

September 2025

WASHINGTON CLEAN FUEL STANDARDS (CFS) AT A GLANCE

	Compliance mechanism
Years in operation	The first compliance period is for the combined period of 2023–2024, and subsequent compliance periods are annual, with quarterly data submissions and annual compliance determinations.
CI trajectory	The CFS law requires fuel suppliers to gradually reduce the carbon intensity of transportation fuels to 45% below 2017 level by 2038 with an option to reduce as much as 55% by 2038 if certain conditions are met. Targets step down by 1%(2025), 5% (2026), 4% (2027), then 3–4% annually through 2038, achieving a 45% reduction below baseline by 2038.
Regulated fuels	Gasoline; diesel; ethanol & blends; biomass-based diesel; CNG/LNG/L-CNG; propane; hydrogen; Any other liquid or non-liquid fuel
Opt-in fuels	Electricity; Bio-CNG, bio-LNG, or bio-L-CNG; renewable propane; alternative jet fuel
Exempt fuels	Aviation; marine; railroad; off-road agricultural/mining/logging, and other uses
Covered entities (2023-2024)	Producers and suppliers of regulated fuels to Washington consumers must participate and register in the Washington Fuels Reporting System (WFRS). 200 entities reported; 61 generated deficits; 57 met compliance requirements.
Annual report deadline	Reporting opens: April 1 each year; Submission deadline: April 30 each year Prerequisites: All previous quarterly and annual reports must be submitted
Penalties and program funding	Washington's Clean Fuel Program penalties include fines up to four times the recent credit clearance market price for unretired deficits, up to \$1,000 per credit for misreporting or illegitimate credits, daily fines up to \$10,000 for failure to report, and other penalties for registration failures, improper utility spending, and verification violations. Administration Fees: Program participants must pay a fee to cover the cost of program administration. Fees are based on the program budget, and participants will be invoiced each year.
Credits, deficits and bank	From Q1 2023 through Q1 2025, Washington's Clean Fuel Standard generated a total of 5,429,942 credits—each representing one metric ton of CO ₂ equivalent avoided—while entities incurred 2,277,025 deficits, creating a robust credit bank. By the end of 2024, the cumulative bank totaled 3,152,917 credits.
Credit clearance market	Annual period backstop (June 1–July 31) for non-compliant entities to purchase pledged credits at a set maximum price (2025 max \$251.94)

MAJOR DEVELOPMENTS

Washington’s Clean Fuel Standard (CFS) has undergone several changes since its January 1, 2023 launch. Most notably, on May 17, 2025, Governor Bob Ferguson signed Second Substitute House Bill 1409, which accelerated the CFS trajectory from the original 20 percent carbon intensity (CI) reduction by 2038 to a 45 percent CI reduction by 2038 (with a baseline year of 2017). Interim annual CI reductions—5 percent in 2026 and 4 percent in 2027—provide clear near-term CI benchmarks, after which annual reductions of 3 to 4 percent will apply through 2038.

The new law requires a 45% reduction in CI by 2038, and it also gives the Department of Ecology the authority to raise this target to 55% by 2038 if, by 2032, either the state’s zero-emission vehicle rules are not being enforced or transportation fuel emissions have not declined in proportion to broader climate goals. Additionally, the bill allows Department to temporarily relax annual targets by up to 2% if fuel supply forecasts suggest there could be shortages, providing a safeguard against unintended disruptions.

The 2025 amendments also require the Department of Ecology to distinguish between public health benefits from small particulate matter and other conventional pollutant reductions achieved primarily as a result of vehicle emission standards and the incremental benefits to air pollution attributable to the program. This statutory change enables a more accurate evaluation of the clean fuels program’s standalone effectiveness and supporting evidence-based policy refinement moving forward.

MARKET PERFORMANCE AND PRICING

Metric	2023–2025 (Q1) Reporting Year
Credits generated	5,429,942
Deficits generated	2,277,025
Bank	3,152,917
Compliance	57 of 61 deficit generators compliant via credit purchase/retirement
Historic price range	Average Credit price for 2023 is \$91.23: 2024 – \$45.92: 2025 (till July) – \$24.84
Credit generation by pathway	Renewable diesel 26%; electricity 35%; ethanol 32%

MARKET COMMENTARY

During the 2023 to first quarter 2025 reporting period, Washington's Clean Fuel Standard (CFS) generated 5.42 million credits compared to 2.27 million deficits. The resulting credit oversupply led to declining spot prices, dropping from approximately \$107 per ton at program launch to around \$24.84 per credit by mid-2025. However, as carbon intensity standards tighten by 5% in 2026 and 4% in 2027, credit demand is expected to increase sharply, reducing surplus credits and supporting prices.

Credit generation has been dominated by electricity, with 35% of credits, Ethanol with 32%, and Renewable Diesel with 26%, while gasoline and diesel continue to generate the most deficits.

Upcoming regulatory enhancements include mandatory third-party verification and the integration of sustainable aviation fuel pathways, which are expected to strengthen market integrity and expand credit generation opportunities.

REFERENCES

Washington State Department of Ecology. Clean Fuel Standard – Requirements for participation. <https://ecology.wa.gov/air-climate/reducing-greenhouse-gas-emissions/clean-fuel-standard/requirements>

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Washington State Department of Ecology. Clean Fuel Standard Compliance and Credit Clearance Market Overview (Publication 25-14-034), June 2025. <https://apps.ecology.wa.gov/publications/documents/2514034.pdf>

Washington Administrative Code. Chapter 173-424 WAC – Clean Fuels Program. <https://ecology.wa.gov/regulations-permits/laws-rules-rulemaking/rulemaking/wac-173-424>

Washington State Legislature. Second Substitute House Bill 1409 – Clean Fuels Program Modifications (Chapter 319, Laws of 2025). <https://app.leg.wa.gov/BillSummary/?BillNumber=1409&Year=2025>

Washington's Second Substitute House Bill 1409 Forges Stronger Carbon Intensity Targets, Clearer Rules, and Greater Transparency. <https://www.ccarbon.info/article/washingtons-second-substitute-house-bill-1409-forges-stronger-carbon-intensity-targets-clearer-rules-and-greater-transparency/?tp=wa-cfs-dashboard&lp=ccarbon-intelligence-hub>

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