



## Washington State Legislature

July 5, 2023

Laura Watson  
Director  
Washington State Department of Ecology  
P.O. Box 47600  
Olympia, WA 98504-7600

Dear Director Watson,

Our state recently gained the unenviable and historic distinction of having the highest fuel prices in the nation. Even today, we are among the three most expensive states in the nation. Accordingly, we are writing to offer suggestions and open a dialogue with you about certain ways to reduce the cost of fuel; specifically, regarding implementation and execution of the Washington Climate Commitment Act (CCA).

Drivers are facing an ongoing challenge and there seems to be no relief in sight. We also anticipate a continued upward trend in CCA allowance prices, which in turn will progressively escalate the cost of fuel. While CCA proponents may have intended for this new law to make gas more expensive, the rapid rate at which fuel prices are soaring is frightening to the constituents we represent.

While we plan to work on CCA improvement legislation during the 2024 regular session, we would like to offer several preliminary ideas for agency actions that could be taken prior to the August auctions. We invite your response to any of these ideas as well as input for future legislation that could be necessary to help reduce the price of carbon credits and ultimately the lower fuel prices. We are eager to find solutions that work for everyone.

- **Make it easier to comply with emissions targets.** CCA allowance budgets should be adjusted to increase long-term flexibility for organizations that must comply with the program. If it becomes too expensive to comply with the programs the state has enacted, the aggressive emission reduction targets will not be realized.
- **Increase the supply of allowances.** Increasing the supply of allowances has potential to lower auction prices and provide a positive impact. Higher than expected quarterly auction settlement prices demonstrate the supply of allowances is unnecessarily constricted.
- **Adjust the Allowance Price Containment Reserve (APCR) auction floor price.** The APCR auction floor price should be adjusted to increase the number of

APCR auctions and lower the price of allowances. Given a constricted supply of allowances, the APCR will be the primary tool for supporting lower costs.

- **Allocate a greater number of no-cost allowances.** No-cost allowances can serve to mitigate price effects for certain sectors and consumers, such as electricity and natural gas customers. An accurate and updated accounting leading to the allocation of more no-cost allowances will help control costs.
- **Expand the categories of Emissions-Intensive Trade-Exposed (EITE) companies.** Expand opportunities for companies to be categorized as EITE to provide relief for those firms and their customers. The CCA program already recognizes EITE companies may be especially vulnerable to regulatory costs.
- **Lower the price ceiling.** Lower the cost of price ceiling units to help keep costs down for price ceiling unit buyers and consumers. The program currently appears to be on course to require the sale of price ceiling units before the end of the first compliance period, which seems premature.
- **Develop a system to easily honor fuel exemptions.** Implement a system to honor fuel exemptions and reduce fuel prices for key users who justifiably assert their right to an exemption. Some types of fuel that are supposed to be exempt from the CCA are still being sold at higher-than-necessary prices.
- **Adopt a temporary rule that suspends the program in order to lower fuel prices.** If other administrative methods to control costs are unavailable, a temporary rule suspending the program could be a useful measure to deal with the effects of high fuel prices.

We intend for these ideas to be a starting point for further discussions. We also stress the pressing need for immediate action. Every day of inaction is another day Washingtonians will have to buy one of the nation's most expensive fuel. We look forward to your response and future collaboration on this important project.

Sincerely,



Senator Chris Gildon  
25<sup>th</sup> Legislative District