Climate Commitment Act 101

DEPARTMENT OF ECOLOGY
State of Washington

More information at **cca.wa.gov**

The CCA puts a price on climate pollution.

FUNDED BY WASHINGTON'S CLIMATE COMMITMENT ACT

Washington lawmakers passed the Climate Commitment Act (CCA) in 2021 as part of a suite of policies responding to climate change.

The CCA created the Cap-and-Invest Program, a market-based system that **cost-effectively limits and lowers climate pollution and generates revenue** for climate and air quality projects.

How does Cap-and-Invest work?

Cap-and-Invest sets an annual cap on greenhouse gas emissions (GHG) that declines over time. Though there are exceptions, generally **our state's largest emitters are required to buy "allowances" to cover their annual emissions**. (One allowance is equal to one metric ton of carbon dioxide or the equivalent in other greenhouse gases).

The Department of Ecology sells allowances at quarterly auctions, and Cap-and-Invest participants can buy and sell from each other, too.

Because fewer GHG emissions are allowed over time, Ecology issues fewer allowances each year. Then emitters choose their most cost-effective strategy for complying with the law:

Compete for a shrinking supply of allowances

OR

Take steps to reduce GHG emissions

A combination of both

Where does the money go?

CCA revenue funds projects that address the ways climate change is affecting our communities and ecosystems, further reduce GHG emissions, develop clean energy, and improve air quality.

The Legislature decides how these dollars are distributed, prioritizing environmental justice. By law, at least 35% (with a goal of 40%) must benefit communities that are overburdened by climate and air pollution, and 10% must go to projects with Tribal support.

To make sure this happens, the law directs Washington's Environmental Justice Council to recommend which projects receive funding.

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Frequently asked questions

How much will the CCA reduce GHG emissions?

The CCA is designed to reduce GHG emissions from our state's largest emitters by 95% by 2050. It's one of several policies passed by lawmakers to make sure Washington meets mandatory emissions limits set in state law.

Ultimately, we need to reduce statewide emissions by 95% by 2050 and offset the other 5% (this is called "net zero.") Scientists say we must get to net zero by 2050 to prevent the worst climate impacts, and, as our most far-reaching climate policy, the CCA plays a key role.

Can emitters offset any of their GHG emissions?

Currently, Cap-and-Invest participants can purchase offset credits instead of allowances to cover up to 8% of their GHG emissions.

By purchasing these credits, emitters fund projects outside their own operations that reduce or remove emissions from the atmosphere.

Under the CCA, offset projects must directly benefit Washington's environment, and Ecology verifies that emissions reductions or removals are real and permanent.

Does the CCA impose set fees or taxes on fuels like gasoline or natural gas?

The CCA doesn't impose any set fees or taxes on fuels. The policy puts a price on GHG emissions, but that price is set by the market, not the state.

Each business has different costs under the CCA based on their emissions, and they choose whether to pass on any of their costs to consumers. In some cases, their ability to pass on costs is limited by market competition.

Can businesses just pay to keep emitting the same amount of GHGs under the CCA?

Individual businesses choose how to comply with the CCA. So while businesses may reduce GHG emissions at different rates, total emissions will decrease.

There are only so many allowances to go around, and the supply shrinks each year, putting upward pressure on allowance prices. This increases the likelihood that it will be more cost effective to reduce emissions than buy allowances. If a business fails to get enough allowances, they're subject to penalties.

Do some emitters get free allowances?

Yes, some emitters receive allowances at no cost to ease the energy transition; however, they can still benefit from reducing GHG emissions by selling extra allowances.

Electric utilities receive free allowances because their emissions reductions will be achieved under another policy called the Clean Energy Transformation Act. Natural gas utilities receive free allowances to minimize rate increases. And 40 industrial facilities facing steep global competition receive free allowances to keep them in state, along with the jobs they provide, and allow them to decarbonize over a longer period of time.

What are some CCA-funded projects?

- Free public transit for kids 18 years and younger
- Preparing communities for intensifying wildfires
- Restoring ecosystems that have been damaged by climate change
- Expanding Washington's electric vehicle charging network
- Helping communities threatened by rising sea levels

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