

# Governor's Climate Commitment Act Investment Principles

January 2023

Gov. Jay Inslee's proposed investment of Climate Commitment Act revenues in the 2023-25 budget is built around the following principles:

## Advance equity and environmental justice consistent with the act's requirements

The Climate Commitment Act (CCA, Chapter 70A.65 RCW) requires that no less than 35%, and a goal of 40% of total yearly investments, provide direct and meaningful benefits to vulnerable populations in overburdened communities. The act also requires that 10% of the investments are supported by a tribal resolution.

Inslee's budget achieves these requirements by directly investing in the identified needs of overburdened communities and tribes. This includes:

- \$38.6 million for projects to reduce health disparities in overburdened communities.
- \$11.4 million to improve air quality in overburdened communities.
- \$50 million for helping tribes mitigate and adapt to the effects of climate change.

In addition, the governor's budget includes provisos that require many of the CCA-funded grant programs to meet the CCA investment goals for overburdened communities and tribes.

The CCA requires the Environmental Justice Council to provide recommendations on investment plans and funding proposals for programs funded with the accounts established in the act. The governor's budget was informed by the [draft set of EJ Council priorities](#).

## Reduce greenhouse gas emissions

The primary focus of the Climate Commitment Act is reducing greenhouse gas emissions through a declining cap on overall emissions. Cap and invest auction revenues are to be invested in programs and projects that reduce overall emissions and help meet the state's emission limits.

The governor's budget focuses large portions of the CCA investments on the two sectors that produce the most emissions in Washington — transportation and buildings — with:

- \$405 million for clean transportation, and
- \$176 million to decarbonize buildings.

Other major investments include:

- A \$50 million grant program for hard-to-decarbonize sectors including industry, aviation and maritime.
- \$55 million for the Clean Energy Fund, including \$25 million for tribal clean energy projects.
- \$22 million to support an application for the U.S. Department of Energy hydrogen hub.

## Build the physical and social infrastructure needed to achieve the state's emissions limits

Halving greenhouse gas emissions by 2030 and achieving net-zero emissions by 2050 requires systemic shifts in our physical and social infrastructure — across communities, workforce, the economy and government.

Achieving net-zero emissions requires:

- New businesses and manufactured products.
- Expanded generation, transmission and storage of clean energy and fuels.
- A trained workforce to construct new infrastructure.
- Communities with the capacity to engage.
- Local, state and tribal governments resourced to plan for and build out the needed social and physical infrastructure.

The governor's budget invests across the wide range of physical and social infrastructure to succeed in the transition to clean energy, to build family wage jobs in a thriving economy, and to ensure community capacity to access and benefit from the transition.

Here is just one example of what it takes to make the state's clean energy transition real. A home energy retrofit requires:

- General contractors and building trades to improve insulation and replace windows.
- Trained HVAC contractors to remove gas furnaces and install zero-emission, electric heat pumps and electricians to upgrade electrical panels.
- Facilities to manufacture equipment and components throughout the supply chain.
- Clean energy generation and transmission to power the home.
- Trained utility workers to upgrade electricity transmission and distribution lines.

- o Governmental and community capacity to plan, permit and build the physical infrastructure and to connect with communities, homeowners and tenants.

Overall, the governor proposes using:

- o \$50 million to improve clean energy siting, permitting and transmission, including grants for tribal and local government engagement and \$10M for dual use solar projects.
- o \$109 million for clean energy development.
- o \$11.4 million for workforce development.

### Strengthen communities and ecosystems to withstand the impacts of climate change

Even with significant reductions in greenhouse gases, climate change will impact our communities and ecosystems. That’s why the Natural Climate Solutions Account is dedicated to increasing the resilience of our state’s waters and forests, conserving forestlands, and increasing carbon sequestration. We need work to plan, develop and implement projects and programs that improve community and ecosystem resiliency.

The governor’s budget invests to:

- o Improve the resiliency of Washington’s coastal communities.
- o Enhance urban forest.
- o Increase carbon storage on working lands.
- o Help state and local governments plan for and adapt to climate impacts.
- o Assess and address impacts from climate change on public lands, species, and plants.

Climate change is a significant contributor to the state’s struggling salmon populations. It increases the number and magnitude of droughts and floods, warms streams, worsens ocean conditions, and shifts predator populations.

The governor’s proposal makes significant investments in salmon recovery from the Natural Climate Solutions Account. This includes \$114 million to improve riparian protection and \$31.7 million to improve fish passage.

### Complement and maximize federal funding

The Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act provides significant federal resources to the state, communities, and residents to reduce greenhouse gas emissions and enhance climate resiliency. The amount of federal funding available to the state is uncertain because large portions of the funding will be awarded on a competitive basis. Certainty will increase as the administering federal agencies adopt rules and guidelines and grants get awarded. The governor’s budget is based the level of federal funding that was anticipated at the time the budget was completed. Additional grants received after the biennial budget is complete can be addressed in the 2024 supplemental budget. CCA investments are used to fill gaps, and to complement and match potential federal funds.

Examples include using \$105 million of the Climate Commitment Account to supplement \$83 million in IRA funds for heat pump installation assistance, and \$22 million of the Climate Commitment Account to support a request to the U.S. Department of Energy for a regional clean hydrogen hub.

### Follow eligible uses of Climate Commitment Act accounts

These principles are built on meeting the act’s requirements for eligible uses and allocations of the five CCA accounts and two related transportation accounts. Each of these accounts has specific allowable uses, described in statute. The CCA distributes specific revenue amounts to the Carbon Emissions Reduction Account for transit and active transportation programs and projects. Remaining revenue is deposited into the [Climate Investment Account](#) for administration of the act, with revenues not used for administration distributed 75% to the [Climate Commitment Account](#) and 25% to the [Natural Climate Solutions Account](#). The Legislature also created the [Air Quality and Health Disparities Improvement Account](#), with an intent of dedicating not less than \$20 million per biennium to it.

### CCA Revenue

The CCA’s cap and invest program launched Jan. 1. On Feb. 28, the first quarterly auction will be held where Washington emitters will purchase allowances, generating CCA revenue. Because this is a market-based program, the proceeds cannot be known with certainty and may be variable over the biennium. The governor’s budget makes conservative assumptions and proposes spending \$1.7 billion in CCA revenues. The governor’s proposal transfers auction revenue to the Climate Commitment Account and the Natural Climate Solutions Account after the fiscal year has been completed. For example, revenue collected in fiscal year 2023 is transferred and only available for expenditure in fiscal year 2024. In addition, if revenues come in higher or lower than forecasted, the governor and Legislature will have an opportunity to adjust appropriations in the next supplemental budget.