

Initiative 2117: Concerning carbon tax credit trading

May, 2024



Understanding the initiative to repeal the Climate Commitment Act.



About the Climate Commitment Act:

Passed in 2021, the Climate Commitment Act (CCA) is the state's landmark cap-and-invest program designed to help Washington meet its

goal of reducing carbon emissions by 95% by 2050. The program sets a limit on overall carbon emissions in the state and reduces the limit over time.

The program also requires Washington's largest emitting sources and industries to purchase allowances equal to the emissions they produce. The allowances can be obtained through quarterly auctions hosted by the Department of Ecology or bought and sold on a secondary market. As the emissions cap is reduced, the cost of allowances will increase, thus incentivizing covered businesses to reduce their emissions and avoid paying steep costs for compliance.

Proceeds from the CCA auctions must be invested in climate projects in Washington focused on improving clean transportation options and addressing environmental justice and health inequity.



What Initiative 2117 does:

If passed this November, Initiative 2117 (I-2117) would repeal the CCA, shutting the program down and eliminating the accounts to which auction revenues are deposited.

The 2022 Move Ahead Washington transportation package, the state's most recent transportation funding plan for fiscal years 2022 through 2038, depends upon \$5 billion from future CCA auction revenues.



Local funding impacts

A direct distribution of CCA auction revenues was not granted to local governments, but cities and towns are eligible to apply for many grant and loan programs funded by CCA revenues, representing an estimated \$350 million, in the 2023-25 state budgets. If I-2117 is passed, funding for these programs may lapse (see CCA-funded programs list on back).

Likewise, dozens of state and local transportation projects are slated to be funded with CCA dollars. Some of these projects may be delayed or cancelled if the initiative is passed.

2023-25 budget appropriations of CCA funding

Transportation	\$1.15 billion
Capital	\$1.4 billion
Operating	\$692 million
Total	\$3.2 billion
Auction revenue collected to date	\$1.96 billion

Source: WA State Office of Financial Management

CCA investments in Washington

Clean transportation	\$1.5 billion
Clean buildings	\$528 million
Clean energy	\$363 million
Environmental justice	\$345 million
Climate mitigation	\$366 million
Agriculture, sequestration, methane reduction	\$180 million

Source: WA State Office of Financial Management

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State funding impacts

The 2023-25 budgets appropriated \$3.2 billion in CCA auction revenues to fund many programs and projects throughout the state. Of that amount, \$829 million may not be spent until January 1, 2025. If the initiative is passed, the \$829 will lapse and will not be available to spend.

The '23-'25 budget appropriations are predicated on the allowance auctions scheduled to take place through June 2025, some of which have already occurred. If voters approve I-2117, future auctions will not be held and the CCA revenue stream upon which the budgets are built will cease.

CCA-funded programs in the 2023-25 enacted budgets for which cities are eligible to apply

- \$30 million for the Clean Alternative Fuel Vehicle Charging and Refueling Infrastructure Program
- \$2 million for e-bike lending library and ownership grant program
- \$2 million for clean alternative fuel vehicle sharing program
- \$20 million for grants for electrical grid integration and innovation projects
- \$35 million for weatherization programs
- \$50 million for energy retrofits and solar power for public buildings
- \$21 million for the Fish Barrier Removal Board
- \$17.6 million for Floodplains by Design
- \$25 million for Salmon Recovery Funding Board's Riparian Grant Program
- \$35 million for low-income home energy assistance
- \$41 million for implementation of HB 1181 for GMA climate change planning
- \$10 million to support local governments and tribes in siting and permitting clean energy projects
- \$10.7 million for solar power demonstration projects
- \$20.6 million for public building owners for energy audits
- \$4 million for implementation of SB 5165 for electric transmission planning
- \$4 million for the coastal hazards grant program
- \$10 million for Firewise project grants
- \$6 million for urban forestry

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