



Shell
ENERGY

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Washington Department of Ecology (ECY)

Via Upload to www.ecy.wa.gov

RE: Comments on 2024 Cap-and-Invest Bill

To the Washington Department of Ecology:

Shell Energy North America (US), L.P. (“Shell Energy”) markets and trades natural gas, power and environmental products and provides risk management support to wholesale and retail customers throughout North America. Shell Energy is also a covered entity under the Climate Commitment Act (“CCA”). Shell Energy appreciates the opportunity to comment on Ecology’s draft Cap-and-Invest Bill and offers recommendations below on discrete issues in the draft.

Compliance Periods

Shell Energy cautions Ecology from making significant changes to compliance periods in the draft Cap-and-Invest Bill. First, Ecology should avoid effectuating changes to the first compliance period (2023-2026) or other aspects to the compliance periods that would be retroactive in nature; market participants may have already made decisions based on the compliance period structure in place. Importantly, Shell Energy does not believe that compliance periods need to be aligned across jurisdictions in order for linkage to occur. In Quebec’s September workshop, regulators indicated they are evaluating whether compliance periods need to coincide with GHG target years (2030 and 2050) and are considering shifting to a 3-2 year alternating period or 2-year period. California has not publicly expressed a similar consideration. Accordingly, given that this is a Quebec-only consideration, this suggests that compliance period alignment is not a requisite for linkage to occur or continue.

Offsets

Shell Energy supports Ecology’s proposals surrounding offsets as broad usage of such credits (including those from linked jurisdictions) serve as a critical tool in responding to volatility and are a more cost-effective means of managing compliance with carbon programs; ultimately, this translates into greater affordability for end-users. In particular, Shell Energy supports removing date restrictions for offset credits issued by a linked jurisdiction as compliance instruments that are fully fungible are key to successful linkage. Similarly, Ecology’s proposed language change from “projects located in” linked jurisdictions to “projects ... that ‘provide direct environmental benefits to’” supports fungibility. Without Ecology’s proposed changes, the vast majority of available offsets would not be useful across jurisdictions.

Relatedly, Shell Energy supports Ecology’s clarified language around usage of offsets located on tribal lands.

Auction Purchase Limits

Shell Energy's supports increasing the auction purchase limit in Washington to 25%. This is a necessary change for joint auctions to occur and will support compliance entities seeking to manage costs of compliance.

Auction Application Timeline

Shell Energy recommends Ecology retain the notification period of 60 days for the APCR or ECR auctions, rather than shortening it to 30 days as proposed in the draft bill. Some entities participating in the auctions may require the full 60 days for planning and internal alignment purposes. Shortening the timeline may pose challenges in meeting deadlines and may result in entities' being unable to participate in the auctions.

Netting Reporting for Electric Power Entities

Shell Energy strongly urges Ecology to retain the netting reporting requirement of unspecified electricity imports by unspecified electricity exports, even if the statute provides Ecology the discretion to eliminate it. To Shell Energy's knowledge, it has not been clearly established that netting poses a barrier to linkage. Indeed, without netting, electricity imports to Washington and associated emissions would be overstated, creating additional unnecessary demand for allowances from Electric Power Entities and raising allowance prices. Additionally, California's Greenhouse Gas ONE report still requires EPEs to report both unspecified imports and unspecified exports, and prohibits netting across hours whereas Washington's netting is within the same hour. Finally, Ecology's reporting requirements for EPEs should acknowledge the unique nature of Washington's power market, which is distinguished by the MID-C electricity trading hub and the several multistate BAAs that overlap Washington.¹

Shell Energy appreciates the opportunity to comment and looks forward to further engagement.

Respectfully submitted,



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Shell Energy North America (US), L.P.

¹ For further detail, see the Electricity Imports White Paper submitted by Western Power Trading Forum.