Understanding Washington's Cap-and-Trade Legislation

Quaker Voice
Environmental Stewardship Working Group

What is Carbon Pricing?

Two main models

- **Carbon tax:** sets an (often increasing) tax on emissions. Polluters have to pay for each unit of greenhouse gas emissions. The tax on emissions increases over time, so the cost of emissions also increases.

- **Cap-and-trade:** sets an (often declining) cap on emissions. Polluters have to buy emissions permits below the cap. They have the option to trade permits that they have bought with other emitters. The allowable emissions cap reduces over time, so the amount of emissions also reduces.

SB 5126 is a cap-and-trade model. The money from selling the emissions permits is used in particular ways—more on that later.

Critiques of Cap-and-Trade

1. By trading emissions permits, pollution may be shifted, not reduced. There is the potential to create intensified pollution hotspots, especially in areas already overburdened by air pollution (communities of color, low-income communities).

2. Purchasing offsets allows polluters to pollute without actually reducing emissions.

3. Cap-and-trade is too lax on “trade-exposed industries”

1. How SB 5126 Addresses Critiques

Critique 1: By trading emissions permits, pollution may be shifted, not reduced. There is the potential to create intensified pollution hotspots, especially in areas already overburdened by air pollution (communities of color, low-income communities).

Response: Requires air quality monitoring in areas with polluters. If the air quality is not in compliance with EPA attainment standards or the air quality is appreciably worse than in surrounding communities, the Department of Ecology must write a new regulation to improve local air quality.

2. How SB 5126 Addresses Critiques

Critique 2: Purchasing offsets allows polluters to pollute without actually reducing emissions.

Response: Emitters can purchase offsets for a maximum of 4-5% of their emissions. 50-75% of those offsets must occur in state. The Environmental Justice Council has oversight to prevent the use of offsets if the emitter is likely to substantially contribute to cumulative air quality impacts in its community. There is an assistance program for developing offset projects on tribal lands.

3. How SB 5126 Addresses Critiques

Critique 3. Cap-and-trade is too lax on “trade-exposed industries”

Response: There are many industries classified as emissions intensive or trade exposed that are eligible for "no cost" allowances. The first year of the program, they are allowed to emit at no cost based on their baseline emissions. Afterwards, the number of free allowances gets reduced based on a formula. It may not be reduced if better technology is not available. The Department is required to request new action from the legislature next year to create a clear reduction pathway for these industries.

What happens with the funds?

- 35% of investments must be directed towards projects benefitting communities disproportionately burdened by pollution.
- 10% of investments must be directed towards projects formally supported by a tribe.
- The revenue raised from carbon credits will be invested into projects related to climate change mitigation and adaptation and air quality improvement.
- Some funds will be directed towards implementing the Working Families Tax Rebate.
- The revenue may only be spent on projects that meet certain labor standards.

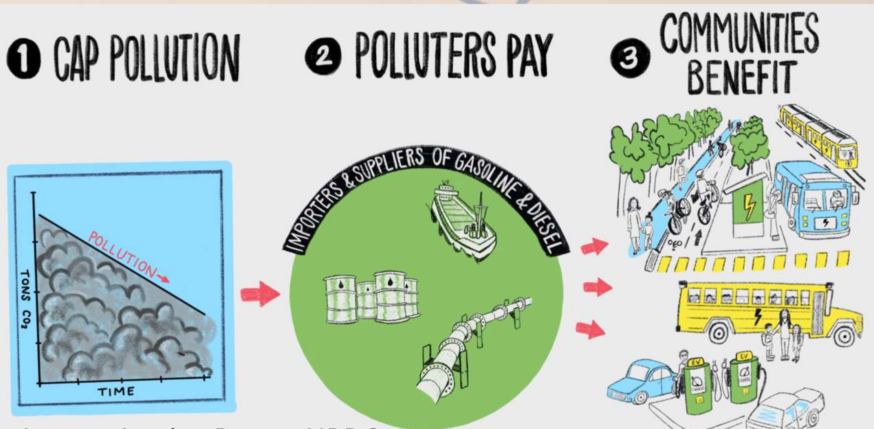

Image: Jessica Russo, NRDC

What’s next?

- Pass bill to reinstate tribal free, prior, and informed consent language vetoed by Gov. Inslee
- Pass bill to develop compliance pathway for “emissions-intensive, trade-exposed entities” to reduce their emissions in line with 2050 goals