



STATE OF WASHINGTON
Office of the Governor

December 17, 2014

The Honorable Mark Schoesler
Washington State Senate
P.O. Box 40409
Olympia, WA 98504-0409

The Honorable Frank Chopp
Washington State House of Representatives
P.O. Box 40600
Olympia, WA 98504-0600

The Honorable Sharon Nelson
Washington State Senate
P.O. Box 40434
Olympia, WA 98504-0434

The Honorable Dan Kristiansen
Washington State House of Representatives
P.O. Box 40600
Olympia, WA 98504-0600

Dear Senators Schoesler and Nelson, and Representatives Chopp and Kristiansen:

Today I will announce my plan for how best to make significant progress this coming session towards meeting our statutory requirement to limit carbon pollution. In addition to the proposed legislation I'll be talking about today, I wanted to tell you how I will proceed with further consideration of a clean fuel standard.

To be clear, the proposals I will announce today are intended as the start of a conversation. I am, and will remain, open to other ways to make progress on meeting our state's carbon limits this session.

The Office of Financial Management has completed its evaluation of the costs and benefits and the technical and policy considerations of a clean fuel standard. The evaluation indicates that costs of the program are relatively small – for example, gasoline costs might rise by two cents per gallon by 2020 – and the economic effects to jobs, personal income and gross domestic product are not significant, regardless of how the market responds. It is clear that innovations in fuels, vehicles and our transportation system are already contributing to reduced emissions, cleaner air and consumer savings. We now have a good opportunity for government to help accelerate that trend.

As I traveled the state this year to see first-hand the challenges and economic opportunities presented by climate change in our state, I heard calls from some for speedy implementation of a clean fuel standard, while others have expressed significant concerns with such a rule.

After careful review, I believe I have found a path that will allow for thoughtful consideration of all sides while not setting us back too far on the job at hand.



I have asked the Department of Ecology to draft a clean fuel standard rule, and to solicit review and comments from legislators, stakeholders and the public. A draft rule will provide a specific proposal to focus the discussion on next steps.

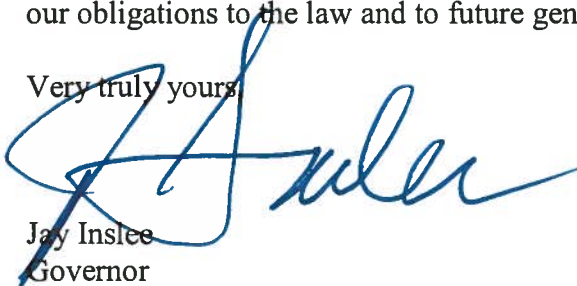
Before we initiate the formal rulemaking, I want to allow time for feedback from the legislative and public review. I also want to have a chance to see what proposals and progress are made as the legislative session unfolds.

I have further directed Ecology to address in the draft rule several of the concerns some of you have expressed. These include the need to contain the costs of the program to consumers, capture the opportunities for producing alternative fuels in the state and the related jobs, ensure that fuel providers have flexibility in implementing the program, and avoid any duplication with other carbon policies. These objectives are further described in the enclosure.

The above review of a draft rule would be in addition to the public process required for formal rulemaking. If a decision to pursue rules is made at a later date, it would require the development of a formal proposed rule and would trigger the beginning of an extensive public review process.

As you review the proposals announced today, I urge you to consider the need for taking action now and to bring forward your ideas for real solutions to meet our emissions limits and to meet our obligations to the law and to future generations.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Jay Inslee", is written over the text "Very truly yours,".

Jay Inslee
Governor

Enclosure

cc: Senator Doug Ericksen
Senator John McCoy
Senator Curtis King
Senator Steve Hobbs
Representative Joe Fitzgibbon
Representative Shelly Short
Representative Judy Clibborn
Representative Ed Orcutt

Clean Fuel Standard
Key Objectives for a Draft Rule
December 17, 2014

The Governor has asked the Washington Department of Ecology to draft a specific rule describing how a clean fuel standard would work in Washington. The Department will solicit review and comments on the draft rule, to include consultation with legislators and other governments, meetings with affected and interested parties, and conducting one or more public meetings, as appropriate.

In drafting the rule, the Department is asked to directly address the following objectives:

First, Ecology's draft rule for a clean fuel standard must include a strong mechanism to contain costs to consumers. A clean fuel standard must not significantly increase the costs of transportation in the short term and must contribute to lower costs in the long term. In achieving these objectives, Ecology needs to consider the price per gallon of fuel, along with other key factors that affect what the consumer might pay for transportation, including vehicle fuel efficiency, the availability of alternative fuels, and the extent and use of new technologies.

Second, a clean fuel standard must create the policy framework to capture the potential benefits of the program, including increased opportunities for local production of alternative fuels and related jobs, incentives for electrification of transportation, and mid-size and heavy trucks to switch to natural gas and other cleaner fuels, improved air quality and public health in urban areas, and policies to assist rural communities and their distinct transportation needs.

Third, a clean fuel standard must not prescribe a specific technology, allowing the market to determine the most cost effective solutions for reducing emissions. The draft rule must allow for multiple ways to comply with the requirements, including the use of liquid fuels, electric and fuel cell technologies, and the banking and trading of credits.

Finally, a clean fuel standard must work in concert and effectively with any broader carbon market program. In particular, any costs associated with clean fuels must not duplicate the costs resulting from a carbon market. Rather, any emission reductions from clean fuels must decrease the obligation of parties in a carbon pollution market, and any reduction in consumption resulting from a broader carbon market must reduce the compliance obligations under a clean fuel standard.