



Western States Petroleum Association
Credible Solutions • Responsive Service • Since 1907

Jessica Spiegel
NW Region

October 13, 2017

Via email at: bbla461@ECY.WA.GOV

Mr. Ben Blank
Washington State Department of Ecology
300 Desmond Dr. SE
Lacey, WA 98503

Re: WSPA Comments on Use of External Credits in the Clean Air Rule

Dear Mr. Blank:

The Western States Petroleum Association (WSPA) appreciates the opportunity to provide the Washington State Department of Ecology (ECY) with comments regarding the use of greenhouse gas emission credits from external programs and other sources. WSPA is a non-profit trade association that represents companies that account for the bulk of petroleum exploration, production, refining, transportation and marketing in the five western states, including Washington. Our member companies are key stakeholders in the Clean Air Rule program.

We applaud ECY's continuing work, including this request for input, to add flexibility to the use of credit mechanisms for compliance with the Clean Air Rule. Many of our member companies have experience in world-wide greenhouse gas programs and can be resources.

Our comments here build on and are consistent with our June 16 written comments.

Credits from external programs

As stated in June, we strongly support connection with external programs where the design can be positive for both Washington and the external program, and for obligated parties. WSPA supports flexibility in the design of market mechanism programs, including that the program be broad in scope and include many parties so that it can function more truly like a marketplace.

ECY asks for specific feedback on the European, WCI, New Zealand and South Korean programs. General criteria could include regulatory certainty, an established track record, a measure of price stability and price transparency. Many of our member companies actively participate in the European and WCI programs and can be good resources for individual conversations. We request that ECY expand its consideration to programs beyond those that are

only multi-sector, such as the RGGI market that would make a good source (and was frequently discussed during rulemaking).

Any connection with another program should be structured so as to not cause the cost of allowances or other emission credits within that program to affect the ability for industries within the existent program to comply. For example, if there was an imbalance of credits or deficits in the market being joined, or in Washington, it could measurably increase costs of credits, or measurably decrease the supply of credits. There could be a risk of this occurring if the Washington program is not structured for maximum flexibility. We therefore recommend analysis be done that take these considerations into account, and provide mechanisms to control this impact. This could include significantly expanding the use of offset projects for compliance.

Offsets

We continue to request that ECY add flexibility to use of offsets that are real, permanent, verifiable and are generated via established protocols. ECY should consider allowing:

- Offsets generated from projects anywhere in the U.S. versus constraining use to only projects within Washington. This flexibility could be expanded to Canada-generated offsets and perhaps other international. A Washington-only requirement is an artificial constraint and is contrary to the goal of world-wide carbon reduction. We support ECY initiating rulemaking, if necessary, to remove this constraint. We agree that offsets should be generated using accepted protocols and subject to verification
- Offsets from forestry projects. These could be a substantial source of credits. We support ECY initiating rulemaking, if necessary, to remove this constraint. Forestry offsets have proven to be a strong source of credits in California's program, add market liquidity, attract new participants in emission reduction and could perhaps deliver environmental benefits beyond greenhouse gas reduction.

ERU Process

We thank ECY for the robust webinar and presentation on July 21 titled "The Clean Air Rule: Markets, Mechanics & the Role of Protocols". We now recommend additional discussion and clarity on the process under the CAR to enable the use of credits and offsets which could include written guidance documents and instructions. The time to establish these rules is shrinking as the compliance year approaches. Investments in Washington may stall since there is not a method to retire credits or offsets in time to retire them. Our interests include 1) the process for entering ERUs into the compliance tools (CARTS), 2) any required ECY project approval prior to project initiation and 3) ECY approvals upon project execution and/or completion including third-party verification. It is critical to understand these mechanisms and requirements as our members manage business transactions for ERUs.

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We look forward to continuing to work with ECY on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "J Spiegel". The signature is fluid and cursive, with the first letter "J" being particularly large and stylized.

cc:
Bill Drumheller, ECY
Tom Umenhofer, WSPA