



Washington State Senate

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October 14, 2013

Members of the Climate Legislative and Executive Workgroup:
Governor Jay Inslee
Senator Doug Ericksen
Representative Joe Fitzgibbon
Representative Shelly Short

Re: Policy Proposals Discussion at October 14 Meeting

Dear CLEW Members:

With the South Sound entirely fogged in as I write this, I have been completely unable to get a flight off the islands into SeaTac or Olympia, and thus will not be able to join you at the meeting this morning. I am hoping to be able to join you by phone, but may not be able to do so if I am in the air during the meeting, as I must also make an afternoon flight that leaves from SeaTac.

While I greatly regret not being able to make this important meeting, I look forward to reviewing the meeting results and to our future meetings in which we will be refining this initial list of ideas. I am confident that you will have a strong list of ideas, and while the following are quite likely to be included, please allow me to offer the following for the initial list:

1. *A comprehensive "All Sector" cap on emissions as a "Backstop" to ensure our greenhouse gas emission reduction limits are achieved.*

The Leidos analysis shows us that we still have a substantial gap to fill in reductions to meet our 2020 limits, but that this is within our reach with adoption of some targeted measures that their report analyzes. But the picture beyond 2020 is far more challenging, and the Leidos analysis shows that even with combining all of the potential policies they analyzed, the state would fall short of reaching the 2035 limit as well as the 2050 limit.

We know that the kinds of carbon reduction policies under consideration -- those that are truly effective and sustainable -- are going to take some time to implement, so it is vital that we keep the longer term trajectory in our sights -- we cannot rest on our heels just because the 2020 limit appears within our grasp. And with the sum of all the analyzed policies showing this will not be sufficient to meet the future targets, we should act now to begin designing and implementing an effective "backstop" to meet our limits if all of the sector-specific policies -- both existing and to be adopted -- are not sufficient alone.

Therefore I'd like to add to the list a "comprehensive, multi-sector cap" on emissions, but a "cap" that is implemented in the most cost-effective and efficient way, and that can be integrated with all of the other emission reduction policies. While there is a wide range of alternatives that we might consider (cap/trade; cap/dividend; carbon fee, etc.), we must select that alternative that meets some basic requirements:

1. It must be comprehensive -- covering the great majority of emissions.
2. It must provide certainty to emitters regarding the required reductions so that they can make long-term decisions about their businesses and activities.
3. It must be sufficient to ensure our statewide limits are achieved.
4. And it must be fair and equitable in how the burden of the reductions is distributed.



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I recommend that we task Leidos and our staff to develop several scenarios for such a comprehensive "backstop", and bring those to our November 6 meeting so that we can work together to design an approach that best meets these qualifications. And of course I look forward to getting the thoughts from all my fellow workgroup members on the best way to design this approach.

2. Transitioning Off of Coal in Our Electricity Consumption ("Coal by Wire")

We have every reason to be proud of our state's "clean energy" profile with our abundant hydropower and the new generation of technologies in wind, wave, solar, and biomass. But we can't ignore the fact that there are still lots of fossil fuel being consumed to produce the electricity that we use in this state. And while we have had considerable discussion about whether to "count" all of the TransAlta Centralia generation that will cease when the two units there are shut down by 2025, or only the portion of the generation consumed in this state - the fact is that our utilities, particularly our investor-owned utilities, have a very substantial part of their portfolio in coal-fired generation.

The projected shortfall in meeting our 2035 emission limits -- even with the Centralia units shutting down, even with decreasing natural gas prices, and even with the growth in wind, biomass and solar generation -- shows that we will have over 20 million tons of emissions in the electricity sector, which will be nearly a fifth of the state's emissions. And two-thirds of those emissions will be from coal.

We know Puget Sound Energy and Avista are interested in looking for ways to speed their transition off coal, including ways to reduce or eliminate their ownership position in the aging coal-fired units at Colstrip. Our Legislature assisted TransAlta -- a Canada-based company - in a pathway to shut down their coal-fired plant, and therefore I believe the Legislature should help our utilities in this state do the same thing. I believe this transition is looking more economically favorable all the time, with lower natural gas prices, increasing gains in energy efficiency and conservation, and our region's progress in effectively integrating intermittent resources such as wind and solar power into the grid.

I believe a package of policy and rate-based measures could go far toward greatly reducing, if not eliminating the "coal by wire" in our state by 2035, and by taking action now -- in the next session -- we could get much of this reduction by 2020, representing a substantial portion of the remaining shortfall to meet our total 2020 limits.

Therefore I suggest that we task Leidos and our staff team as well as staff at the UTC and Energy Division of Commerce to analyze this proposal and bring to our November 6 meeting some alternatives that could achieve this objective.

Additional Proposals for Consideration

There are additional policy approaches which I believe are cost-effective and would help to achieve our emission reduction targets. I had planned to offer these only in the event that other CLEW members did not offer them, so these may well duplicate what other members have already added to the list.

3. Energy Efficiency in Buildings

Nearly a fifth of our state's carbon footprint is in heating and energy uses in buildings. While we are making great strides in increasing efficiency with strengthened energy codes, this does not get at improving efficiency in existing buildings. This has been a real interest of Representative Short, and I agree that the opportunities differ among different types of building stock, and that there are different



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strategies that should be pursued in commercial and industrial settings, as well as different approaches that will be more effective in reaching owner-occupied homes as contrasted with rental homes. So let's get this overall topic firmly on our list of ideas, and then begin to take a look at approaches that will help energy efficiency to "get in the door".

4. Promoting Clean Energy Technology

This is a strategy that can benefit virtually all the emission sectors, and it is one that by its nature is entirely non-regulatory. Without picking "winners" or "losers" in specific technologies, we can as a state do much more to strengthen our position as a leader in developing as well as deploying new clean, low-carbon energy technologies.

The Legislature supported the Governor's request to make a substantial down payment in the operating and capital budget along these lines. We need to explore ways to continue this assistance in future biennia. It will not only help achieve our climate goals, it will help grow our economy and grow jobs.

5. Distributed Generation

The state's current production-based incentives center around some tax breaks for the equipment and installation costs (extended this past session), the Renewable Investment Incentives program (the "solar" incentives), and the Net Metering Program.

These programs, when combined with all of the ups and downs of federal tax breaks for clean energy producers, leave a host of roadblocks and uncertainties that discourage investment in developing clean energy technologies and bringing these technologies to commercial scale.

While the existing programs, and alternatives such as Feed-In-Tariffs, may be difficult for the workgroup to fully analyze in our limited time available, we should at a minimum have this issue on our list and think about how these incentives can be improved with the twin objective of growing jobs in our clean energy economy as well as diversifying our state's energy portfolio.

Sincerely

A handwritten signature in blue ink, appearing to read "K. Ranker".

Kevin Ranker
State Senator
40th District

