JAY INSLEE
Governor

STATE OF WASHINGTON
OFFICE OF THE GOVERNOR
P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 902-4111 • www.governor.wa.gov

EXECUTIVE ORDER 14-04

WASHINGTON CARBON POLLUTION REDUCTION AND CLEAN ENERGY ACTION

WHEREAS, the University of Washington, as required by statute, recently released its summary of existing knowledge regarding the causes, impacts, and effects of climate change on Washington State, concluding:

- Human activities have increased atmospheric levels of greenhouse gases to levels unprecedented in at least the past 800,000 years;

- Washington has experienced long-term warming, a lengthening of the frost-free season, and more frequent nighttime heat waves. Sea level is rising along most of Washington's coast, coastal ocean acidity has increased, glacial area and spring snowpack have declined, and peak streamflows in many rivers have shifted earlier in the year;

- Three key areas of risk, specifically changes in the natural timing of water availability, sea level rise and ocean acidity, and increased forest mortality, will likely bring significant consequences for the economy, infrastructure, natural systems, and human health of the region; and

- Decisions made today about greenhouse gas emissions will have a significant effect on the amount of warming that will occur after mid-century;

WHEREAS, studies conducted by the University of Oregon found that the effects of climate change on water supplies, public health, coastal and storm damage, wildfires, and other impacts, will cost Washington almost $10 billion per year after 2020, unless we take additional actions to mitigate these effects;

WHEREAS, actions to reduce the State's carbon pollution emissions will also improve the State's energy independence and the strength and competitiveness of the State's economy, by:

- Improving job growth in clean energy businesses and technologies, increasing energy efficiency, reducing costs and increasing productivity, and improving competitiveness in manufacturing, transportation, agriculture, and building operations;

- Benefitting farm and forest landowners who provide the feedstock for cleaner energy fuels while also providing a means to offset carbon emissions; and

- Increasing energy efficiency investments that will benefit consumers and ratepayers while growing jobs in construction and associated sectors;

WHEREAS, studies conducted for the Western Climate Initiative indicated that a program to limit carbon emissions, implemented through market mechanisms, would result in a net increase of 19,300 jobs and increased economic output of $3.3 billion in Washington by 2020;

WHEREAS, Engrossed Second Substitute Senate Bill 5802 (2013 Session) established the Climate Legislative and Executive Workgroup and required it to recommend a state program of actions and policies to reduce greenhouse gas emissions, that if implemented would ensure achievement of the state's emissions limits outlined in RCW 70.235.020;

WHEREAS, the Climate Legislative and Executive Workgroup secured an independent review of existing state and federal policies, and the progress made towards the carbon pollution limits; it concluded that, despite significant progress, Washington will not meet our statutory limits without additional action;

WHEREAS, Washington recently joined British Columbia, Oregon, and California through the Pacific Coast Collaborative, in calling for additional West Coast actions on climate leadership, clean transportation, and clean energy and infrastructure;

WHEREAS, it is critical to Washington's economic future that greenhouse gas reduction strategies be designed and implemented in a manner that minimizes cost impacts to Washington citizens and businesses; and

WHEREAS, Washington needs to take additional actions now, to meet our statutory commitment, to do our part in preventing further climate change, to capture the job growth opportunities of a clean energy economy, and to meet our obligation to our children and future generations.

NOW THEREFORE, I, Jay Inslee, Governor of the state of Washington, by virtue of the power vested in me by the Constitution and statutes of the state of Washington do hereby order and direct as follows:

CARBON EMISSIONS REDUCTION TASKFORCE

The Governor's Carbon Emissions Reduction Taskforce is hereby created to provide recommendations on the design and implementation of a carbon emission limits and market mechanisms program for Washington. The Taskforce's advice and recommendations will inform legislation to be requested by the Governor for consideration during the 2015 legislative session.

The carbon emissions reduction program must establish a cap on carbon pollution emissions, with binding requirements to meet our statutory emission limits, and it must include the market

mechanisms needed to meet the limits in the most effective and efficient manner possible. The program must be designed to maximize the benefits and minimize the implementation costs, considering our emissions and energy sources, and our businesses and jobs.

The Taskforce will include Governor-appointed representatives of business, labor, public interests, and public health. Members will be asked to participate in the best interests of the current and future citizens of the State. The Governor will invite representatives of federal, tribal, and local governments to participate as full members of the Taskforce.

The Governor's Legislative Affairs and Policy Office (LAPO) will organize and secure support for the work of the Taskforce, through state agencies, expert consultants, and others, as needed and allowed by law. LAPO will develop and provide background information and program design options for review by the Taskforce. The Office of Financial Management (OFM) will oversee the economic analysis of program designs, as detailed below.

In developing its recommendations, the Taskforce must consider measures to help offset any cost impacts to consumers and workers, protect low-income households, and assist energy-intensive, trade-exposed businesses in their transition away from carbon-based fuels. It must also evaluate how best to provide oversight and regulation of the markets. Where possible, the program must:

- Be fair in allocating responsibility to emission sources;
- Minimize shifting of emissions and jobs to out-of-state locations ("leakage");
- Provide clear accountability for, along with appropriate flexibility in, compliance; and
- Provide for ongoing monitoring, evaluation, and adjustment of the program, as needed to secure benefits and minimize unintended consequences.

OFM will oversee the economic analysis of program designs and options, with the assistance of qualified consultants as needed. The analysis will include cost effectiveness of emission reductions (cost per ton), evaluation of a range of costs and benefits for the overall economy and specific business sectors (manufacturing, agriculture, construction, industrial, transportation, etc.), and the effects (positive, negative, and net) on jobs, households, and fuel and energy prices.

The analysis will estimate the costs of inaction, and describe the potential environmental and human health benefits of carbon pollution emission reduction. As warranted by the economic analysis, the program designs will be revised to maximize benefits and minimize costs to Washington consumers, businesses, and citizens.

The director of LAPO will ensure that the State Legislature's committees on energy and environment, and other interested legislative members, are fully informed on the Taskforce's work, and she or he will solicit their early and ongoing advice and guidance.

The Taskforce will convene on April 29, 2014, with its final recommendations delivered by no later than November 21, 2014.

COAL-FIRED ELECTRICITY

LAPO will seek negotiated agreements with key utilities and others to reduce and eliminate over time the use of electrical power produced from coal. LAPO, working with the Departments of Commerce and Ecology, and other state agencies, will engage key electrical utilities that generate electricity through coal-fired facilities located outside the state and that rely on this electricity to meet their Washington electrical loads, with the objective of reducing overall greenhouse gas emissions from the generation of electricity. LAPO will seek assistance and support from federal energy agencies to successfully facilitate this transition from coal to cleaner electricity sources.

I ask the Washington Utilities and Transportation Commission (UTC) to actively assist and support the reduction in the use of coal-fired electricity, within the scope of its jurisdiction and authority.

I ask the Northwest Power and Conservation Council to pursue the reduction of coal-fired electricity through its Seventh Power Plan and other appropriate means.

CLEAN TRANSPORTATION

The Department of Transportation, in collaboration with federal, state, regional, and local partners, will develop an action plan to advance electric vehicle use, to include recommendations on targeted strategies and policies for financial and non-financial incentives for consumers and businesses, infrastructure funding mechanisms, signage, and building codes. The Department will continue to build out the electric vehicle charging network along state highways and at key destinations, as funding and partnerships allow.

The Departments of Transportation, Commerce, and Ecology will work with the Regional Transportation Planning Organizations, counties, and cities to develop a new program of financial and technical assistance to help local governments implement measures to improve transportation efficiency, and to update their comprehensive plans to produce travel and land-use patterns that maximize efficiency in movement of goods and people, and reduce costs and greenhouse gas emissions.

The Department of Transportation, in consultation with the Freight Mobility Strategic Investment Board, the Transportation Improvement Board, and the County Road Administration Board, will conduct a review of existing state transportation grant programs in order to identify and implement opportunities to increase statewide investments in multimodal transportation. The review will also identify methods of securing transportation funding for local governments that have adopted plans and performance measures to enhance multimodal transportation systems. The Department of Transportation will identify and recommend both immediate and longer-term reforms to grant making that will increase multimodal investments.

The Department of Transportation will develop, adopt, and implement new planning policies and guidance documents for conducting multimodal transportation corridor studies. New corridor studies shall prioritize both capital investments and operating strategies that increase

transportation choices, foster innovative land use, and reduce transportation emissions. The Department of Transportation will identify both immediate and longer-term reforms to its corridor study work.

The Department of Transportation will develop, adopt, and implement the multimodal, federally-compliant, long-range statewide transportation plan with a renewed focus on transportation strategies to increase efficiency and reduce both costs and greenhouse gas emissions. The plan must explore alternative revenue sources to fund our transportation system, including vehicle-miles-traveled fees, system-wide tolling, demand-management and trip-reduction strategies, and other reforms such as least-cost planning, transit-oriented land use, freight-corridor development, prioritized-project selection, and similar innovative tools. This new focus will be developed based on scenario analyses of how investments in the transportation system move our state in the direction of a multimodal, coordinated, cost-effective, safe, and low-carbon transportation system. In developing the plan, the Department shall utilize a multi-modal statewide model that allows for analysis of economic benefits, vehicle miles traveled, health, greenhouse gas emissions, and a least-cost planning methodology in order to develop outcomes to be achieved at five, ten, and twenty years from the plan's adoption date. The Department shall develop the transportation model to reflect the current local, state, and national trend showing a decrease in driving, and to evaluate how actions will contribute to achieving the state's enacted limits for greenhouse gas emission reductions.

The Department of Ecology will review the State's clean car law, RCW 70.120A.010, to identify and recommend needed updates to the statute, including the use of zero emission vehicles.

OFM, working with other state agencies, and with advice from subject matter experts, affected industries, and public interests, will evaluate the technical feasibility, costs and benefits, and job implications of requiring the use of cleaner transportation fuels through standards that reduce the carbon intensity of these fuels over time.

The director of LAPO will ensure that the State Legislature's committees on transportation and environment, and other interested legislative members, are fully informed on the clean transportation work under this executive order, and she or he will solicit their early and ongoing advice and guidance.

CLEAN TECHNOLOGY

The Department of Commerce, in cooperation with Washington State University (WSU) and other appropriate stakeholders, will develop and make recommendations for a new state program to assist and support our research institutions, utilities, and businesses to develop, demonstrate, and deploy new renewable energy and energy efficiency technologies. The Department's recommendations must include specific proposals for dedicated and sustained funding for implementing and supporting the program.

I ask that the WSU Energy Program, in consultation with the Utilities and Transportation Commission, the Department of Commerce, and other state agencies as appropriate, convene and work with utilities, solar manufacturers, installers, and other stakeholders, to review current

statutes, rules, policies, and incentives for solar energy in the state. I ask that this review address how to ensure effective state financial incentives, consistent with the benefits and costs of solar energy, and how to better target those incentives, and make them available to a broader range of organizations and individuals that can help advance and deploy solar energy in the state. Further, the review should evaluate how best to ensure consumer protection, how to ensure continued grid reliability, and where we must change state statutes to clarify jurisdiction and establish necessary policies. I ask the WSU Energy Program to work with the agencies and stakeholders on recommendations for how to significantly expand the use of solar energy in our state.

ENERGY EFFICIENCY

The Department of Commerce, working with the WSU Energy Program, the State Building Code Council, and others, will develop, and implement to the extent possible and consistent with state and federal law, a new statewide program to significantly improve the energy performance of both our public and private buildings, taking into account existing state and utility efforts. The program must accelerate the cost-effective energy efficiency retrofit of existing buildings, with a support system that provides information, consumer protection, and assistance to businesses and homeowners. The program must ensure that all new buildings are as energy-neutral as possible, with advanced envelopes, efficient appliances, on-site generation, smart controls, and other features, where practicable.

The program must include the following measures:

- Provide businesses and homeowners with access to energy use, efficiency, and cost information such as building energy efficiency disclosure requirements and other means;
- Improve access to financing for energy-efficiency upgrades, including meter-based financing that ties efficiency investment to the building;
- Support vulnerable and low-income populations through weatherization assistance, setting minimum standards for rental housing energy efficiency, and securing funding for energy efficiency for non-utility fuel sources such as oil heat;
- Achieve early and widespread deployment of energy-neutral buildings prior to the 2031 statutory requirement in RCW 19.27A.160;
- Upgrade the energy efficiency of all street lighting within the state; and
- Ensure that the cost-benefit tests for energy-efficiency improvements include full accounting for the external costs of greenhouse gas emissions.

The program must include a branded campaign to effectively inform businesses and citizens of the new program and encourage its use. The program should enhance, and be compatible with, similar programs offered by utilities and others, where possible.

I ask the State Building Code Council to actively work on the needed code requirements for new buildings as described above, with assistance and support from the Department of Commerce and technical support, as appropriate, from the WSU Energy Program.

I ask the WSU Energy Program, working with the Department of Agriculture and other relevant state, federal, and private sector partners, to develop, and implement to the extent possible, an expanded energy efficiency program for the agricultural sector. The program should be developed with Washington farmers and its original pilot partners, building on the Farm Energy pilot program statewide. The program should be designed to accelerate the assessment and funding of energy savings options for the state's agriculture sector, including preparing our agricultural sector to capitalize on the millions of federal dollars available for efficiency improvements each year.

I ask the WSU Energy Program to develop and launch an Industrial Energy Services Center, to provide a range of energy efficiency services, including energy systems engineering, combined heat and power, and financial incentives to catalyze energy efficiency and carbon reduction investments. The program should build on previous experience providing financial incentives to help offset the costs of energy efficiency equipment, and it should be designed to leverage regional efforts made by the Northwest Combined Heat and Power Technical Assistance Partnership for Washington. I ask that the WSU Energy Program seek additional funding to support the Center's activities from Washington utilities, the Bonneville Power Administration, the Northwest Energy Efficiency Alliance, and the U.S. Department of Energy, as well as from regional energy services and equipment providers and the industry participants themselves.

STATE GOVERNMENT OPERATIONS

The Department of Enterprise Services, in collaboration with other agencies, will evaluate progress and develop recommendations for improving efficiency and reducing emissions from state government operations, as needed to meet the targets established by Results Washington.

The Department of Commerce, in collaboration with the Departments of Enterprise Services and Ecology, will evaluate incentives and life-cycle costs for the purchase of electric vehicles and other clean-fuel cars, for use in the state and other public fleets. The Department of Enterprise Services will move forward with state procurement of these vehicles where the life-cycle costs and benefits are comparable, including consideration of the benefits of emission reductions.

The Department of Enterprise Services, in collaboration with the Department of Commerce, OFM, and the WSU Energy Program, will evaluate progress and develop recommendations for improving the energy efficiency of public buildings.

CARBON POLLUTION LIMITS

The Department of Ecology, as required by RCW 70.235.040, will review the State's enacted greenhouse gas emissions limits and recommend any updates to the limits by July 15, 2014.

INTERGOVERNMENTAL RELATIONS AND PUBLIC OUTREACH

LAPO will ensure that the State Legislature is fully informed on all work conducted under this executive order, and it will solicit advice and guidance from legislative committees with jurisdiction and other interested legislative members.

LAPO will invite consultation, on a government-to-government basis, with Sovereign Tribal Governments, on all aspects of this executive order. LAPO will invite federal agencies with expertise and jurisdiction to assist in implementing this executive order. LAPO will work with other state agencies to coordinate implementation of the West Coast climate and clean energy agreement executed under the Pacific Coast Collaborative.

Agencies acting under this executive order will work with Washington's local governments to maximize coordination and effectiveness of local and state climate initiatives. Agencies will inform affected and interested parties, and the general public, of the work under this executive order, and solicit comments and involvement, as appropriate.

LAPO, working with state agencies, will establish the Climate Response and Clean Energy Forum as a broad venue for distributing information and securing feedback on the work under this executive order. The Forum will maintain an electronic distribution list and website, sponsor an annual conference and webinars, or use other appropriate means to maintain active and ongoing communication with interested and affected parties.

STATE AGENCY COORDINATION

The Energy, Transportation and Climate subcabinet (ETC) is created to organize, coordinate and implement state agency work under this executive order. The ETC members will include the director, secretary, or senior designee of the Departments of Ecology, Commerce, Transportation, Enterprise Services and OFM, and the chair of the UTC. The Departments of Health, Agriculture, and Fish and Wildlife, and the WSU Energy Program, are asked to attend as needed. The Department of Natural Resources, the Office of the Attorney General, the Office of the Insurance Commissioner, the Northwest Power and Conservation Council, and the State Building Code Council are invited and encouraged to participate, as appropriate.

LAPO shall convene and facilitate the ETC.

All state agencies with expertise or jurisdiction, otherwise not directed above, are encouraged to assist in the implementation of this executive order.

GENERAL

Agencies directed under this executive order will report to me as work is completed, with an annual report on progress to be provided by November of each year, beginning in November 2014.

The Taskforce will conduct its business in an open, transparent manner, and its meetings will be open to the public.

This Order is not intended to, and does not confer, any legal rights, and shall not be used as a basis for legal challenges to rules or other actions or to any inaction of the governmental entity subject to it.

This Executive Order, which supersedes Executive Orders 07-02 and 09-05, shall take effect immediately.

Signed and sealed with the official seal of the state of Washington on this 29th day of April, 2014, at Shoreline, Washington.

By:

/s/

Jay Inslee
Governor

BY THE GOVERNOR:

/s/

Secretary of State