to a migration of manufacturing to unregulated  
15 states or countries and generating a corresponding increase in  
16 greenhouse gas emissions that would undermine the efforts of this  
17 chapter. Because of the concern of leakage, the department of ecology  
18 must provide a report to the legislature by July 30, 2024, with  
19 recommendations on imposing the requirements of this chapter on  
20 energy-intensive, trade-exposed entities identified by the North  
21 American industry classification system code. The recommendations  
22 must include input from individual energy-intensive, trade-exposed  
23 industry stakeholders, allow for growth, recognize and provide credit  
24 for early actions, recognize the limits of best available control  
25 technology, allow for either internal or external benchmarking, and  
26 include an analysis of alternative fuels available that could be  
27 feasibly used in lieu of fossil fuels.

28 (10) Fossil fuel combustion is also responsible for other  
29 pollutants, such as nitrous oxide, carbon monoxide, benzene,  
30 particulate matter, and others that contribute to respiratory  
31 diseases like asthma and lung cancer, which compromise public health,  
32 shorten life expectancy, and strain our public health system. This  
33 pollution affects all Washingtonians, but falls disproportionately on  
34 low-income communities, communities of color, and the most vulnerable  
35 of our population. While reducing our reliance on fossil fuels will  
36 contribute to improved air quality and improved public health  
37 outcomes, it is the intent of this chapter to further advance the  
38 state's ability to reduce these other pollutants by prioritizing air  
39 pollution reduction investments and regulatory measures in these  
40 overburdened communities.

1 (11) The legislature recognizes and finds that the public  
2 interest includes, but is not limited to: The equitable distribution  
3 of energy benefits and reduction of environmental harm to  
4 overburdened communities and vulnerable populations; long-term and  
5 short-term public health, economic, and environmental benefits and  
6 the reduction of costs and risks; and energy security and resiliency.  
7 It is the intent of the legislature that in achieving this policy for  
8 Washington, there should not be an increase in environmental health  
9 impacts to overburdened communities and vulnerable populations.

10 (12) This chapter establishes a carbon pollution tax to account  
11 for a significant share of the economic and environmental impacts of  
12 greenhouse gas emissions. The revenue from the tax will facilitate  
13 the transition from fossil fuels to clean energy and fund investments  
14 that will benefit our businesses, our families, and our communities.

15 (13) Furthermore, this chapter establishes a 10-year climate  
16 finance program that provides much needed additional capacity to  
17 invest in a just transition that protects our communities and our  
18 economy from future disasters and builds the low-carbon future here  
19 in Washington state. This finance program mandates that investment  
20 decisions are made in a manner that provide accountability in  
21 government spending through a fiscally responsible bond program that  
22 invests at scale in climate priorities and delivers maximum returns  
23 in the form of both economic activity and carbon pollution reduction.  
24 These investments will not only save Washington taxpayers billions of  
25 dollars in avoidable future costs, but also foster growth and  
26 stability for rural and urban communities alike, across diverse  
27 economic sectors.

28 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this  
29 section apply throughout this chapter unless the context clearly  
30 requires otherwise.

31 (1) "Aircraft fuel" has the same meaning as provided in RCW  
32 82.42.010.

33 (2) "Biomass" means nonfossilized and biodegradable organic  
34 material originating from plants, animals, and microorganisms,  
35 including products, by-products, residues, and waste from  
36 agriculture, forestry, and related industries, as well as the  
37 nonfossilized and biodegradable organic fractions of industrial  
38 waste, including gases and liquids recovered from the decomposition  
39 of nonfossilized and biodegradable organic material.

1 (3) "Biomass-derived fuels," "biomass fuels," or "biofuels" means  
2 fuels derived from biomass that have at least 50 percent lower  
3 greenhouse gas emissions based on a full life-cycle analysis when  
4 compared to petroleum fuels.

5 (4) "Carbon calculation" means a calculation made by the  
6 department of ecology, in consultation with the department of  
7 commerce, for purposes of determining the carbon dioxide emissions  
8 from the complete combustion or oxidation of fossil fuels for use in  
9 calculating the carbon pollution tax pursuant to section 3 of this  
10 act. The carbon calculation also includes the life-cycle analysis of  
11 emissions associated with these fuels determined under section 3 of  
12 this act.

13 (5) "Carbon dioxide equivalent" means a metric measure used to  
14 compare the emissions from various greenhouse gases based on their  
15 global warming potential.

16 (6) "Carbon pollution tax" means the tax created in section 3 of  
17 this act.

18 (7) "Coal" means a readily combustible rock of carbonaceous  
19 material, including anthracite coal, bituminous coal, subbituminous  
20 coal, lignite, waste coal, syncopal, and coke of any kind.

21 (8) "Cumulative environmental health impact" means the combined,  
22 multiple environmental harms and health impacts on a vulnerable  
23 population or overburdened community.

24 (9) "Department" means the department of revenue.

25 (10) "Direct access gas customer" means a person who purchases  
26 natural gas for consumption from any seller other than a seller  
27 registered with the department for purposes of paying taxes due under  
28 chapter 82.04 or 82.16 RCW.

29 (11) "Emission," "emission standard," and "emission limitation,"  
30 as applied to greenhouse gases as defined in RCW 70A.45.010, include  
31 indirect emissions of greenhouse gases resulting from production or  
32 distribution of petroleum products, natural gas, or other products,  
33 where the release of air contaminants into the ambient air occurs  
34 during the consumption, use, combustion, or oxidation of the  
35 products.

36 (12) "Environmental harm" means the individual or cumulative  
37 impacts and risks to communities caused by historic, current, and  
38 projected:

39 (a) Exposure to conventional toxic hazards in the air, water, and  
40 land;

1 (b) Adverse environmental effects, which are environmental  
2 conditions caused or made worse by contamination or pollution or that  
3 create vulnerabilities to climate impacts; and

4 (c) Impacts from climate change.

5 (13) "Environmental justice" means the fair treatment and  
6 meaningful involvement of all people regardless of race, color,  
7 national origin, or income with respect to the development,  
8 implementation, and enforcement of environmental laws, regulations,  
9 and policies. This includes using an intersectional lens to address  
10 disproportionate environmental and health impacts in all laws,  
11 regulations, and policies with environmental impacts by prioritizing  
12 vulnerable populations and overburdened communities, equitably  
13 distributing resources and benefits, and eliminating harm.

14 (14) "Facility" means any physical property, plant, building,  
15 structure, source, or stationary equipment located on one or more  
16 contiguous or adjacent properties in actual physical contact or  
17 separated solely by a public roadway or other public right-of-way and  
18 under common ownership or common control, that emits or may emit any  
19 greenhouse gas.

20 (15) "Fossil fuel" means motor vehicle fuel, special fuel, dyed  
21 special fuel, aircraft fuel, natural gas, coal, and any form of  
22 solid, liquid, or gaseous fuel derived from natural gas, coal,  
23 petroleum, or crude oil, including without limitation still gas,  
24 propane, and petroleum residuals, including bunker fuel.

25 (16) "Gas distribution business" has the same meaning as provided  
26 in RCW 82.16.010.

27 (17) "Greenhouse gas" means carbon dioxide, methane, nitrogen  
28 trifluoride, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons,  
29 perfluorocarbons, and other fluorinated greenhouse gases.

30 (18) "Highly impacted community" has the same meaning as defined  
31 in RCW 19.405.020.

32 (19) "Motor vehicle fuel" has the same meaning as provided in RCW  
33 482.38.020.

34 (20) "Natural gas" means naturally occurring mixtures of  
35 hydrocarbon gases and vapors consisting principally of methane,  
36 whether in gaseous or liquid form, including methane clathrate.

37 (21) "Overburdened community" means a geographic area where  
38 vulnerable populations face combined, multiple environmental harms  
39 and health impacts and includes, but is not limited to, highly  
40 impacted communities as defined in RCW 19.405.020.

1 (22) "Person" has the same meaning as provided in RCW 82.04.030.

2 (23) "Sale" has the same meaning as provided in RCW 82.04.040.

3 (24) "Special fuel" has the same meaning as provided in RCW  
4 82.38.020.

5 (25) "Taxpayer" means a person subject to the carbon pollution  
6 tax created in section 3 of this act.

7 (26) "Tribal lands" has the same meaning as "Indian country" as  
8 provided in 18 U.S.C. Sec. 1151, and also includes sacred sites,  
9 traditional cultural properties, burial grounds, and other tribal  
10 sites protected by federal or state law.

11 (27) (a) "Use," "used," "using," or "put to use" means, with  
12 respect to any fossil fuel other than natural gas, the consumption in  
13 this state of the fossil fuel by the taxpayer or the possession or  
14 storage in this state of the fossil fuel by the taxpayer preparatory  
15 to subsequent consumption of the fossil fuel within this state by the  
16 taxpayer.

17 (b) "Use," "used," "using," or "put to use" means, with respect  
18 to natural gas, the consumption in this state of the fossil fuel by  
19 the taxpayer.

20 (c) For the purposes of this subsection, "possession" means the  
21 control of fossil fuel located within this state and includes either  
22 actual or constructive possession, or both. "Actual possession"  
23 occurs when the person with control has physical possession.  
24 "Constructive possession" occurs when the person with control does  
25 not have physical possession. "Control" means the power to sell or  
26 use a fossil fuel or to authorize the sale or use by another.

27 (28) (a) "Vulnerable populations" means population groups that may  
28 be more likely to have adverse health outcomes in response to  
29 environmental harms, due to: (i) Adverse socioeconomic factors, such  
30 as unemployment, high housing and transportation costs relative to  
31 income, limited access to nutritious food and adequate health care,  
32 linguistic isolation, and other factors that negatively affect health  
33 outcomes and increase vulnerability to the effects of environmental  
34 harms; and (ii) sensitivity factors, such as low birth weight and  
35 higher rates of hospitalization.

36 (b) "Vulnerable populations" includes racial or ethnic minority,  
37 low-income, tribal, or indigenous populations, and populations of  
38 workers experiencing environmental risks.

39 (29) "Year" means the 12-month period commencing January 1st and  
40 ending December 31st unless otherwise specified.



1        NEW SECTION.        **Sec. 3.**        ESTABLISHING A CARBON POLLUTION TAX.

2        (1)(a) Beginning January 1, 2022, a carbon pollution tax is imposed  
3        on the sale or use within this state of all fossil fuels, except  
4        fossil fuels used to generate electricity.

5        (b) The measure of the carbon pollution tax is the carbon dioxide  
6        equivalent emissions:

7        (i) Resulting from the complete combustion or oxidation of fossil  
8        fuels sold or used by the taxpayer within this state; and

9        (ii) For the purposes of measuring the tax rate under subsection  
10       (2) of this section only, from the entire life cycle of the fossil  
11       fuel.

12       (2) The tax rate as of January 1, 2022, is equal to \$25.00 per  
13       metric ton of greenhouse gas emissions. The tax rate automatically  
14       increases annually each July 1st thereafter by five percent each year  
15       and is adjusted for inflation using the consumer price index.

16       (3) By January 1, 2026, the department of ecology shall make a  
17       determination of whether the sources of emissions covered by this tax  
18       are predicted to achieve their combined share of the emissions  
19       reductions necessary for the state to achieve the emissions limits  
20       established in RCW 70A.45.020. By January 1, 2026, the department of  
21       ecology must provide the legislature with a report detailing its  
22       determination with recommendations, pursuant to the tax and covered  
23       sources, for achieving the emissions limits established in RCW  
24       70A.45.020.

25       (4) For the purposes of this chapter, the carbon pollution tax is  
26       imposed:

27       (a) Only once with respect to the same unit of fossil fuel;

28       (b) At the time and place of the first event within this state in  
29       which the tax is applicable, except as otherwise provided in this  
30       section, occurring on or after the effective date of this section,  
31       regardless of whether the fossil fuel was previously sold, used, or  
32       consumed within this state before the effective date of this section;  
33       and

34       (c) Upon the first person within this state upon which the tax  
35       would be applicable, except as otherwise provided in this section.  
36       Such a person includes:

37       (i) A person required to be registered with the department under  
38       RCW 82.32.030(1);

39       (ii) The state, its political subdivisions, and municipal  
40       corporations; and

1 (iii) A person who maintains a place of business in this state,  
2 but who is not required to be registered with the department under  
3 RCW 82.32.030(1).

4 (5) As provided in this section, the carbon pollution tax on the  
5 sale or use of fossil fuels is imposed on the seller or user of the  
6 fossil fuel.

7 (6) The carbon pollution tax on the sale or use of natural gas is  
8 imposed as follows:

9 (a) Natural gas transported through the state that is not  
10 produced or delivered in the state is exempt from the carbon  
11 pollution tax imposed by this section. Natural gas possessed or  
12 stored in this state is exempt from the carbon pollution tax imposed  
13 by this section unless the tax is otherwise applicable under (b) or  
14 (c) of this subsection;

15 (b) For natural gas sold by a gas distribution business to a  
16 retail customer in the state, the carbon pollution tax is imposed on  
17 the gas distribution business upon the sale of such natural gas to  
18 the retail customer; and

19 (c) For natural gas sold to a direct access gas customer in the  
20 state, the carbon pollution tax is imposed on the direct access gas  
21 customer upon the consumption of such natural gas by the direct  
22 access gas customer.

23 (7) For motor vehicle fuel and special fuel, the carbon pollution  
24 tax is imposed on the seller or user of the fuel at the points of  
25 taxation specified in RCW 82.38.030(9).

26 (8)(a) The carbon pollution tax may not be applied to the sale or  
27 use of any fossil fuels or consumption of electricity upon which the  
28 tax under this chapter has been previously imposed.

29 (b) A sale of fossil fuel takes place in this state when the  
30 fossil fuel is delivered in this state to the purchaser or a person  
31 designated by the purchaser, notwithstanding any contract terms  
32 designating a location outside of this state as the place of sale.

33 (c) All sales subject to the tax within this state of a fossil  
34 fuel must document the amount of carbon pollution tax paid in  
35 accordance with rules adopted by the department.

36 (9) For the purposes of determining the carbon pollution tax due  
37 under this chapter:

38 (a) The department must use a carbon calculation for all fossil  
39 fuels sold or used within the state that incorporates the life-cycle

1 emissions associated with the consumption in the state of fossil  
2 fuels;

3 (b) For fossil fuels, the department of ecology, in consultation  
4 with the department of commerce, must adopt by rule criteria for  
5 making the carbon calculation; and

6 (c) The department of ecology may require additional information  
7 from sources as necessary, in consultation with the department of  
8 commerce, for determining the carbon calculation under this chapter.

9 (10) For taxpayers who are also subject to any of the taxes  
10 imposed under chapter 82.04, 82.08, 82.12, or 82.16 RCW, the  
11 frequency of reporting and payment of the carbon pollution tax must,  
12 to the extent practicable, coincide with a taxpayer's reporting  
13 periods for the taxes imposed under chapter 82.04, 82.08, 82.12, or  
14 82.16 RCW.

15 (11) The department must develop and make available worksheets,  
16 tax tables, and guidance documents it deems necessary to calculate  
17 the carbon dioxide emissions of fossil fuels.

18 (12) The department may require persons who produce or distribute  
19 fossil fuels or other products that emit greenhouse gases in  
20 Washington to comply with air quality standards, emission standards,  
21 or emission limitations on emissions of greenhouse gases.

22 (13) The carbon pollution tax created under this section is  
23 levied solely for the purposes of funding projects, activities, and  
24 programs that reduce greenhouse gas emissions and mitigate the  
25 environmental impacts of greenhouse gas emissions, associated  
26 copollutants, and climate change, and to reduce economic transition  
27 impacts associated with the tax on communities, household incomes  
28 with lower incomes, and fossil fuel workers. One hundred percent of  
29 receipts from the carbon pollution tax created under this section  
30 must be deposited in the climate finance account created in section 8  
31 of this act.

32 NEW SECTION. **Sec. 4.** EXEMPTIONS. (1) The carbon pollution tax  
33 in section 3 of this act does not apply to:

34 (a) Fossil fuels brought into this state by means of the primary  
35 fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft,  
36 actively supplying fuel for combustion upon entry into the state;

37 (b) Fossil fuels that the state is prohibited from imposing a tax  
38 under the state Constitution or the Constitution or laws of the  
39 United States;

1 (c)(i) Fossil fuels exported from this state. Export to Indian  
2 country located within the boundaries of this state is not considered  
3 export from this state. For purposes of this subsection, "Indian  
4 country" has the same meaning as provided in RCW 37.12.160.

5 (ii) An exporter of fossil fuels upon which another person  
6 previously paid the carbon pollution tax is entitled to a credit or  
7 refund of the tax paid, if the exporter can establish to the  
8 department's satisfaction that the tax under this chapter was  
9 previously paid on the exported fossil fuels. The person who paid the  
10 carbon pollution tax is not entitled to an exemption under this  
11 subsection (1)(c) when any other person is entitled to a refund or  
12 credit under this subsection (1)(c)(ii). For purposes of this  
13 subsection, "exporter" means a person who exports fossil fuels or  
14 electricity from this state;

15 (d) The sale or use of coal transition power as defined in RCW  
16 80.80.010;

17 (e) Diesel fuel, biodiesel fuel, aircraft fuel, or any other  
18 special fuel when these fuels are used solely for agricultural  
19 purposes by a farm fuel user, as defined in RCW 82.08.865;

20 (f) Biogas, which includes renewable liquid natural gas or liquid  
21 compressed natural gas made from biogas, landfill gas, biodiesel,  
22 renewable diesel, and cellulosic ethanol;

23 (g) Aircraft fuel as defined in RCW 82.42.010;

24 (h) The portion of fossil fuels purchased in the state and  
25 combusted outside the state by interstate motor carriers and vessels  
26 used primarily in interstate or foreign commerce. The department must  
27 provide a methodology by rule to apportion fossil fuels consumed  
28 inside the state of Washington by interstate motor carriers and  
29 vessels used primarily in interstate or foreign commerce;

30 (i) Activities or property of Indian tribes and individual  
31 Indians that are exempt from state imposition of a tax as a matter of  
32 federal law or state law, whether by statute, rule, or compact;

33 (j) Motor vehicle fuel that is used exclusively for agricultural  
34 purposes by a farm fuel user. This exemption is available only if a  
35 buyer of motor vehicle fuel provides the seller with an exemption  
36 certificate in a form and manner prescribed by the department. For  
37 the purposes of this subsection (1)(j), "agricultural purposes" and  
38 "farm fuel user" have the same meanings as provided in RCW 82.08.865.  
39 The department shall determine a method for expanding this exemption  
40 to include fuels used for the purpose of transporting agricultural

1 goods on public highways. The department shall maintain this expanded  
2 exemption for a period of five years in order to provide the  
3 agricultural sector with a feasible transition period; and

4 (k)(i) Motor vehicle fuel or special fuel that is used by the  
5 following: (A) Log transportation businesses; and (B) persons in the  
6 business of extracting timber. This exemption is available only if a  
7 buyer of motor vehicle fuel or special fuel provides the seller with  
8 an exemption certificate in a form and manner prescribed by the  
9 department. The department shall determine a method for expanding  
10 this exemption to include fuels used for the purpose of transporting  
11 timber on public highways. The department shall maintain this  
12 expanded exemption for a period of five years in order to provide the  
13 timber sector with a feasible transition period.

14 (ii) For the purposes of this subsection (1)(k), the following  
15 definitions apply: (A) "Log transportation business" has the same  
16 meaning as provided in RCW 82.16.010; and (B) "timber" means forest  
17 trees, standing or down, on privately owned or publicly owned land,  
18 and does not include Christmas trees that are cultivated by  
19 agricultural methods or short-rotation hardwoods as defined in RCW  
20 84.33.035.

21 (2)(a) The carbon pollution tax in section 3 of this act does not  
22 apply to any fossil fuels consumed by an energy-intensive, trade-  
23 exposed business in a sector designated by the department by rule. By  
24 January 1, 2024, the department must adopt by rule objective criteria  
25 for both emissions' intensity and trade exposure for the purpose of  
26 identifying energy-intensive, trade-exposed manufacturing businesses.  
27 A manufacturing business that can demonstrate to the department that  
28 it meets this criteria, whether or not it is listed in subsection  
29 (1)(a) through (i) of this section, is eligible for treatment as an  
30 energy-intensive, trade-exposed industry.

31 (b) By July 30, 2026, the department of ecology must provide a  
32 report to the appropriate committees of the senate and house of  
33 representatives on whether to restrict or eliminate the exemption  
34 identified in (a) of this subsection. In developing the report, the  
35 department of ecology must solicit input and data from industry  
36 sectors and other interested persons. The report must include  
37 recommendations for alternatives that will minimize leakage, promote  
38 the growth of Washington industries and a highly skilled workforce,  
39 capitalize on the state's competitive advantage in the production of  
40 low-carbon goods and advanced clean energy technologies, recognize

1 and provide credit for early actions to reduce emissions, make  
2 available alternative fuels, and incorporate performance benchmarking  
3 of emissions intensity in production processes.

4 NEW SECTION. **Sec. 5.** RULE MAKING. (1) The provisions of chapter  
5 82.32 RCW apply to this chapter.

6 (2) The department, the department of transportation, the  
7 department of licensing, the department of ecology, the employment  
8 security department, and the department of commerce may adopt rules  
9 as they deem necessary to administer this chapter.

10 NEW SECTION. **Sec. 6.** REPORT TO THE LEGISLATURE. (1) On or  
11 before December 31, 2024, and on or before December 31st of each  
12 even-numbered year thereafter, and in compliance with RCW 43.01.036,  
13 the department of commerce, with support from the department, must  
14 submit a report as required by this subsection. The initial report  
15 must include recommendations for establishing a process to audit uses  
16 of the account created in section 17 of this act. The report must  
17 contain recommendations for modifications or improvements to this  
18 chapter to ensure the goals of this act are being met in addition to  
19 (a) through (d) of this subsection with respect to the implementation  
20 of this chapter for the period since the last report:

21 (a) The total carbon pollution taxes collected during the  
22 reporting period and a list of the taxpayers and the amount of carbon  
23 pollution tax paid by those taxpayers. The department must provide  
24 the information required under this subsection (1)(a), which is not  
25 confidential information under RCW 82.32.330;

26 (b) Estimated costs incurred by the department, the department of  
27 commerce, and the department of ecology, directly associated with  
28 administration of the carbon pollution tax, shown both in dollar  
29 amounts and as a percentage of the total amount of carbon pollution  
30 tax revenues collected;

31 (c) The impact on the economic health of Washington state,  
32 including verifiable data on emissions leakage and any job losses  
33 since the implementation of the carbon pollution tax implemented in  
34 section 3 of this act; and

35 (d) A summary of the investments made through the department of  
36 commerce's administration of the greenhouse gas emissions reduction  
37 account created in section 17 of this act. The summary must include  
38 amounts invested in each program area, project descriptions, names of

1 grant recipients, an estimate of the greenhouse gas emissions  
2 reductions achieved or anticipated via the investments, and other  
3 pertinent information or information as periodically requested by the  
4 legislature.

5 (2) The department of ecology must provide a report to the  
6 legislature by July 30, 2026, with recommendations on imposing the  
7 requirements of this chapter on emissions in the agricultural sector.  
8 The recommendations must include input from individual agricultural  
9 stakeholders, allow for growth, recognize and provide credit for  
10 early actions, recognize the limits of best available control  
11 technology, allow for either internal or external benchmarking, and  
12 include an analysis of alternative fuels available that could be  
13 feasibly used in lieu of fossil fuels.

14 (3) The department of ecology must provide a report to the  
15 legislature by July 30, 2026, with recommendations on imposing the  
16 requirements of this chapter on emissions in the log transportation  
17 and extraction of timber sector. The recommendations must include  
18 input from individual timber stakeholders, allow for growth,  
19 recognize and provide credit for early actions, recognize the limits  
20 of best available control technology, allow for either internal or  
21 external benchmarking, and include an analysis of alternative fuels  
22 available that could be feasibly used in lieu of fossil fuels.

23 (4) The department of commerce must provide information on its  
24 website regarding the impacts of the carbon pollution tax under this  
25 chapter on the price of natural gas and vehicle fuels by sector.

26 (5) The department of commerce, supported by the department and  
27 the department of health, must provide an environmental justice  
28 analysis that reports on environmental, health, and economic impacts  
29 on highly impacted communities and vulnerable populations from  
30 climate impacts and state measures taken to meet Washington's  
31 greenhouse gas emissions limits, including the tax and investments  
32 authorized by this chapter.

33 (6) The department of commerce must consult with the  
34 environmental justice and economic equity panel established in  
35 section 18 of this act in the development of this report.

36 NEW SECTION. **Sec. 7. TECHNICAL ASSISTANCE.** (1) Upon request of  
37 the department, the department of commerce, the department of  
38 ecology, and the Washington State University extension energy program

1 must provide technical assistance to the department as may be  
2 necessary for the department to effectively administer this chapter.

3 (2) The department of commerce may contract with the Washington  
4 academy of sciences established under chapter 70A.40 RCW for  
5 independent expertise in establishing the criteria for monitoring and  
6 evaluating programs, projects, and activities funded by this chapter  
7 that must be based on greenhouse gas emissions reduction and other  
8 sustainable, environmental, resiliency, and environmental justice  
9 considerations.

10 NEW SECTION. **Sec. 8.** CLIMATE FINANCE ACCOUNT. The climate  
11 finance account is created in the state treasury. One hundred percent  
12 of all receipts from the carbon pollution tax created in section 3 of  
13 this act must be deposited into the account. Moneys in the account  
14 may be spent only after appropriation.

15 (1) Moneys in the account must be used first and foremost for the  
16 payment of principal and interest on bonds authorized in section 10  
17 of this act. The state finance committee shall, on or before June  
18 30th of each year, certify to the state treasurer the amount needed  
19 in the ensuing 12 months to meet the bond retirement and interest  
20 requirements on the bonds authorized under section 10 of this act.  
21 The state finance committee may provide that special subaccounts be  
22 created in the account to facilitate payment of the principal and  
23 interest on the bonds.

24 (2) On July 1st of each year, the state treasurer shall transfer  
25 from the climate finance account to the climate bond retirement  
26 account or climate taxable bond proceeds account, as appropriate, an  
27 amount equal to the amount certified by the state finance committee  
28 in this section.

29 (3)(a) Moneys remaining in the climate finance account after the  
30 transfer made pursuant to subsection (2) of this section may be used  
31 only for projects and programs that achieve the purposes of the  
32 carbon pollution tax as expressed in section 3 of this act. Moneys in  
33 the account as described in this subsection (3) must first be  
34 appropriated for the administration of the requirements of this  
35 chapter, in an amount not to exceed five percent of the total receipt  
36 of funds from the carbon pollution tax imposed under section 3 of  
37 this act. Beginning July 1, 2023, and annually thereafter, the state  
38 treasurer shall distribute funds remaining in the account after the  
39 transfer required in subsection (2) of this section as follows: 100



1 percent of the moneys to the greenhouse gas emissions reduction  
2 account created in section 17 of this act.

3 (b) The allocation specified in (a) of this subsection must be  
4 reviewed by the legislature on a biennial basis based on the changing  
5 needs of the state in meeting its clean economy and greenhouse gas  
6 reduction goals in a timely, economically advantageous, and equitable  
7 manner.

8 NEW SECTION. **Sec. 9.** SPECIAL TAX OBLIGATION BONDS. (1) The  
9 state finance committee is authorized to issue special tax obligation  
10 bonds of the state of Washington in amounts not to exceed the sum of  
11 \$4,943,000,000, or as much thereof as may be required, payable from  
12 receipts from the carbon pollution tax created in section 3 of this  
13 act deposited in the climate finance account created in section 8 of  
14 this act, to finance project categories as described under section 17  
15 of this act, and all costs incidental thereto.

16 (2) Bonds authorized in this section may be sold at such price as  
17 the state finance committee shall determine. No bonds authorized in  
18 this section may be offered for sale without prior legislative  
19 appropriation of the net proceeds of the sale of the bonds.

20 (3) The state finance committee may determine and include in any  
21 resolution authorizing the issuance of any bonds authorized by this  
22 chapter such terms, provisions, covenants, and conditions as it may  
23 deem appropriate in order to assist with the marketing and sale of  
24 the bonds, confer rights upon the owners of bonds, and safeguard  
25 rights of the owners of bonds including, among other things:

26 (a) Provisions that the bonds shall be payable solely from, and  
27 secured solely by, the carbon pollution tax revenues received in the  
28 climate finance account created in section 8 of this act;

29 (b) The conditions that must be satisfied prior to the issuance  
30 of any additional bonds that are to be payable from, and secured by,  
31 the carbon pollution tax revenues received in the climate finance  
32 account created in section 8 of this act on equal basis with  
33 previously issued and outstanding bonds payable from carbon pollution  
34 tax revenues received in the climate finance account created in  
35 section 8 of this act;

36 (c) Provisions regarding reserves and credit enhancements;

37 (d) Whether bonds may be issued as tax-exempt bonds or must be  
38 issued as taxable bonds under the applicable provisions of the  
39 federal internal revenue code; and

1 (e) Whether the state will pursue third-party certification of  
2 bonds authorized by this chapter as green bonds, climate bonds, or  
3 any other appropriate certification that the state finance committee  
4 determines will increase marketability or minimize the cost of the  
5 bonds. Regardless of whether the state pursues third-party  
6 certification, bond proceeds must be used for projects that produce  
7 measurable climate mitigation or adaptation benefits.

8 NEW SECTION. **Sec. 10.** BOND ISSUANCE PERIOD. (1) The  
9 authorization to issue special tax obligation bonds provided under  
10 section 9 of this act will expire on December 31, 2030, or once the  
11 full authorization has been issued and dispersed, whichever occurs  
12 first. The state finance committee may choose to decrease the period  
13 of issuance based on updated forecasts and fiscal needs, but any  
14 increase in the period of issuance beyond the 10-year period  
15 authorized under this section requires the approval of the  
16 legislature.

17 (2) On a quarterly annual basis, and in compliance with RCW  
18 43.01.036, the state treasurer may submit a report to the legislature  
19 that provides recommendations on the level of issuances over the 10-  
20 year period based on updated revenue forecasts, market factors, and  
21 fiscal needs. No bond issuance may be structured such that debt  
22 service obligations remain past December 31, 2050.

23 NEW SECTION. **Sec. 11.** DEDICATED REVENUE. Bonds authorized under  
24 this chapter are not a general obligation of the state and the full  
25 faith, credit, and taxing powers of the state are not pledged for  
26 their payment. Each bond issued under the authority of this chapter  
27 shall distinctly state that payment or redemption of the bond and  
28 payment of the interest and any premium thereon is payable solely  
29 from, and secured solely by, a pledge of the carbon pollution tax  
30 revenues received in the climate finance account created in section 8  
31 of this act, and is not a general obligation of the state. The  
32 legislature pledges to appropriate the carbon pollution tax revenues  
33 pledged to the payment of the bonds issued under this chapter. The  
34 state finance committee shall include this pledge and agreement of  
35 the state to owners of any bonds issued under this chapter. The owner  
36 of any bond or the trustee of the owner of any of the bonds may by  
37 mandamus or other appropriate proceeding require the transfer and  
38 payment of pledged funds as directed in this section.

1        NEW SECTION.        **Sec. 12.**        CLIMATE BOND PROCEEDS ACCOUNT. The  
2 climate bond proceeds account is created in the state treasury.  
3 Proceeds from the sale of tax-exempt bonds authorized in section 10  
4 of this act must be deposited in the account. The climate taxable  
5 bond proceeds account is created in the state treasury. Proceeds from  
6 the sale of taxable bonds authorized in section 9 of this act must be  
7 deposited in the account. Moneys in the climate bond proceeds account  
8 or climate taxable bond proceeds account may be spent only after  
9 appropriation and only for project categories as described under  
10 sections 17 and 18 of this act and for the payment of expenses  
11 incurred in the issuance and sale of the bonds.

12        NEW SECTION.        **Sec. 13.**        NONTAXABLE AND TAXABLE BOND PROCEEDS.  
13 Portions of the appropriation authority granted by this act from the  
14 climate bond proceeds account may be transferred to the climate  
15 taxable bond proceeds account as deemed necessary by the state  
16 finance committee to comply with the federal internal revenue service  
17 rules and regulations pertaining to the use of nontaxable bond  
18 proceeds. Portions of the special tax obligation bond proceeds  
19 authorized by this chapter for deposit into the climate taxable bonds  
20 proceeds account that are in excess of amounts required to comply  
21 with the federal internal revenue service rules and regulations shall  
22 be deposited into the climate bond proceeds account. The state  
23 treasurer shall submit written notification to the director of  
24 financial management if it is determined that a shift of  
25 appropriation authority between the climate bond proceeds account and  
26 the climate taxable bond proceeds account is necessary, or that a  
27 shift of appropriation authority from the climate taxable bond  
28 proceeds account to the climate bond proceeds account may be made.

29        NEW SECTION.        **Sec. 14.**        CLIMATE BOND RETIREMENT ACCOUNT. The  
30 climate bond retirement account is created in the state treasury.  
31 Moneys in the account must be used only for the payment of principal  
32 and interest on bonds authorized in section 9 of this act. The state  
33 finance committee may provide that special subaccounts be created in  
34 the account to facilitate payment of the principal and interest on  
35 the bonds. The state finance committee shall, on or before June 30th  
36 of each year, certify to the state treasurer the amount needed in the  
37 ensuing 12 months to meet the bond retirement and interest  
38 requirements on the bonds authorized in section 9 of this act.

1        NEW SECTION.        **Sec. 15.**        BOND REDEMPTION. The state finance  
2 committee may issue bonds to refund outstanding bonds issued under  
3 this chapter, including the payment of any redemption premiums on the  
4 bonds and any interest accrued to the first redemption date after  
5 delivery of the refunding bonds. The proceeds of the refunding bonds  
6 may, at the discretion of the committee, be applied to the purchases  
7 or payment at maturity of the bonds to be refunded, or the redemption  
8 of the outstanding bonds on the first redemption date after delivery  
9 of the refunding bonds and may, until so used, be placed in escrow to  
10 be applied to the purchase, retirement, or redemption. Refunding  
11 bonds issued under this section must be issued and secured in the  
12 manner provided by the state finance committee.

13        NEW SECTION.        **Sec. 16.**        INVESTMENT GUIDELINES. (1) Each year, the  
14 total investments made through the climate finance account created in  
15 section 8 of this act shall support investments that facilitate,  
16 directly or indirectly, meaningful reductions of greenhouse gas  
17 emissions. Eligible projects shall include, but not be limited to,  
18 investments in public transit, low-carbon buses and trucks, electric  
19 vehicles, electric vehicle charging infrastructure, and other modes  
20 of clean transportation; transit-oriented affordable housing;  
21 expansion of in-state renewable energy, battery storage, and  
22 community microgrids; energy efficiency, electrification, and  
23 renewable energy investments in housing, municipal infrastructure and  
24 public school buildings, technology research, and clean energy and  
25 climate change investments in rural communities.

26        (a) At least 35 percent of total investments authorized under  
27 this chapter must provide direct and meaningful benefits to  
28 vulnerable populations within the boundaries of highly impacted  
29 communities, as designated by the department of health under RCW  
30 19.405.140;

31        (b) At least 25 percent of total investments authorized under  
32 this chapter must be for the benefit of projects located in rural  
33 areas of the state. For the purposes of this subsection (1)(b),  
34 "rural counties" has the same meaning as in RCW 82.14.370; or

35        (c) At least 10 percent of the total investments authorized under  
36 this chapter must be used for programs, activities, or projects  
37 formally supported by a resolution of an Indian tribe, with priority  
38 given to otherwise qualifying projects directly administered or  
39 proposed by an Indian tribe. An investment that meets the

1 requirements of (b) and (c) of this subsection may count toward the  
2 requisite minimum percentage for this subsection.

3 (2) The expenditure of moneys under this chapter must be  
4 consistent with applicable federal, state, and local laws, and treaty  
5 rights including, but not limited to, prohibitions on uses of funds  
6 imposed by the state Constitution.

7 (3) For the purposes of this section, "benefits" means  
8 investments or activities that:

9 (a) Reduce vulnerable population characteristics, environmental  
10 burdens, or associated risks that contribute significantly to the  
11 cumulative impact designation of overburdened communities;

12 (b) Meaningfully protect an overburdened community and vulnerable  
13 populations from, or support community response to, the impacts of  
14 air pollution or climate change; or

15 (c) Meet a community need identified by vulnerable members of the  
16 community that is consistent with the intent of this chapter aligned  
17 with guidance or the evaluation of the environmental justice and  
18 economic equity panel.

19 (4) Programs, activities, or projects that meet more than one of  
20 the criteria as expressed in subsection (1)(a), (b), and (c) of this  
21 section must receive greater priority for funds as determined by the  
22 department of commerce.

23 (5) If the environmental justice and economic equity panel  
24 determines that an adequate number of suitable applications for  
25 categories of projects specified in subsection (1)(a), (b), and (c)  
26 of this section during any given funding cycle was not received, the  
27 department may allocate unused moneys for projects in other areas of  
28 the state.

29 (6) The environmental justice and economic equity panel, in  
30 consultation with representatives from affected lower income  
31 households, workers, and communities affected by the tax, shall  
32 provide recommendations for the expenditure of these funds, including  
33 ensuring consumers of taxable carbon receive the benefits of  
34 investments, as well as identifying additional policy solutions.

35 NEW SECTION. **Sec. 17.** GREENHOUSE GAS EMISSIONS REDUCTION  
36 ACCOUNT. (1) The greenhouse gas emissions reduction account is  
37 created in the state treasury. The account must receive moneys  
38 distributed to the account from the climate finance account created  
39 in section 8 of this act. Moneys in the account may be spent only

1 after appropriation. Moneys in the account must be used by the  
2 department of commerce for projects and incentive programs that are  
3 physically located in Washington state and that yield verifiable  
4 reductions in greenhouse gas emissions in excess of baseline  
5 practices, for community engagement to support decision making for  
6 priority investments, and with high priority placed upon funding  
7 projects that directly benefit economically distressed areas as  
8 defined in RCW 43.168.020. Projects may include, but are not limited  
9 to, the following:

10 (2) Forty percent of the funds must be invested in projects and  
11 programs that include, but are not limited to, the following:

12 (a) Fire prevention activities to restore and improve forest  
13 health and reduce vulnerability to drought, insect infestation,  
14 disease, and other threats to healthy forests including, but not  
15 limited to, silvicultural treatments, seedling development, thinning  
16 and prescribed fire, and postfire recovery activities to stabilize  
17 and prevent unacceptable degradation to natural and cultural  
18 resources and minimize threats to life and property resulting from  
19 the effects of a wildfire. Funding priority under this subsection  
20 must be given to programs, activities, or projects aligned with the  
21 20-year forest health strategic plan, the wildland fire protection  
22 10-year strategic plan, and the forest action plan across any  
23 combination of local, state, federal, tribal, and private ownerships;

24 (b) Supplementing the growth management planning and  
25 environmental review fund established in RCW 36.70A.490 for the  
26 purpose of making grants or loans to local governments for the  
27 purposes set forth in RCW 43.21C.240, 43.21C.031, 36.70A.500, or  
28 36.70A.600, for costs associated with RCW 36.70A.610, and to cover  
29 costs associated with the adoption of optional elements of  
30 comprehensive plans consistent with RCW 43.21C.420 and transportation  
31 improvement plans consistent with RCW 35.77.010 for cities and RCW  
32 36.81.121 for counties;

33 (c) (i) Programs, activities, or projects that deploy renewable  
34 energy resources, such as energy conservation, solar and wind power,  
35 renewable hydrogen, geothermal, and projects to deploy distributed  
36 generation, energy storage, demand side technologies and strategies,  
37 and other grid modernization projects;

38 (ii) Programs, activities, or projects within the department of  
39 commerce's clean energy fund;

1 (d) Programs, activities, or projects that increase the energy  
2 efficiency or reduce greenhouse gas emissions of industrial  
3 facilities including, but not limited to, proposals to implement  
4 combined heat and power, district energy, or on-site renewables, such  
5 as solar and wind power, to upgrade the energy efficiency of existing  
6 equipment, to reduce process emissions, and to switch to less  
7 emissions intensive fuel sources;

8 (e) Programs, activities, or projects that: (i) Achieve energy  
9 efficiency or emissions reductions in the agricultural sector,  
10 including fertilizer management, soil management, bioenergy, and  
11 biofuels; and (ii) preserve or increase carbon sequestration and  
12 storage benefits in agricultural soils, marine and freshwater  
13 riparian and shoreline areas through forest management and planting,  
14 and other terrestrial and aquatic areas, forests, and forest products  
15 consistent with RCW 70A.45.090, including funding the sustainable  
16 farms and fields grant program established under RCW 89.08.615 to  
17 assist participants with increasing the quantity of organic carbon in  
18 soils and reducing or avoiding carbon dioxide equivalent emissions in  
19 or from soils;

20 (f)(i) Programs, activities, or projects that increase energy  
21 efficiency in new and existing buildings, including weatherization  
22 and other retrofits and rehabilitations, or that promote low-carbon  
23 architecture, including use of newly emerging alternative building  
24 materials that result in a lower carbon footprint in the built  
25 environment over the life cycle of the building and component  
26 building materials;

27 (ii) Programs, activities, or projects within the department of  
28 commerce's weatherization plus health initiative consistent with RCW  
29 70A.35.010;

30 (g) Programs, activities, or projects that promote the  
31 electrification and decarbonization of new and existing buildings,  
32 including residential, commercial, and industrial buildings;

33 (h) Programs, activities, or projects that improve energy  
34 efficiency, including district energy, and investments in market  
35 transformation of energy efficiency products; and

36 (i) Incentives and technical assistance to stationary sources to  
37 reduce greenhouse gas emissions and copollutants.

38 (3) Sixty percent of the funds must be invested into miles ahead  
39 transportation investments for programs, activities, or projects that  
40 reduce greenhouse gas emissions or mitigate the impact of greenhouse

1 gas emissions from the transportation sector including, but not  
2 limited to, the following:

3 (a) Reduce vehicle miles traveled, including transportation  
4 demand management, nonmotorized transportation such as pedestrian and  
5 bike program grants and safe routes to school projects, affordable  
6 transit-oriented housing, and high-speed rural broadband to  
7 facilitate telecommuting options such as telemedicine or online job  
8 training;

9 (b) Increase public transportation services, including investing  
10 in public transit;

11 (c) The deployment of clean alternative fuel vehicle charging and  
12 refueling infrastructure with a strong emphasis on underserved  
13 communities and low to moderate-income members of the workforce not  
14 readily served by transit, or located in transportation corridors  
15 with emissions that exceed federal or state emissions standards;

16 (d) The support of clean alternative fuel car sharing programs to  
17 provide clean alternative fuel vehicle use opportunities to  
18 underserved communities and low to moderate-income members of the  
19 workforce not readily served by transit, or located in transportation  
20 corridors with emissions that exceed federal or state emissions  
21 standards;

22 (e) The provision of financing assistance to facilitate the  
23 purchase of battery and fuel cell electric vehicles by lower income  
24 residents of the state;

25 (f) The provision of grants to transit authorities in the state  
26 to fund cost-effective capital projects that reduce the carbon  
27 intensity of the Washington transportation system including, but not  
28 limited to, electrification of vehicle fleets, modification or  
29 replacement of capital facilities in order to facilitate fleet  
30 electrification or renewable hydrogen refueling, upgrades to  
31 electrical transmission and distribution systems, and construction of  
32 charging and fueling stations;

33 (g) The provision of support to small trucking firms in  
34 conversion of vehicles to cleaner alternative fuels and acquisition  
35 and access to necessary fueling infrastructure, and assistance in  
36 mitigating the costs of the transition to cleaner fuel vehicles;

37 (h) The electrification and decarbonization of the state's  
38 vehicle and passenger ferry fleet;

39 (i) The conversion to clean alternative fuel fleets for the  
40 state, counties, cities, and public transit agencies;



1 (j) Investments focused on reducing or mitigating the impacts of  
2 copollutant emissions in overburdened communities or vulnerable  
3 populations, including the expansion of monitoring networks for  
4 copollutants across the state managed by communities or agencies;

5 (k) Reducing emissions from vessels and onshore equipment and  
6 vehicles, including provision of shore power to vessels, reducing  
7 vehicle congestion and excessive idling, and installation of clean  
8 fuel infrastructure;

9 (l) Investment in rail and high-speed rail with the incremental  
10 installation of rail electrification integrated with local power  
11 generation; and

12 (m) The provision of support to the agricultural sector in  
13 conversion of farm vehicles to cleaner alternative fuels, acquisition  
14 of, and access to, necessary fueling infrastructure, and assistance  
15 in mitigating the costs of the transition to cleaner fuel vehicles.

16 (4) Public entities including, but not limited to, state  
17 agencies, municipal corporations, and federally recognized Indian  
18 tribes, as well as private entities, both not for profit and for  
19 profit, subject to constitutional limitations, are eligible to  
20 receive funds authorized by this section.

21 (5) Projects, activities, and programs must meet criteria that  
22 reduce greenhouse gas emissions to be established by the department  
23 of commerce. In developing criteria, the department of commerce must  
24 consult with the environmental justice and economic equity panel and  
25 provide processes and funding for meaningful consultation with  
26 vulnerable populations.

27 (6) Projects or activities funded under this section that meet  
28 high labor standards will be prioritized. These include, but are not  
29 limited to: Prevailing wage rates determined by local collective  
30 bargaining and apprenticeship and preapprenticeship utilization and  
31 preferred entry standards; community workforce agreements with  
32 priority local hire; procurement from women, veteran, and minority-  
33 owned businesses; procurement from, and contracts with, entities that  
34 have a history of complying with federal and state wage and hour laws  
35 and regulations plus other related labor and worker safety standards;  
36 and family level wages and providing benefits, including healthcare  
37 and pensions, access to career development opportunities, and  
38 maximize access to economic benefits from such projects for local  
39 workers and diverse businesses.

1 (7) Funding may be provided for incremental greenhouse gas  
2 emissions reductions from projects that have already secured funding,  
3 but which can achieve more emissions reductions with additional  
4 resources.

5 (8) Recipients of funding for projects must submit to the  
6 department of commerce a progress report at a date or dates to be  
7 determined by the department of commerce. The progress report must  
8 provide information as may be required by the department of commerce  
9 by rule.

10 (9) The department of commerce must design project funding  
11 contracts, monitor project implementation, and track contract  
12 performance, to actively assist the project proponent in securing the  
13 expected project outcomes. The department of commerce may suspend or  
14 terminate funding when projects do not achieve projected reductions  
15 as provided in the funding agreement and, in cases of gross misuse of  
16 funds, may require a return of grant funding.

17 (10) The department of commerce must develop an electronic  
18 database available to the public to track projects and incentive  
19 programs receiving funding under this section. Projects must be  
20 ranked and sortable based on quantitative performance metrics,  
21 including the avoided cost of a ton of carbon dioxide equivalents.

22 (11) The department of commerce must apply recommendations  
23 through iterative consultation with the environmental justice and  
24 economic equity panel in the development of policies and procedures  
25 for the allocation of funding under this section, as well as the  
26 implementation plan required by subsection (12) of this section and  
27 to detail and report why recommendations from the environmental  
28 justice and economic equity panel are not followed by the department  
29 of commerce, if applicable.

30 (12) The department of commerce must develop an implementation  
31 plan for providing funding under this section. The implementation  
32 plan must be provided to the governor and the appropriate committees  
33 of the legislature by December 31, 2022.

34 NEW SECTION. **Sec. 18.** ENVIRONMENTAL JUSTICE AND ECONOMIC EQUITY  
35 PANEL. (1) An environmental justice and economic equity panel is  
36 established to provide guidance and recommendations to the department  
37 of commerce in the development and implementation of the programs,  
38 projects, and activities on greenhouse gas emissions reduction and  
39 natural climate solutions authorized under this chapter. The

1 departments of commerce, ecology, health, and transportation, the  
2 office of equity, and if established by chapter . . . (Engrossed  
3 Second Substitute Senate Bill No. 5141), Laws of 2021, the  
4 environmental justice council and interagency work group, as well as  
5 other state agencies as the governor may determine must coordinate  
6 and assist the panel.

7 (2) The governor must appoint the members of the environmental  
8 justice and economic equity panel, which must be cochaired by at  
9 least one tribal leader and one person that is a representative of  
10 the interests of overburdened communities identified by the  
11 department of health in its health disparities map. The membership of  
12 the panel must consist of at least 11 persons, based on the  
13 nomination of statewide organizations, that represent the following  
14 interests:

15 (a) Five members, including at least one tribal leader,  
16 representing the interests of vulnerable populations residing in  
17 overburdened communities in different geographic areas of the state  
18 and from rural as well as urban areas;

19 (b) Two members representing union labor with expertise in  
20 economic dislocation, clean energy economy, or energy-intensive,  
21 trade-exposed facilities;

22 (c) A member in addition to at least one tribal leader in (a) of  
23 this subsection to represent tribal governments;

24 (d) Two members representing low-income and community advocacy  
25 organizations; and

26 (e) A member representing the agricultural community.

27 (3) The governor may fill any position designated under  
28 subsection (2) of this section with a person who also serves upon the  
29 environmental justice council created in chapter . . . (Engrossed  
30 Second Substitute Senate Bill No. 5141), Laws of 2021, provided that  
31 such a person also meets the representative requirements of  
32 subsection (2) of this section.

33 (4) The purpose of the panel is to:

34 (a) Provide recommendations in the development of investment  
35 plans and funding proposals for greenhouse gas emissions reduction,  
36 and natural climate solutions authorized under this chapter;

37 (b) Provide a forum to analyze policies adopted under this  
38 chapter to determine if the policies lead to improvements within  
39 overburdened communities and among vulnerable populations;

1 (c) Recommend procedures and criteria for evaluating programs,  
2 activities, or projects for funding consideration under this act that  
3 ensure broad access and avoid competition between communities;

4 (d) Evaluate the level of funding provided to assist vulnerable  
5 populations, low-income individuals, and displaced workers and their  
6 communities, and the funding of projects and activities located  
7 within or benefiting overburdened communities and among vulnerable  
8 populations;

9 (e) Provide recommendations to implementation agencies for  
10 meaningful consultation with vulnerable populations; and

11 (f) Periodically conduct an evaluation of the economic impacts  
12 on, and outcomes for, low-income and middle-income households and  
13 vulnerable populations, including communities of color and Indian  
14 tribal communities, of the emissions reduction policies required in  
15 this chapter and the financial assistance provided under this  
16 chapter.

17 (5) Nongovernmental members of the panel must be compensated and  
18 reimbursed in accordance with RCW 43.03.050, 43.03.060, and  
19 43.03.250.

20 NEW SECTION. **Sec. 19.** TRIBAL CONSULTATION. (1) In order to  
21 achieve the goals set forth in this chapter, any state agency  
22 receiving funding from the accounts created in this chapter must  
23 consult with Indian tribes on all decisions that may affect Indian  
24 tribes' rights and interests in their tribal lands. The consultation  
25 must occur pursuant to chapter 43.376 RCW and must be independent of  
26 any public participation process required by state law, or by a state  
27 agency, and regardless of whether the agency receives a request for  
28 consultation from an Indian tribe. A consultation framework must be  
29 developed in coordination with tribal governments that includes best  
30 practices, protocols for communication, and collaboration with Indian  
31 tribes.

32 (2) No project that impacts tribal lands may be funded prior to  
33 meaningful consultation with affected Indian tribes. For projects  
34 that directly impact tribal lands, the goal of the consultation  
35 process is to obtain free, prior, and informed consent for the  
36 project, and at the end of such consultation, the project may not be  
37 funded unless the state agency first receives a written resolution  
38 providing consent or withholding consent. If any project that impacts  
39 tribal lands is funded under this chapter without consultation with

1 Indian tribes, an affected Indian tribe may request that all further  
2 action on the project cease until consultation with any directly  
3 impacted Indian tribe is completed.

4 NEW SECTION. **Sec. 20.** CODIFICATION DIRECTIVE. Sections 1  
5 through 19 and 23 through 25 of this act constitute a new chapter in  
6 Title 82 RCW.

7 **Sec. 21.** RCW 70A.15.1030 and 2020 c 20 s 1081 are each amended  
8 to read as follows:

9 The definitions in this section apply throughout this chapter  
10 unless the context clearly requires otherwise.

11 (1) "Air contaminant" means dust, fumes, mist, smoke, other  
12 particulate matter, vapor, gas, odorous substance, or any combination  
13 thereof.

14 (2) "Air pollution" is presence in the outdoor atmosphere of one  
15 or more air contaminants in sufficient quantities and of such  
16 characteristics and duration as is, or is likely to be, injurious to  
17 human health, plant or animal life, or property, or which  
18 unreasonably interfere with enjoyment of life and property. For the  
19 purpose of this chapter, air pollution shall not include air  
20 contaminants emitted in compliance with chapter 17.21 RCW.

21 (3) "Air quality standard" means an established concentration,  
22 exposure time, and frequency of occurrence of an air contaminant or  
23 multiple contaminants in the ambient air which shall not be exceeded.

24 (4) "Ambient air" means the surrounding outside air.

25 (5) "Authority" means any air pollution control agency whose  
26 jurisdictional boundaries are coextensive with the boundaries of one  
27 or more counties.

28 (6) "Best available control technology" (BACT) means an emission  
29 limitation based on the maximum degree of reduction for each air  
30 pollutant subject to regulation under this chapter emitted from or  
31 that results from any new or modified stationary source, that the  
32 permitting authority, on a case-by-case basis, taking into account  
33 energy, environmental, and economic impacts and other costs,  
34 determines is achievable for such a source or modification through  
35 application of production processes and available methods, systems,  
36 and techniques, including fuel cleaning, clean fuels, or treatment or  
37 innovative fuel combustion techniques for control of each such a  
38 pollutant. In no event shall application of "best available control

1 technology" result in emissions of any pollutants that will exceed  
2 the emissions allowed by any applicable standard under 40 C.F.R. Part  
3 60 and Part 61, as they exist on July 25, 1993, or their later  
4 enactments as adopted by reference by the director by rule. Emissions  
5 from any source utilizing clean fuels, or any other means, to comply  
6 with this subsection shall not be allowed to increase above levels  
7 that would have been required under the definition of BACT as it  
8 existed prior to enactment of the federal clean air act amendments of  
9 1990.

10 (7) "Best available retrofit technology" (BART) means an emission  
11 limitation based on the degree of reduction achievable through the  
12 application of the best system of continuous emission reduction for  
13 each pollutant that is emitted by an existing stationary facility.  
14 The emission limitation must be established, on a case-by-case basis,  
15 taking into consideration the technology available, the costs of  
16 compliance, the energy and nonair quality environmental impacts of  
17 compliance, any pollution control equipment in use or in existence at  
18 the source, the remaining useful life of the source, and the degree  
19 of improvement in visibility that might reasonably be anticipated to  
20 result from the use of the technology.

21 (8) "Board" means the board of directors of an authority.

22 (9) "Control officer" means the air pollution control officer of  
23 any authority.

24 (10) "Department" or "ecology" means the department of ecology.

25 (11) "Emission" means a release of air contaminants into the  
26 ambient air.

27 (12) "Emission," "emission standard," and "emission limitation,"  
28 as applied to greenhouse gases as defined in RCW 70A.45.010, includes  
29 indirect emissions of greenhouse gases resulting from production or  
30 distribution of petroleum products, natural gas, or other products,  
31 where the release of air contaminants into the ambient air occurs  
32 during the consumption, use, combustion, or oxidation of the  
33 products.

34 (13) "Emission standard" and "emission limitation" mean a  
35 requirement established under the federal clean air act or this  
36 chapter that limits the quantity, rate, or concentration of emissions  
37 of air contaminants on a continuous basis, including any requirement  
38 relating to the operation or maintenance of a source to assure  
39 continuous emission reduction, and any design, equipment, work

1 practice, or operational standard adopted under the federal clean air  
2 act or this chapter.

3 ~~((13))~~ (14) "Fine particulate" means particulates with a  
4 diameter of two and one-half microns and smaller.

5 ~~((14))~~ (15) "Lowest achievable emission rate" (LAER) means for  
6 any source that rate of emissions that reflects:

7 (a) The most stringent emission limitation that is contained in  
8 the implementation plan of any state for such class or category of  
9 source, unless the owner or operator of the proposed source  
10 demonstrates that such limitations are not achievable; or

11 (b) The most stringent emission limitation that is achieved in  
12 practice by such class or category of source, whichever is more  
13 stringent.

14 In no event shall the application of this term permit a proposed  
15 new or modified source to emit any pollutant in excess of the amount  
16 allowable under applicable new source performance standards.

17 ~~((15))~~ (16) "Modification" means any physical change in, or  
18 change in the method of operation of, a stationary source that  
19 increases the amount of any air contaminant emitted by such source or  
20 that results in the emission of any air contaminant not previously  
21 emitted. The term modification shall be construed consistent with the  
22 definition of modification in Section 7411, Title 42, United States  
23 Code, and with rules implementing that section.

24 ~~((16))~~ (17) "Multicounty authority" means an authority which  
25 consists of two or more counties.

26 ~~((17))~~ (18) "New source" means (a) the construction or  
27 modification of a stationary source that increases the amount of any  
28 air contaminant emitted by such source or that results in the  
29 emission of any air contaminant not previously emitted, and (b) any  
30 other project that constitutes a new source under the federal clean  
31 air act.

32 ~~((18))~~ (19) "Permit program source" means a source required to  
33 apply for or to maintain an operating permit under RCW 70A.15.2260.

34 ~~((19))~~ (20) "Person" means an individual, firm, public or  
35 private corporation, association, partnership, political subdivision  
36 of the state, municipality, or governmental agency.

37 ~~((20))~~ (21) "Reasonably available control technology" (RACT)  
38 means the lowest emission limit that a particular source or source  
39 category is capable of meeting by the application of control  
40 technology that is reasonably available considering technological and

1 economic feasibility. RACT is determined on a case-by-case basis for  
2 an individual source or source category taking into account the  
3 impact of the source upon air quality, the availability of additional  
4 controls, the emission reduction to be achieved by additional  
5 controls, the impact of additional controls on air quality, and the  
6 capital and operating costs of the additional controls. RACT  
7 requirements for a source or source category shall be adopted only  
8 after notice and opportunity for comment are afforded.

9 ~~((21))~~ (22) "Silvicultural burning" means burning of wood fiber  
10 on forestland consistent with the provisions of RCW 70A.15.5120.

11 ~~((22))~~ (23) "Source" means all of the emissions units including  
12 quantifiable fugitive emissions, that are located on one or more  
13 contiguous or adjacent properties, and are under the control of the  
14 same person, or persons under common control, whose activities are  
15 ancillary to the production of a single product or functionally  
16 related group of products.

17 ~~((23))~~ (24) "Stationary source" means any building, structure,  
18 facility, or installation that emits or may emit any air contaminant.

19 ~~((24))~~ (25) "Trigger level" means the ambient level of fine  
20 particulates, measured in micrograms per cubic meter, that must be  
21 detected prior to initiating a first or second stage of impaired air  
22 quality under RCW 70A.15.3580.

23 **Sec. 22.** RCW 70A.15.3000 and 2020 c 20 s 1103 are each amended  
24 to read as follows:

25 (1) The department shall have all the powers as provided in RCW  
26 70A.15.2040.

27 (2) The department, in addition to any other powers vested in it  
28 by law after consideration at a public hearing held in accordance  
29 with chapters 42.30 and 34.05 RCW shall:

30 (a) Adopt rules establishing air quality objectives and air  
31 quality standards;

32 (b) Adopt emission standards which shall constitute minimum  
33 emission standards throughout the state. An authority may enact more  
34 stringent emission standards, except for emission performance  
35 standards for new woodstoves and opacity levels for residential solid  
36 fuel burning devices which shall be statewide, but in no event may  
37 less stringent standards be enacted by an authority without the prior  
38 approval of the department after public hearing and due notice to  
39 interested parties;



1 (c) Adopt by rule air quality standards and emission standards  
2 for the control or prohibition of emissions to the outdoor atmosphere  
3 of radionuclides, dust, fumes, mist, smoke, other particulate matter,  
4 vapor, gas, odorous substances, or any combination thereof. Such  
5 requirements may be based upon a system of classification by types of  
6 emissions or types of sources of emissions, or combinations thereof,  
7 which it determines most feasible for the purposes of this chapter.  
8 The department may require persons who produce or distribute fossil  
9 fuels or other products that emit greenhouse gases in Washington to  
10 comply with air quality standards, emission standards, or emission  
11 limitations on emissions of greenhouse gases. If the program review  
12 in section 6 of this act finds that greenhouse gases and criteria  
13 pollutants are not being reduced in communities identified as highly  
14 impacted by the department of health's environmental health  
15 disparities map, then, as a means of ensuring that the investments  
16 identified in section 16 of this act achieve reductions in greenhouse  
17 gas emissions and other criteria pollutants in overburdened  
18 communities highly impacted by pollution, the department shall  
19 prioritize the adoption of air quality standards, emission standards,  
20 or emission limitations on fuel suppliers or covered entities located  
21 in those areas. However, an industry, or the air pollution control  
22 authority having jurisdiction, can choose, subject to the submittal  
23 of appropriate data that the industry has quantified, to have any  
24 limit on the opacity of emissions from a source whose emission  
25 standard is stated in terms of a weight of particulate per unit  
26 volume of air (e.g., grains per dry standard cubic foot) be based on  
27 the applicable particulate emission standard for that source, such  
28 that any violation of the opacity limit accurately indicates a  
29 violation of the applicable particulate emission standard. Any  
30 alternative opacity limit provided by this section that would result  
31 in increasing air contaminants emissions in any nonattainment area  
32 shall only be granted if equal or greater emission reductions are  
33 provided for by the same source obtaining the revised opacity limit.  
34 A reasonable fee may be assessed to the industry to which the  
35 alternate opacity standard would apply. The fee shall cover only  
36 those costs to the air pollution control authority which are directly  
37 related to the determination on the acceptability of the alternate  
38 opacity standard, including testing, oversight and review of data.

39 (3) The air quality standards and emission standards may be for  
40 the state as a whole or may vary from area to area or source to

1 source, except that emission performance standards for new woodstoves  
2 and opacity levels for residential solid fuel burning devices shall  
3 be statewide, as may be appropriate to facilitate the accomplishment  
4 of the objectives of this chapter and to take necessary or desirable  
5 account of varying local conditions of population concentration, the  
6 existence of actual or reasonably foreseeable air pollution,  
7 topographic and meteorologic conditions and other pertinent  
8 variables.

9 (4) The department is directed to cooperate with the appropriate  
10 agencies of the United States or other states or any interstate  
11 agencies or international agencies with respect to the control of air  
12 pollution and air contamination, or for the formulation for the  
13 submission to the legislature of interstate air pollution control  
14 compacts or agreements.

15 (5) The department is directed to conduct or cause to be  
16 conducted a continuous surveillance program to monitor the quality of  
17 the ambient atmosphere as to concentrations and movements of air  
18 contaminants and conduct or cause to be conducted a program to  
19 determine the quantity of emissions to the atmosphere.

20 (6) The department shall enforce the air quality standards and  
21 emission standards throughout the state except where a local  
22 authority is enforcing the state regulations or its own regulations  
23 which are more stringent than those of the state.

24 (7) The department shall encourage local units of government to  
25 handle air pollution problems within their respective jurisdictions;  
26 and, on a cooperative basis provide technical and consultative  
27 assistance therefor.

28 (8) The department shall have the power to require the addition  
29 to or deletion of a county or counties from an existing authority in  
30 order to carry out the purposes of this chapter. No such addition or  
31 deletion shall be made without the concurrence of any existing  
32 authority involved. Such action shall only be taken after a public  
33 hearing held pursuant to the provisions of chapter 34.05 RCW.

34 (9) The department shall establish rules requiring sources or  
35 source categories to apply reasonable and available control methods.  
36 Such rules shall apply to those sources or source categories that  
37 individually or collectively contribute the majority of statewide air  
38 emissions of each regulated pollutant. The department shall review,  
39 and if necessary, update its rules every five years to ensure  
40 consistency with current reasonable and available control methods.

1 The department shall have adopted rules required under this  
2 subsection for all sources by July 1, 1996.

3 For the purposes of this section, "reasonable and available  
4 control methods" shall include but not be limited to, changes in  
5 technology, processes, or other control strategies.

6 NEW SECTION. **Sec. 23.** (1) By October 30, 2025, the department  
7 of ecology shall determine whether the sources of emissions covered  
8 by the tax imposed under section 3 of this act is likely to achieve  
9 the proportionate share of the emissions reductions by entities  
10 subject to the tax that is necessary for the state to achieve the  
11 emissions limits established in RCW 70A.45.020. The department of  
12 ecology may exercise this authority prior to this determination.  
13 Nothing in this chapter limits authority under chapter 70A.15 RCW. If  
14 the department of ecology determines that such reductions are not  
15 likely to meet these limits, the department of ecology shall exercise  
16 the authority provided in RCW 70A.15.3000 to adopt emissions  
17 limitations upon such entities sufficient to meet such limits.

18 (2) By January 1, 2026, the department of ecology must provide  
19 the legislature with a report detailing its determination with  
20 recommendations, pursuant to the tax and covered sources, for  
21 achieving the emissions limits established in RCW 70A.45.020.

22 NEW SECTION. **Sec. 24.** SEVERABILITY CLAUSE. If any provision of  
23 this act or its application to any person or circumstance is held  
24 invalid, the remainder of the act or the application of the provision  
25 to other persons or circumstances is not affected.

26 NEW SECTION. **Sec. 25.** EMERGENCY CLAUSE. This act is necessary  
27 for the immediate preservation of the public peace, health, or  
28 safety, or support of the state government and its existing public  
29 institutions, and takes effect immediately.

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