

## COMPARISON OF CARBON TAX BILLS - 2018 LEGISLATIVE SESSION

**SB 6203 (the Governor's bill)** calls for a tax of \$20/ton, plus inflation, plus 3.5% per year.

**SB 6096 (Senator Ranker)** calls for \$15/ton plus \$2.50 per year (which is about 17%) until the tax reaches \$30.00.

**HB 1646 (Fitzgibbon)** calls for \$15/ton plus 7% per year, plus inflation, until 2047, unless the emissions reductions goals of the bill are met.

### ALLOCATION OF FUNDS

**SB 6203 (Governor's bill)**— The tax is estimated to generate \$1.5 billion in new revenue over the first two years and an estimated \$3.3 billion over the next four years.

Three main areas of allocation:

Energy Transformation— 50%. (Section 201). A priority would be given to projects that benefit low-income communities, communities of color and indigenous communities — but there is not a specific overlay or percentage that is required to be spent on low-income communities.

Water and Natural Resources Resilience —35%. (Section 203). This includes projects to reduce stormwater pollution, build fish culverts, improve forest health and fire management, and prevent flooding.

Transition Assistance — 15%. (Section 202). The final 15% of the revenue would go to worker transition and low-income support through existing programs, including income assistance, affordable housing and transportation development, rural economic development, and training and education subsidies.

**SB 6096 (Ranker)** — An unspecified amount of dollars would initially be used for the administrative costs of the program. Then, the carbon tax funds would be allocated in this way:

Climate Impacts Account — (Section 13). This account would be funded:

\$350,000,000 in 2020  
\$450,000,000 in 2022  
\$550,000,000 in 2024  
\$650,000,000 every year thereafter

Used for state agencies that address directly, or indirectly, impacts associated with combustion of fossil fuels. Includes: programs that help to reduce emissions, or that address infrastructure relating to impacts from climate change; school programs.

2. Then, after the Climate Impacts Account is funded, the remaining funds would be spent this way:

15% to the Carbon Price Impact Assistance Account (Section 12). Used for mitigating impacts of carbon pollution and from increased energy costs due to the tax. Also for providing assistance to low-income households due to increased energy costs.

55% to the Carbon Reduction Investment Fund (Section 14). Awards funding to programs that reduce greenhouse gas emissions. Managed by WSU. Priority given to projects that return direct benefits to communities disproportionately affected by carbon pollution. Includes energy efficiency programs. Includes hydrogen fuel cell technology for public transit vehicles.

30% to the Water and Forests Resilience Account (Section 15). For projects and activities that significantly reduce risks to Washington's public health, safety, economy and environmental vitality — includes reduction of stormwater pollution, flood reduction, fish barrier correction projects, forest resilience and wildfire risk mitigation, forest health thinning and prescribed fires. Also includes carbon sequestration.

Note that unlike the other two bills, this bill does not have specific funding for an equitable transition.

### **HB 1646 (Fitzgibbon)**

This bill starts out with up front funding for an Equitable Transition Fund in an unknown amount. The purpose of this fund is to ensure that impacted workers are made substantially whole during a transition period. Covers wage replacement, health benefits and pension contributions. Covers employment placement, peer counseling, relocation expenses and other services.

After the distribution of money to the Equitable Transition Fund has occurred and the payment of administrative and accountability costs have taken place (Section 114 — no more than 5% of the tax receipts) the remaining funds are allocated this way:

70% to the Clean Air Investment Programs. Within the Clean Air Investment Programs, funds are allocated thusly:

35% to the Carbon Reduction Account (Section 104) — Similar to the Carbon Reduction Investment fund in SB 6096 above.

65% to the Sustainable Infrastructure Fund (Section 105) Overseen by Dept. of Commerce. Used for greenhouse gas emission reduction projects that achieve indirect carbon reductions, have long-term or difficult to quantify emission reduction prospects, or that would not be cost-competitive with projects funded under the Carbon Reduction Investment Fund (where the primary performance metric is cost-per ton of greenhouse gas emissions reduced).

Within this Sustainable Infrastructure Fund, 35% goes to transportation projects — energy efficiency, renewable energy integration, microgrids with clean energy etc.

Also, within the Sustainable Infrastructure Fund, 50% goes to land use — equitable transit oriented development, affordable housing, expands or improves public transport infrastructure, etc.

The remaining 30% is split between the Clean Water Climate Program (20%) (Sec. 108) and the Forest Health Account (10%) (Section 109).

The water program will be distributed by the Department of Ecology to provide grants and loans for sustainable water projects that consider climate impacts in their planning, siting, design and implementation. Focus on adaptation, improvement of infiltration and treatment of polluted runoff, reduction of flooding risk, water resource conservation, restored and protected estuaries and marine shoreline habitats.

The forest program is similar to the section on forests in SB 6096.

## TARGETS

**SB 6203 (the Governor's bill)** Section 404 of the bill calls for the Department of Commerce to develop a statewide plan for how the state will achieve mid-century net greenhouse gas reductions of 80% or greater. Note this language does not reference being 80% below 1990 levels, as is mentioned in the Ranker and Fitzgibbon bills.

**SB 6096 (Ranker)** Section 16 of this bill requires the state to limit emissions of greenhouse gases to achieve:

By 2020, to 1990 levels.

By 2035, to 40% below 1990 levels

By 2050, to 50% below 1990 levels, or 70% below the state's expected emissions that year.

Also requires the Department (we assume Ecology although it is not stated) to submit a greenhouse gas reduction plan for review and approval to the legislature, describing how this will be achieved.

**HB 1646 (Fitzgibbon)** Section 301 of the bill requires the state to limit emissions of greenhouse gases to achieve:

By 2020, to 1990 levels.

By 2035, to 40% below 1990 levels.

By 2050 to 80% below 1990 levels. (Note this is stronger than the Ranker bill).

## EXEMPTIONS AND CREDITS

All three bills have the following exemptions and credits:

Fossil fuel brought into the state by means of the primary fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft, actively supplying fuel for combustion upon entry into the state, and any electricity generated by such fossil fuel.

\*Fossil fuel or electricity prohibited from being taxed by the US or Washington constitutions, or laws of the US.

\*Fossil fuels exported from the state. Export to Indian Country does not count as an export for purposes of this exemption.

Diesel, biodiesel or aircraft fuel for agricultural use.

For any electricity or fossil fuel that is subject to the tax, if there has already been payment of a comparable carbon tax, then a credit is granted.

**The governor's bill** also exempts **aircraft fuel**. **The Ranker bill** exempts **aircraft and maritime fuel**. **Fitzgibbon's bill** exempts aircraft and maritime fuel but with significant limitations.

Both **the governor's bill** and **Ranker's bill** state that an exporter of fossil fuels or electricity upon which another person **previously paid the carbon tax**, or for which allowances were purchased in a state-administered greenhouse gas emissions trading program, is entitled to a credit or refund of the tax paid.

**The governor's bill** has the following concerning exemptions that **the other two bills do not have**:

The sale or use of coal transition power.

Biogas, which includes renewable liquid natural gas or liquid compressed natural gas made from biogas; biodiesel, renewable diesel, cellulosic ethanol.

**Fitzgibbon's bill** includes the following exemptions that are not in the other two bills:

Fuel used for public transportation.

Fuel purchased by private non-profit transportation providers.

Fuels for Washington ferries.

Fuels for school buses.

## **EITE's ( Energy Intensive Trade-Exposed Businesses)**

**SB 6203 (the Governor's bill)** By 2019, the Dept. of Commerce must adopt a rule to establish criteria for identifying and certifying potential energy-intensive and trade-exposed businesses. The idea is that such businesses would be placed at a competitive disadvantage if they had to pay the tax. Such businesses may then apply to be certified and thus exempt from the carbon tax. ( Section 103 (2) ).

**SB 6096 (Ranker)** This bill requires the Dept. of Commerce to actually identify energy intensive and trade-exposed facilities. It also includes a long list of categories of businesses that are exempt as EITE's. ( Section 3 (4) ). Thus it is possible that this bill exempts a wider number of businesses than the other two bills.

**HB 1646 (Fitzgibbon)** This bill also requires the Dept. of Commerce to identify the EITE's that are exempt from the tax. The bill also indicates that the following categories are automatically exempt: metal, glass, cement, and pulp and paper manufacturers. ( Section 110. )

## **UTILITIES**

**SB 6203 (the Governor's bill)** Under this bill all utilities (including public utility districts) could retain the carbon tax they owe in a separate account for clean energy and energy efficiency programs. For example, a utility could use up to 100% of the taxed amount by designing a plan

to use that money for clean energy, weatherization, and low-income programs. Each utility would have to design, and get Department of Commerce approval of, a Clean Energy Investment Plan that would reduce greenhouse gas emissions in a manner beyond existing legal obligations. (Each additional dollar would have to yield an additional carbon reduction). (Section 302).

**SB 6096 (Ranker)** This bill includes a similar credit for utilities. (Section 5).

**HB 1646 (Fitzgibbon)** Under this bill a utility must pay the carbon tax unless the utility is considered an EITE.

## OVERSIGHT

**SB 6203 (the Governor's bill)** Section 105 of the bill requires the Department of Commerce to submit a yearly report that includes the total tax collected for that year, as well as the estimated costs incurred by the state government to run the program. Reporting must also include progress made in the state towards greenhouse gas emission reductions. Section 401 of the bill requires the Department of Commerce and the WSU to report and analyze overall carbon pollution abatement opportunities in Washington.

**SB 6096 (Ranker)** Section 10 of this bill calls for an annual audit of the carbon tax program. The audit will be created by the Department of Commerce in consultation with the Departments of Revenue and Ecology. What is called for in the review is more extensive than what is described in the governor's bill.

**HB 1646 (Fitzgibbon)** Section 107 of the bill calls for creation of a Carbon Program Oversight Board to be within the office of the governor. The purpose is to oversee implementation of the law and advise the governor on whether the law is achieving greenhouse gas emission reductions equitably, sustainably, and efficiently. The board will be made up of voting members appointed by the governor.

## DISPROPORTIONATELY AFFECTED COMMUNITIES

**SB 6203 (the Governor's bill)** There is no specific mention of disproportionately affected communities although the Energy Transformation Account gives priority to "projects and activities that provide benefits to low-income communities, communities of color, and communities of indigenous peoples." ( Section 201(4) ).

**SB 6096 (Ranker)** The Carbon Reduction Investment Account states that priority will be given to "projects that return direct benefits to communities disproportionately impacted by carbon pollution, provided that the projects achieve equivalent net emission reductions and are cost competitive compared to other proposals." ( Section 14(3) ).

**HB 1646 (Fitzgibbon)** Section 1112 of this bill requires the Department of Health, by March 1 2018, to conduct a cumulative impacts analysis to identify the geographic boundaries of disproportionately impacted communities in Washington. This analysis must be repeated in 2022 and every two years thereafter.

## **TAX REBATES TO LOW-INCOME TAXPAYERS**

**SB 6203 (the Governor's bill)** This bill contains no mention of a specific tax rebate for low-income individuals who pay the carbon tax, although there is reference to existing cash rebate programs.

**SB 6096 (Ranker)** Section 12 of the bill indicates that “moneys in the [Carbon Price Impact Assistance Account] may be used to provide assistance to low-income households that may be impacted by increased energy costs attributable to the carbon pollution tax,....”

**HB 1646 (Fitzgibbon)** Section 211 of this bill creates clearly defined low-income carbon pollution mitigation tax grants.

## **FINAL NOTE**

**SB 6203 (the Governor's bill)** spells out specifically that state preemption applies, i.e. that local jurisdictions may not impose their own carbon taxes.