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# Overview and Mechanics of Initiative 1631

October 30, 2018

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## Amount of, and Purpose for, the Proposed Carbon Fee

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## The Carbon Fee

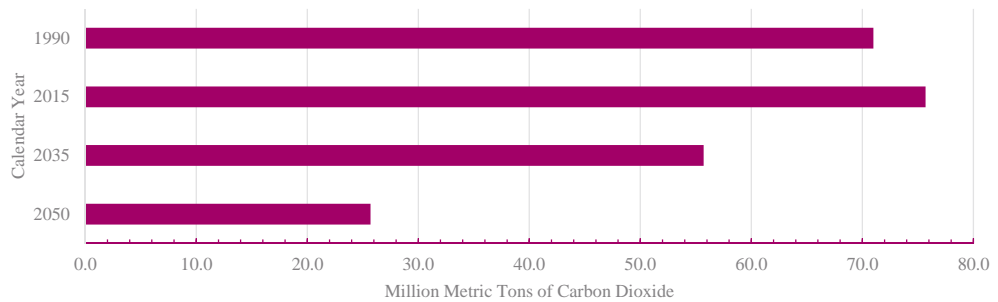
- Carbon emissions fee of \$15 per metric ton of carbon beginning on January 1, 2020
- Beginning January 1, 2021, the pollution fee increases by \$2 per metric ton of carbon content each January 1 until (i) the state's greenhouse gas reduction goals of 2035 are met and (ii) the 2050 goals were on track to be met
- The annual increase shall adjust for inflation each year.

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# Carbon Emission Reduction Goals

- Reducing the state’s carbon emissions from current levels by a minimum of 20 million metric tons by 2035 and by at least 50 million metric tons by 2050



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## Who Pays the Proposed Carbon Fee is Paid

## Carbon Fee to be Paid by Large Emitters

- Refinery facilities for crude oil, crude oil derivatives and other fossil fuels consumed by or in refinery facilities
- Sellers of fossil fuels to end users or consumers
- Sellers of fossil fuels sold for combined heat and power
- Importers of electricity that was generated using fossil fuels
- Power plants in the state that generates electricity using fossil fuels
- Light and power businesses
- Gas distribution businesses

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## Carbon Fee Exemptions

- Fossil fuels and electricity sold to and used on-site by designated energy-intensive, trade-exposed (EITE) facilities
- Pollution emissions from coal closure facilities
- Fossil fuels exported or sold for export outside of the state
- Fossil fuels supplied to a light and power business to generate electricity
- Aircraft and maritime fuels
- Fossil fuels brought into the state in the fuel tank of a vehicle, vessel, locomotive, or aircraft

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## Carbon Fee Exemptions (contd.)

- Activities or property of Indian tribes and individual Indians that are exempt from state taxation
- Fuel such as aircraft fuel, diesel, and biodiesel when used for agricultural purposes
- Special fuel sales to the state or any local government when the fuel is used for street and road construction or maintenance purposes in vehicles owned and operated by the state or local government
- Special fuel sales for use in publicly owned firefighting equipment
- Special fuel sales to the United States government

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## How Revenue Collected from the Proposed Carbon is to be Spent

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## Clean Up Pollution Fund

The Clean Up Pollution Fund in the state treasury would hold all revenue generated from the pollution fee

- 70 percent to the Clean Air and Clean Energy Account for investments related to air quality and energy
- 25 percent to the Clean Water and Healthy Forests Account for investments related to water and forests
- 5 percent to the Healthy Communities Account for investments related to communities

## Clean Air and Clean Energy Account

Investments related to air quality and energy such as programs, activities, or projects that:

- assist low-income people with transitioning to an economy that uses renewable energy rather than fossil fuels;
- reduce carbon emissions in the transportation sector such as investing in public transit, electric car charging stations, deploying zero-emission vehicles;
- increase the energy efficiency of buildings and industrial facilities or create carbon-neutral buildings;
- replace natural gas with biomethane and synthetic gas; and
- sequestration of carbon through sequestration of marine and freshwater resources, agricultural land, forests, and more.

## Clean Water and Healthy Forests Account

Investments related to water and forests such as programs, activities, or projects that:

- restore and protect fisheries and marine habitats;
- reduce flood risks and prepare for a rise in sea level; and
- increase water supply.

## Healthy Communities Account

Investments related to communities, such as programs, activities, or projects that:

- enhance community awareness and preparedness for, during, and after wildfires;
- develop and implement ways to provide support for tribal communities impacted by wildfires;
- relocate tribal communities that are impacted by a rising sea level; and
- develop and implement education programs to enhance awareness of climate change and its related impacts.



## Clean Energy Investment Plans of Utilities

- Electrical and natural gas utilities may claim credits for up to 100% of the pollution fees for which they are liable
- Such credits must be used for programs, activities, or projects consistent with clean energy investment plan developed in meaningful collaboration with stakeholders and approved by the Washington Utilities and Transportation Commission (for investor-owned utilities) or the Department of Commerce (for consumer-owned utilities)
- Clean energy investment plans must identify investments aligned with the pollution reduction investment plan, targets, and goals authorized under Initiative 1631

## Oversight of the Carbon Fees and the Clean Up Pollution Fund



## Public Oversight Board

- Establishes the Public Oversight Board within the Office of the Governor that would be responsible for implementing and overseeing the programs under the Initiative 1631. The Public Oversight Board would
  - developing budget recommendations and handle the funding processes necessary to implement the measure;
  - adopt rules to implement the measure;
  - review and approve the pollution reduction investment plan and the effectiveness report;
  - confer with the state legislature and governor concerning the implementation of the measure; and
  - perform other duties related to implementing the measure.

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## Questions