

**WAC 173-442-240 Reserve.** Ecology will establish an account of reserve ERUs for the purposes described in this section.

(1) **Contributions to the reserve.**

(a) Ecology must allocate to the reserve:

(i) Two percent of a covered party's emission reduction pathway annual decrease in WAC 173-442-060 (1)(b); and

(ii) EITE covered party's contribution as follows:

(A) If the EITE covered party's  $RA_x$  is greater than zero, then the difference in MT CO<sub>2</sub>e of GHG emissions results in ERUs allocated to the reserve.

(B) If the EITE covered party's  $RA_x$  is less than zero, then the difference in MT CO<sub>2</sub>e of GHG emissions results in ERUs retired from the reserve.

(C) Calculate MT CO<sub>2</sub>e of GHG emissions of ERUs allocated to or retired from the reserve using Equation 2.

Equation 2

$$RA_x = ((BP \times OB) - (BP \times OB \times ER \times (Y_x - 1))) - RP_x$$

Where:

$RA_x$  = Reserve adjustment for given EITE covered party for calendar year "x" (MT CO<sub>2</sub>e for year "x")

$RP_x$  = GHG emission reduction pathway for given EITE covered party for calendar year "x" as specified in WAC 173-442-070 (4)(b) (MT CO<sub>2</sub>e for year "x")

BP = Baseline production data for given EITE covered party as specified in WAC 173-442-070 (2)(a) (units of production)

OB = Output-based baseline for given EITE covered party as specified in WAC 173-442-070(2) (MT CO<sub>2</sub>e/units of production)

ER = Efficiency improvement rate for given EITE covered party as specified in WAC 173-442-070(3) (%)

$Y_x$  = The number of calendar years the EITE covered party has been subject to WAC 173-442-030. The first calendar year is designated as calendar year number one.

(iii) Any calendar year containing curtailment recognized by Ecology does not count toward the total years in  $Y_x$ .

(iv) Beginning in calendar year 2036,  $Y_x$  remains constant at the number of years determined for calendar year 2035.

(v) ERUs generated as a result of facility curtailment.

(b) Ecology must transfer into the reserve the ERUs specified in (a)(v) of this subsection within one hundred twenty days after each applicable compliance period (WAC 173-442-200).

(c) Ecology will not accept into the reserve retired or expired ERUs.

(2) **Retirements within the reserve.** Ecology may retire reserve ERUs to ensure consistency with an aggregate emission cap the program and for purposes consistent with this rule. Ecology may retire reserve ERUs:

(a) For covered GHG emissions from covered parties that do not have a GHG baseline emissions value established through WAC 173-442-050 (1)(a), or existing stationary sources that expand, or physically modify their operations.

(b) To address conditions that may arise when ERUs result from reduced GHG emissions from programs or activities that occur in sectors contributing to covered GHG emissions.

(c) To promote the viability of voluntary renewable energy programs in Washington.

(i) Ecology, in conjunction with the departments of commerce and the utilities and transportation commission, will engage stakeholders and renewable energy market experts to estimate demand for voluntary renewable energy programs affecting Washington customers and renewable energy producers.

(ii) Ecology may allocate a portion of the reserve ERUs for retirement as voluntary renewable energy purchases consistent with the estimate in (c)(i) of this subsection, after taking into account the availability of reserve ERUs.

(iii) Ecology will determine the number of reserve ERUs retired for each representative unit of renewable energy purchased on the voluntary market.

(3) **Withdrawals from the reserve.** Ecology may assign reserve ERUs to covered parties for the following purposes:

(a) A curtailed stationary source that restarts operations will be assigned fifty percent of the ERUs that were allocated to the reserve during the calendar year prior to restart as per subsection (1)(a)(ii) of this section.

(b) The Environmental Justice Advisory Committee.

(i) Ecology will convene an Environmental Justice Advisory Committee comprised of persons who are well-informed on the principles of environmental justice and who represent communities of color, low-income communities, and environmental justice interests from geographically diverse areas of the state.

(ii) Ecology will determine the amount of reserve ERUs available to the committee at the end of each applicable compliance period.

(iii) The purpose of the committee is to award reserve ERUs to covered parties that implement, fund, or otherwise facilitate emission reduction projects, programs or activities consistent with the priorities and environmental justice criteria determined by the committee.

(iv) Subject to approval by ecology, the committee may award reserve ERUs on a one-for-one or a two-for-one matching basis with ERUs from emission reduction projects, programs or activities that are consistent with WAC 173-442-160.

(v) The committee does not have to allocate its entire allotment of reserve ERUs.

(vi) Unallocated reserve ERUs return to the reserve.

(4) **Priority of reserve uses.** Ecology will allocate or retire reserve ERUs in the following priority:

(a) Startup of curtailed facilities consistent with subsection (3)(a) of this section.

(b) Covered parties entering the program that do not have a GHG baseline emissions value established through WAC 173-442-050 (1)(a), or existing stationary sources that expand, or physically modify their operations consistent with subsection (2)(a) of this section.

(c) Changes in production consistent with subsection (1)(a)(i)(B)(III) of this section.

(d) Harmonizing ERU generation with reduced GHG emissions consistent with subsection (2)(b) of this section.

(e) Projects or programs with positive environmental justice impacts consistent with subsection (3)(b) of this section.

(f) Supporting voluntary green power renewable programs consistent with subsection (2)(c) of this section.

[Statutory Authority: Chapters 70.94, 70.235 RCW. WSR 16-19-047 (Order 15-10), § 173-442-240, filed 9/15/16, effective 10/16/16.]