



Public comments informing the Cap-and-Invest carbon market with the joint California-Québec carbon market Environmental Justice Assessment

Comments are from the following comment periods:

- **Linkage exploratory process (January – May 2023)**
- **Agency request legislation (October 2023 – March 2024)**
- **Early engagement for linkage agreement (November 2024 – March 2025)**
- **Cap-and-Invest Program Updates and Linkage rulemaking (April 2024 – present)**
- **Draft Washington-California-Québec linkage agreement (March – May 2026)**
- **Tribes (January 2023 – May 2026)**

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Section 1: Linkage exploratory process

(January – May 2023)

Survey Comments

REGINALD XIE, NO ORGANIZATION PROVIDED.

1. **Your name:** Reginald Xie
2. **Email address:** not included in comment summary document.
3. **Organization or entity you represent (optional):** Respondent skipped this question.
4. **Type of organization/entity (optional):** Business / Industry and Community group
5. **What thoughts or comments do you have about how linking may impact you or your community?** Linking the carbon markets will benefit our community greatly in that it reduces the inefficiency in the market, and has less double taxing effect to the market and saves our community members money in paying for something that has already accounted for carbon.
6. **What input would you like to share to inform whether Ecology pursues linking carbon markets with California and Québec?** Linking the carbon market brings more liquidity, makes the market less likely for manipulation, better efficiency in achieving the overall carbon goal, and reduces the opportunity cost for the residence, governments (the amount of subsidies needed) for each of the regions
7. **What do you think Ecology should consider when evaluating this criteria? In addition to looking at how California and Québec spend cap-and-trade revenues, with other types of program benefits should Ecology include in our analysis?**
Respondent skipped this question.
8. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands? What potential negative effects should Ecology include in our analysis?** Respondent skipped this question.
9. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands?** Respondent skipped this question.
10. **What are your suggestions for how to reduce potential negative effects of linking on highly impacted communities?** Respondent skipped this question.
11. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
12. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.

13. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
14. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
15. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
16. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
17. **Do you have recommendations of organizations or individuals Ecology should talk to about cap-and-invest linkage?** Respondent skipped this question.
18. **What information and resources would you like Ecology to provide about linkage?**
Respondent skipped this question.
19. **Do you have other input you would like to share?** Respondent skipped this question.

RUSSELL MAIER, CITIZEN CLIMATE LOBBY YAKIMA CHAPTER

1. **Your name:** Russell Maier
2. **Email address:** not included in comment summary document.
3. **Organization or entity you represent (optional):** Citizen Climate Lobby Yakima Chapter
4. **Type of organization/entity (optional):** Community group
5. **What thoughts or comments do you have about how linking may impact you or your community?** Our group thinks that is important to have uniformity and linkage provides some of that uniformity yet adds to the bureaucracy.
6. **What input would you like to share to inform whether Ecology pursues linking carbon markets with California and Québec?** Cap and trade is a less effective method of decreasing carbon emissions than a price on carbon as British Columbia has done. Cap and trade works by requiring bureaucracy to implement and run, and it creates price volatility that is difficult for businesses. A carbon tax is far simpler, with less bureaucracy, lower costs, and more predictability.
7. **What do you think Ecology should consider when evaluating this criteria? In addition to looking at how California and Québec spend cap-and-trade revenues, with other types of program benefits should Ecology include in our analysis?** We think this should be a direct rebate to vulnerable populations. This simplifies the process, removes overhead from groups competing for funds, and allows the vulnerable populations to lessen their expense for carbon containing products including food, shelter, and transportation.

8. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands? What potential negative effects should Ecology include in our analysis?** Cap and Trade has allowed polluters to continue polluting near marginalized populations. It has not directly reduced pollution.
9. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands?** We think the speed of linkage will be slow to help marginalized communities especially if the price on carbon is set too low.
10. **What are your suggestions for how to reduce potential negative effects of linking on highly impacted communities?** We do not support Cap and Trade due the market volatility and unpredictability for business as well as the lack of fiscal benefit for marginalized populations.
11. **What do you think Ecology should consider when evaluating this criteria?** A) Do current polluters actually decrease their emissions. B) Do marginalized populations receive measurable benefit including increased financial support C) Is the price realistic
12. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
13. **What do you think Ecology should consider when evaluating this criteria?** Adjusting allowances points to the bureaucratic complexity of cap and trade and the uncertainty for businesses. A set price on carbon would be simpler to implement and monitor.
14. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
15. **What do you think Ecology should consider when evaluating this criteria?** As noted earlier, having a larger market would make it simpler for businesses which is a benefit.
16. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
17. **Do you have recommendations of organizations or individuals Ecology should talk to about cap-and-invest linkage?** We would recommend speaking with CCL
madeleine@citizensclimate.org
18. **What information and resources would you like Ecology to provide about linkage?** Respondent skipped this question.
19. **Do you have other input you would like to share?** Respondent skipped this question.

KIMBERLY SIMS, NO ORGANIZATION PROVIDED.

1. **Your name:** Kimberly Sims
2. **Email address:** not included in comment summary document.
3. **Organization or entity you represent (optional):** Respondent skipped this question.
4. **Type of organization/entity (optional):** Individual
5. **What thoughts or comments do you have about how linking may impact you or your community?** not sure
6. **What input would you like to share to inform whether Ecology pursues linking carbon markets with California and Québec?** I think it makes a lot of sense to link to California and Quebec, especially if the price for carbon is the same for all.
7. **What do you think Ecology should consider when evaluating this criteria? In addition to looking at how California and Québec spend cap-and-trade revenues, with other types of program benefits should Ecology include in our analysis?**
Respondent skipped this question.
8. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands? What potential negative effects should Ecology include in our analysis?** Revenues to support solar energy should be directed to vulnerable communities, including BIPOC and seniors living on fixed incomes. Conversion from fossil fuel to heat pumps should be directed to these populations as well.
9. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands?** Respondent skipped this question.
10. **What are your suggestions for how to reduce potential negative effects of linking on highly impacted communities?** Respondent skipped this question.
11. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
12. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
13. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
14. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
15. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.

16. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
17. **Do you have recommendations of organizations or individuals Ecology should talk to about cap-and-invest linkage?** Respondent skipped this question.
18. **What information and resources would you like Ecology to provide about linkage?** Respondent skipped this question.
19. **Do you have other input you would like to share?** Respondent skipped this question.

THOMAS SMITHSON, NO ORGANIZATION PROVIDED

1. **Your name:** Thomas Smithson
2. **Email address:** not included in comment summary document.
3. **Organization or entity you represent (optional):** Respondent skipped this question.
4. **Type of organization/entity (optional):** Individual
5. **What thoughts or comments do you have about how linking may impact you or your community?** See my answer to question 6.
6. **What input would you like to share to inform whether Ecology pursues linking carbon markets with California and Québec?** I am very concerned about linking the Washington program with that of California, due to the reports of California's experience with "excess" allowances. In the 2021 Annual Report of the (California) Independent Emissions Market Advisory Committee (Feb. 2022), this oversight committee expresses concerns about allowance banking and carbon offsets. In short, these advisors state that California's progress to date in reducing GHG emissions has been the result of regulatory requirements ("industrial policies"), but excessive reliance upon the state's cap and trade program, which is allowing a buildup of excess allowances, may lead to the unintended consequence of undermining future emission reductions. WASHINGTON STATE MUST BE VERY CAREFUL IN NOT GETTING HOOKED INTO A MARKET WITH CALIFORNIA TWICH ALSO UNDERMINES OUR PROGRESS TOWARDS GHG EMISSION REDUCTIONS.
7. **What do you think Ecology should consider when evaluating this criteria? In addition to looking at how California and Québec spend cap-and-trade revenues, with other types of program benefits should Ecology include in our analysis?** N/A
8. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands? What potential negative effects should Ecology include in our analysis?** N/A
9. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands?** N/A
10. **What are your suggestions for how to reduce potential negative effects of linking on highly impacted communities?** N/A

11. **What do you think Ecology should consider when evaluating this criteria?** N/A
12. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** N/A
13. **What do you think Ecology should consider when evaluating this criteria?** N/A
14. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** 2021 ANNUAL REPORT OF THE INDEPENDENT EMISSIONS MARKET ADVISORY COMMITTEE, found here: <https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/2021-IEMAC-Annual-Report.pdf> David Roberts podcast interview of Danny Cullenward (a member of the oversight committee referenced above) on "California's shaky climate plans", found here: <https://www.volts.wtf/p/volts-podcast-danny-cullenward-on#details>
15. **What do you think Ecology should consider when evaluating this criteria?** N/A
16. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** N/A
17. **Do you have recommendations of organizations or individuals Ecology should talk to about cap-and-invest linkage?** Danny Cullenward @ <https://www.ghgpolicy.org/>
18. **What information and resources would you like Ecology to provide about linkage?** See my earlier comments of concern about California's excess allowances. Mr. Cullenward, an expert in this field and an advisor to the State of California on their cap and trade program, has spoken and written about this issue.
19. **Do you have other input you would like to share?** N/A

CHRISTOPHER BELLOVARY, NO ORGANIZATION PROVIDED

1. **Your name:** Christopher Bellovary
2. **Email address:** not included in comment summary document.
3. **Organization or entity you represent (optional):** Respondent skipped this question.
4. **Type of organization/entity (optional):** Individual
5. **What thoughts or comments do you have about how linking may impact you or your community?** Overall, I think that it would be a good idea. Slightly lower and more stable pricing for emissions credits would benefit the state's economy (which benefits everyone). As a more direct impact, electric utilities are one of the larger purchasers of emissions credits, so slightly lower/more stable pricing helps their customers in terms of lower electric bills. Also, anything that reduces GHG emissions is a benefit for all communities.
6. **What input would you like to share to inform whether Ecology pursues linking carbon markets with California and Québec?** The one concern that I have is how this

might impact investments into highly disadvantaged communities, under the HEAL Act. If it is cheaper to generate offset credits in California or Quebec, that could have an adverse impact on secondary benefits that would be realized in highly disadvantaged communities. (Of course, the opposite is also true - if it turned out to be cheaper to generate offset credits in Washington, that could increase those benefits.) I still believe linking the markets would be by far net positive and worth pursuing, but it would be good to quantify the likely range of that impact.

7. **What do you think Ecology should consider when evaluating this criteria? In addition to looking at how California and Québec spend cap-and-trade revenues, with other types of program benefits should Ecology include in our analysis?**
Respondent skipped this question.
8. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands? What potential negative effects should Ecology include in our analysis?** Respondent skipped this question.
9. **What are your thoughts or comments on how linking may affect highly impacted communities, which includes communities on Tribal lands?** 1. Is there any reason to think that what occurred when California and Quebec linked their markets would be different in Washington? If so, for the better or worse? (Washington would seem to have more in common with California and Quebec than California and Quebec have with each other, so I cannot think of a reason that it might differ, but to avoid surprises or mitigate any adverse effects, it is still worth consideration.) 2. If there may be an adverse effect on ancillary benefits to highly impacted communities in Washington, the effect should be evaluated over a period of years, so that short-term, acute impacts don't overshadow longer-term chronic effects.
10. **What are your suggestions for how to reduce potential negative effects of linking on highly impacted communities?** Respondent skipped this question.
11. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
12. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
13. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.
14. **Do you have recommended informational resources (reports, websites, research studies, etc.) that could inform our analysis of this criteria? Please provide links to the resources you mentioned or upload them into this folder.** Respondent skipped this question.
15. **What do you think Ecology should consider when evaluating this criteria?**
Respondent skipped this question.

From: Arvia Morris

Sent: Monday, May 15, 2023 9:18 PM

To: ECY RE CCA Linkage <CCALinkage@ECY.WA.GOV>

Subject: Comments regarding linkage of the Washington State Carbon Market with the California and Quebec Carbon markets

Comments regarding linkage of the Washington State Carbon Market with the California and Quebec Carbon markets

Arvia Morris and Peter Clitherow

Climate Advocates

Seattle, Washington

May 15, 2023

We recommend delaying linkage of the Washington State carbon market with California and Quebec carbon markets until after the first comprehensive review of the Washington program in 2027 and/or certainty is reached regarding the ability of California Air Resource Board (CARB) to administer the California program in 2030. The question of CARB administration adds significant complexity and uncertainty to the linkage question which indicates that this question must be addressed before any of the required criteria for linkage in the Climate Commitment Act (CCA) can be evaluated by Washington Dept. of Ecology.

The Department of Ecology is required to evaluate if linkage would satisfy four criteria listed below before linking to the California and Quebec markets. For each criteria below are reasons that delay is needed to achieve a robust linked carbon market system which will address environmental justice concerns and reduce GHG according to the statutory requirements of [70A.45.020 2020](#)

There is a strong drive for an early linkage date to reduce costs to entities that are covered under the Cap and potential efficiencies in administration of the program if there is linkage. These drivers serve short term business goals and potentially reduce administration costs but do not guarantee that linkage would help the CCA achieve its goals in reducing GHG and increasing environmental justice.

Criteria to be met:

1) Ensure California and Quebec have provisions to ensure their programs provide benefits to vulnerable populations and overburdened communities.

It is not clear what California's program will look like after 2030 when it will be determined if the CARB can administer the program. The question of CARB administration adds significant complexity and uncertainty to the linkage question and makes it unknowable till 2030 if the California and Quebec programs provide benefits to vulnerable populations and overburdened communities.

The Washington State legislature worked hard to include the HEAL Act in the CCA legislation. We need to see that the California program is aligned with Washington's Heal Act requirements. We want to pressure California to have high environmental justice (EJ) standards like Washington. Without similar embedded EJ legislation in the California reauthorization in 2030

there is no way to know that the California EJ commitment is comparable to Washington's. This is also true for Quebec.

2) Not have an overall negative effect on highly impacted communities in any jurisdiction.

Definitions are important. What criteria is used to define vulnerable populations and overburdened communities? This question needs to be answered similarly in all three jurisdictions for a linked system. Washington State is still determining what exactly these terms refer to and what data is used to define these communities. Similar data and criteria need to exist in all jurisdictions covered in a linked system. The UW health disparities map is a useful tool, but is not considered complete by some communities. Do similar data sets exist for California and Quebec?

To determine negative effects we need a complete set of baseline data on agreed upon criteria for impacts to overburdened communities without linkage and then be able to compare to with linkage. These data could take many years to collect. Linkage must not occur till baseline data are collected to see impacts from current policies without linkage and then be able to determine if linkage hurts or helps the baseline impacts.

Linkage will likely reduce the amount of money raised for Washington at an auction as currently the California allowance price is much lower than the Washington price and California has many more allowances. Any reduction in allowance price will result in less investment for climate solutions which could potentially be detrimental to highly impacted communities.

In addition, reductions in funds could undermine support for the Cap and Invest program especially if California or Quebec benefits disproportionately while Washington programs slow down due to lack of funding.

3) Not negatively impact Washington's ability to meet the emissions reduction commitment set in [state law](#) in 2020.

2021 Climate Commitment Act (CCA) set a goal that Washington State meet its statutory greenhouse gas (GHG) emission-reduction targets of 45% below 1990 levels by 2030, 70% below 1990 levels by 2040; and 95% below 1990 levels by 2050; and achieving the 2050.

Washington and California are already not meeting their goals and Washington has no baseline up to date GHG data. The last Washington state emissions inventory was published for [2019](#). There is supposed to be an inventory published every two years. The most recent data (not compiled into a report) on the Ecology web site was for 2021, two years ago. At a Senate Transportation meeting in January a representative from the Department of Ecology said that there was not enough staff to update the state GHG emissions inventory. This seems like it should be a straightforward task. If we can't keep up-to-date with emissions reporting, how will the state be able to administer the much more complicated compliance systems when data is not available in a timely manner. Linkage must not occur unless Washington has up-to-date GHG emissions data available on an annual basis that is no more than a year old. Ideally it would be preferred to have instantaneous data available so we can understand impacts of policy decisions rapidly and see if we are on track to meet our goals in as close to real time as possible.

Linkage will likely reduce the amount of money raised for Washington at an auction unless the floor price is keyed to the Canadian price for carbon. This dilution in allowance value will decrease the amount of funds generated at allowance auctions.

So far direct investments and strong policy has resulted in the most GHG reductions (Cullenward and Victor 2020 chapters 7 and 8). Reducing funds available for direct investment in GHG reduction with low cost auction allowances hoping industry will use savings to reduce consumer costs is wishful thinking. If Ecology decides to implement linkage and this results in low allowance costs, they need to have a mechanism for determining if industry is using “savings” due to inexpensive allowances to clean up its industry. Ecology will also need to have predetermined criteria to determine if the economy is decarbonizing in Washington at a faster or slower pace. If linkage reduces the speed of Washington decarbonization, it must be terminated. Termination of linkage will be a messy process, so there is a big need to get it right the first time by proceeding slowly and understanding the unlinked Washington market first.

There are many downsides to low allowance costs, better to keep a tight market and high direct investment in solutions to meet our GHG goals. Linkage would have a neutral impact if the allowance price is kept high and if it were similar between the Canadian, California and Washington markets prior to linkage. Currently California’s allowances have a low price.

In summary, before linking with another program, we need more data about the strength of our market over time, decarbonization initiatives by covered entities, effectiveness of investments at reducing emissions, and integration of the administration of investments into state government. A significant change in CCA auction prices has the potential to affect all of these elements, and will introduce new uncertainties.

By establishing a baseline report ahead of linkage, Ecology and the Legislature will be better able to evaluate the potential impacts of linkage agreements, and subsequent reports will better assist with modifications and course corrections. The first CCA progress report is not scheduled until 2027, whereas Ecology’s current timeline expects to announce a linkage decision this summer, with actual linkage occurring as soon as 2025.

Ecology should produce at least one baseline report before linkage is complete.

4) Reduce the cost of compliance for covered businesses—

Washington’s initial allowance auction price is only slightly higher than British Columbia’s carbon tax, which has been aligned with the federal Canadian carbon tax. Meanwhile California’s allowance prices are artificially low due to surplus banked allowances. British Columbia’s carbon price is clearly more realistic, and because it is a defined tax, more predictable, providing more economic certainty for their covered entities. Washington should not lower its allowance price prematurely through linkage with California and should seek similar predictive certainty as the Canadian carbon tax. Providing allowance cost certainty will be key in enabling industry to plan how they will meet their compliance obligations.

Given the risk to Washington’s ability to meet its climate goals through CCA investments posed by California’s lower allowance price and volume of banked allowances, it would not be prudent for Washington to link with California until auction reforms recommended by IEMAC, such as the creation of an emissions containment reserve, have been completed.

Lower allowance prices are supposed to make it less expensive for entities to meet their compliance obligations. This may be true but it will also disincentivize industries from rapidly reducing GHG. It is also unlikely industries will pass on lower costs to benefit consumers.

The risk to slowing down progress with direct GHG reduction investments by linking to a market with reduced allowance prices, are not worth any reduction in administration or industry cost. Industry will like lower costs and administrators may find some aspects of the program easier to manage with linkage, but the many negotiations and compromises it will take to merge markets are not worth the risk to real gains in fighting Climate Change. Yes linkage will reduce costs but not necessarily reduce pollution. We think the most important goal here is to reduce GHG pollution as efficiently as possible. Early linkage to a large carbon market in California with a weak carbon price is not a good way forward.

From: Cheryl Nelson <chrynelson@yahoo.com>
Sent: Friday, May 5, 2023 11:18 AM
To: ECY RE CCA Linkage <CCALinkage@ECY.WA.GOV>
Subject: please prioritize the environment

Hi!

I was reading about this carbon linkage thing, and to be honest... I don't understand it. It sounds complicated, and I don't have a lot of time free today to figure it out. Most people don't.

So instead I just want to say: Please prioritize environmental concerns over political or economic concerns. It's so much easier to recover a crashed economy than a crashed ecology. We need a livable future.

Thank you

Cheryl Nelson

[Sent from Yahoo Mail for iPhone](#)

From: [Frances Merenda](#)
To: [ECY RE CCA Linkage](#)
Subject: Linkage of Carbon Trading Systems
Date: Monday, May 15, 2023 5:16:24 PM

Re: Linkage of Carbon trading systems (CCA with California/Quebec)

Thank you for the opportunity to comment on the potential linkage of Washington's carbon market with California and Quebec. I'm a resident of Washington, a homeowner, parent and proud of the passing of CCA, specifically setting a cap on our state's emissions and directing revenue generated from our carbon market to underserved and vulnerable communities and programs that will prioritize climate change mitigation and adaptation for those regions in the state that are hardest hit already.

I am writing to ask you and the Department of Ecology to delay any linkage between Washington's carbon market and California/Quebec.

The following four reasons are my key comments on this topic:

1.

We need more experience with our system before considering linkage.

Our system is new, we don't know what Washington's stable carbon price will be and therefore can't adequately predict the impact of linkage on our ability to take action (either by the emitting entities or in communities where funds will be invested). Linkage with California's market is expected to lower WA's allowance prices in future auctions. Entering into a linkage program where we anticipate the price of allowances to drop before we see where our own pricing settles is limiting. It is just plain logic that if we want to make progress quickly, we need the funds to do so. Right now, with only one auction completed, we don't have a trend on Washington's carbon market price; we have a datapoint. Give the system time to both set a trend for carbon price and to see how investments in programs are impacting our GHG emissions.

2.

Early investments in projects are critical to our 2030 emission reduction goals.

Time to bring down GHG emissions is incredibly short. We must act fast to invest in projects in Washington state and see what impact this program can have on GHG emissions reductions and environmental justice. Linkage may cause complexity at a time when we need to get going, see how the program works, invest quickly, measure impact, and establish a better understanding of what we might gain or lose with the linkage. We need to focus on local implementation right now.

3.

Carbon Price matters. Real change in GHG emissions locally matters too.

California's program has a lower carbon price and receives negative press on its impact. It's not clear that California (even after 10 years) is achieving their goals of

carbon reduction and environmental justice. A linkage of Washington with California/Quebec would likely reduce allowance prices in Washington by almost half, substantially reducing the money available for investment in such projects. We need to set expectations in Washington of higher future costs for inaction, in order to ensure an urgency to act now. We need to see that California has been able to turn around their impact on overburdened communities. We must ensure that the EJ Council in Washington has the opportunity to meet CCA requirements to administer the program and to deliver on our EJ goals before deciding to link.

4.

Timing and transparency also matter.

Linkage and linkage plans should not proceed without a baseline report of our own market. A significant change to the program without that baseline will result in impact measurement delays. Currently, the timeline for linkage would take place in 2025 and the first baseline report of the WA program isn't scheduled until 2027. Ecology should produce at least one baseline report before linkage is complete.

Thank you again for the opportunity to share my perspective on considering linkage. I urge Ecology to delay linkage with California/Quebec or any other jurisdiction.

Regards,

Frances Merenda

Frances Merenda
36th LD Environmental Caucus member
PCO 36-2508

p.s. My current book is "Earth For All" by Sandrine Dixon-Decleve, Owen Gaffney, Jayati Ghosh, and Jorgen Randers. What are you reading?

From: James Feit <James.Feit.624971380@advocacymessages.com>
Sent: Thursday, May 11, 2023 8:20 AM
To: ECY RE CCA Linkage
Subject: Conduct a robust linkage review

Dear Ecology,

Thank you for the opportunity to make my voice heard as Ecology deliberates on the important decision around whether to pursue linking Washington's carbon market with California and Québec.

It is important to me that Washington's program remains strong and that any decision to seek expansion of the market incorporates the following:

1. Develop strategies to maintain Washington's innovative offsets standards. These may include ensuring that offsets provide significant and verifiable direct environmental benefits (DEBS) to the state, ensuring offset use maintains the integrity of the emissions cap, conducting an annual review of offset purchases that includes tracking DEBS, and robust mechanisms to adjust allowances and available offsets based on that review that ensure offsets stay under the cap;
2. A thorough analysis exploring how linkage may impact overburdened communities and vulnerable populations in Washington, California, and Quebec. This analysis should include how "highly impacted communities" are designated in each linking jurisdiction and note any substantive differences. In its analysis, Ecology must consider information about air quality in addition to information about investments in highly impacted communities in each jurisdiction.
3. Proactive consultation with federally recognized tribes, with sufficient time and information made available; and
4. A clearly defined, publicly accessible, and transparent process for communicating during each step of linkage deliberations. This includes timely public notice of any changes that would be needed in Washington, California, or Quebec's program in order to meet the law's requirements prior to linking markets.

Throughout its linkage deliberations, Ecology should actively seek to incorporate recommendations of Washington's Environmental Justice Council and to provide adequate and timely information for the Council's deliberations.

Finally, I urge Ecology to provide additional clarity about opportunities for robust public engagement during each stage of these linkage deliberations.

Regards,
James Feit
2906 Jackman St
Port Townsend, WA 98368

From: [Rosemary Sweeney](#)
To: [ECY RE CCA Linkage](#)
Subject: Comments on linkage of Washington to California/Quebec
Date: Sunday, May 14, 2023 9:37:22 AM

To Whom It May Concern:

Make no mistake. I don't believe the Washington cap and invest system should be linked the California/Quebec system in the near future. Washington needs time to allow its system to work on its own without linking to a much larger system with a much lower allowance price, which will surely make Washington's allowance price to drastically decrease. This will lead to a number of bad outcomes. For example, emissions-intensive trade-exposed entities (EITEs) were envisioned during legislative debate to be able to get money from selling their free allowances to assist them in investing in reducing their carbon footprint. Also, money from the sale of allowances is used to invest in emission reduction and environmental justice projects under the CCA. These uses of money from allowances, which are critical to the success of the CCA, would be seriously undermined by a drastic decrease in allowance prices. Also, higher allowance prices now and in the future incentivize covered entities to find ways to lessen their emissions. All of this would be undermined by linking to the California/Quebec system in the near future.

However, if a linkage between the Washington and the California/Quebec cap and trade systems goes into effect, I am writing to encourage the Department of Ecology (the Department) to take its reporting obligations under the Climate Commitment Act (CCA) very seriously. I think it is likely that such a linkage will impede Washington's ability to meet the CCA's stated goals for greenhouse gas (GHG) emission reductions and also thwart efforts to achieve environmental justice. It is beyond argument that earlier reductions in GHG emissions are far more effective, as well as cost effective, than later ones in averting climate disaster. See, e.g., James Hansen, *Storms of My Grandchildren: The Truth About the Coming Climate Catastrophe and Our Last Chance to Save Humanity*, Bloomsbury, New York, Berlin, London, Sydney, 2009; IPCC AR6 Synthesis Report Climate Change 2023, *available at* https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf. ***Thus, if the linkage occurs and has the effects I suspect it will, it is vitally important to know about it as soon as possible so that the course can be corrected in a timely manner.***

The only way the public will know about the effects of the linkage on GHG emissions, as well as on progress on environmental justice issues, is through reporting by the Department that meets, or even exceeds, the minimum reporting standards required by the CCA. ***Without this, Washington could spend years increasing its GHG emissions due to the linkage without correcting its mistake and without any public knowledge of the situation. This would seriously undermine the ability of Washington to achieve the emissions and environmental justice goals set forth in the CCA.***

It is worth noting that the approval of a linkage agreement by the Department must be determined to "not yield net adverse impacts to either jurisdictions' highly impacted communities . . . and . . . [n]ot adversely impact Washington's ability to achieve the emission reduction limits established in RCW [70A.45.020](#)." RCW 70A.65.210(3)(c) and (d). ***I would interpret this language to mean that this determination must include ongoing monitoring and reporting by the Department once the linkage is in effect to ensure that Department's initial approval was not mistaken in its prediction of the effects of the linkage.***

GHG emissions under the CCA can be separated into two categories. First, there are GHG emissions by covered entities as defined by the CCA, which constitute about 75% of Washington's total GHG emissions and fall under Washington's cap. Second, there are GHG emissions by entities that are not covered entities as defined by the CCA, which constitute

about 25% of Washington's total GHG emissions and do not fall under the cap. Both are important.

The Department is obligated to submit its first comprehensive report on the implementation of Washington's cap and invest system by December 1, 2027 and to submit succeeding comprehensive reports at least every four years thereafter. RCW 70A.65.060(5). Of course, this does not prevent the Department from submitting its first report earlier and/or submitting subsequent reports more frequently. These comprehensive reports must describe outcomes relative to the state's emissions reduction limits, overburdened communities, covered entities, and emissions-intensive, trade-exposed businesses. Thus, the subject matter of these reports certainly includes information on GHG emissions by covered entities and possibly also includes information on emissions by other entities, for example, in the reported outcomes relative to overburdened communities.

To know in a timely manner how the subject matter of these reports might be changing due to a linkage, it is essential to have data both before and after the linkage. One way to accomplish this would be to make more frequent reports than are required by statute if a linkage is approved. This may make it easier to discern trends in a timely fashion. The data in each report should be separated into data before and after the linkage takes effect and perhaps also be separated year by year. This would make it possible to tell whether the linkage is affecting achievement of GHG emissions goals and outcomes relative to overburdened communities, among other issues. ***I strongly encourage the Department to embrace this diligent approach to its comprehensive reporting obligations in the unfortunate event that the Washington plus California/Quebec linkage goes into effect.***

With regard to the 25 percent of total GHG emissions not coming from covered entities, some of these emissions will hopefully be reduced by projects funded by the CCA-funded accounts described in RCW 70A.65.240-280, i.e., the carbon emissions reduction account, the climate investment account, the climate commitment account, the natural climate solutions account, and the air quality and health disparities improvement account. A linkage of Washington with California/Quebec would likely reduce allowance prices in Washington by almost half, thereby substantially reducing the money available in the above-mentioned accounts for investment in such projects.

The Department has an obligation to make an annual report on all distributions from the above-mentioned accounts, which discloses amounts distributed, how the money was used, quantitative effects on GHG emissions, the cost per metric ton of CO₂ equivalents (mtCO₂e) of GHG reduction, and comparison to other GHG reduction projects. RCW 70A.65.300. Such reports could provide valuable insight into whether the investments made are affecting conditions in vulnerable communities and GHG emissions statewide, both presently and long term. In these reports it would be valuable to distinguish data from before and after the linkage has affected the amount of money available in these accounts.

Finally, if (contrary to what I believe should occur) Washington links with California/Quebec, I strongly encourage the Department to take a very diligent approach to fulfilling its statutory reporting duties so as to provide prompt and accurate information as to whether the linkage is lessening Washington's ability to reach its emissions reduction and environmental justice goals. It can do this by monitoring progress and reporting in such a way that the effects of linkage on meeting the stated goals of the CCA will be discernable to the public at the earliest possible date. I thank the Department and its employees for their service, and I encourage them to put their paddles in the water and help to steer this boat in the right direction.

Sincerely,

Dr. Rosemary Sweeney

Citizen of the 46th Legislative District

From: [Rosemary Sweeney](#)
To: [ECY RE CCA Linkage](#)
Subject: Re: Question about market modeling study done by Vivid Economics
Date: Monday, April 24, 2023 5:23:55 PM

Hi Stephanie,

As you know, the VIvid Economics market analysis is currently on the WA Dept. of Ecology website without any explanation about whether the greenhouse gas emissions it discusses are total greenhouse gas emission or only the 75% of emissions due to covered entities under the CCA. You mentioned above that the emissions discussed are only those from covered entities under the CCA and do not include the remaining 25% of emissions.

This being the case, I believe that the Dept. of Ecology should either remove this potentially very misleading marketing report from its website or provide a very clear explanatory note saying the the greenhouse gas emissions discussed in the report are only those from covered entities, i.e., emissions falling under the cap. The note should further explain that money from auctioned allowances will be spent to promote environmental justice and reduce emissions, including the 25% of emissions that do not come from covered entities. It should further explain that the hope and expectation is that money spent on reducing the non-covered 25% of emissions will reduce these emissions and lead to lower total emissions. Finally, the note should mention that linkage will likely decrease the money available for such spending due to drastically reduced allowance prices due to linkage.

Thus, the conclusions drawn in the VIvid Economics report are very misleading and should be removed from the website or explained in detail so that members of the public can make informed decisions about their support, or lack thereof, of linkage. Anything less is undermining the goals of the CCA, and I would hope and expect that the Dept. of Ecology would act to comply with its duties under that law.

Again, thanks so much for listening.

Best regards,
 Rosemary

On Wed, Apr 19, 2023 at 7:53 PM Rosemary Sweeney <rosemary.sweeney1235@gmail.com> wrote:

From: [Rosemary Sweeney](#)
To: [ECY RE CCA Linkage](#)
Subject: Question about market modeling study done by Vivid Economics
Date: Saturday, April 15, 2023 9:48:27 AM

To Whom It May Concern:

In a previous email, Katherine Potts provided me with a link to the above-mentioned study, which looks at predicted allowance prices and GHG emissions under three different scenarios, i.e., (1) linking (with CA/Quebec), (2) frontloading, and (3) no linking/no frontloading. The modeling predicts highest allowance prices with scenario (3), next-highest with scenario (2), and lowest with scenario (1). GHG emissions are predicted to be almost the same in all three scenarios.

What I am wondering is whether (a) the GHG emissions examined by the model are only those emitted by covered entities under the cap, which are estimated to be about 75% of all GHG emissions or (b) the GHG emissions examined include *all* GHG emissions, including the 25% of emissions emitted by parties not covered by the cap, which comprise about 25% of GHG emissions. If (a) is the case, I am wondering whether the investment possible with higher allowance prices, e.g., as in scenarios (2) and (3), might affect the 25% of GHG emissions that don't fall under the cap, thus potentially affecting total GHG emissions. If the modeling looks only at the 75% of GHG emissions that are under the cap, such effects would not be reflected in their predicted results. *Please comment on these issues.*

THANKS so much.

Best regards,
Rosemary Sweeney

From: [Rosemary Sweeney](#)
To: [ECY RE CCA Linkage](#)
Cc: [Rosemary Sweeney](#)
Subject: linkage of the WA cap and invest system with the CA/Quebec linked system
Date: Tuesday, April 11, 2023 10:10:54 AM

To Whom It May Concern:

I am very concerned about the WA cap and invest system potentially being undermined by its linkage with CA and Quebec, especially before the WA system has operated on its own for even a single year. I have collected a series of relevant facts, including the fact that the Department of Ecology has a legal duty not to undermine the WA system and that CA currently has about a year's worth of purchased, but unused, allowances in the possession of CA entities. As I am sure you are aware, this is a dangerous situation. In a similar situation some years ago, the European system went to some lengths to rid itself of unused allowances in order to stabilize its market. Further, CA's current trajectory is not bending toward meeting its 2030 goals. Following the facts, I pose a number of questions, which I hope you can answer in great detail, either at the April 18 listening session or in a response to this email. I would also be interested in any other comments or information you could offer on this proposed linkage.

In view of the facts that

- (1) Washington's Climate Commitment Act obligates the Department of Ecology (the department) to "evaluate and make a finding regarding whether the aggregate number of unused allowances in a linked program would reduce the stringency of Washington's program and the state's ability to achieve its greenhouse gas emissions reduction limits" (RCW 70A.65.210(3)),
- (2) A linkage agreement approved by the department must
 - "(c) Be determined by the department to not yield net adverse impacts to either jurisdictions' highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions; and
 - (d) Not adversely impact Washington's ability to achieve the emission reduction limits established in RCW [70A.45.020](#)" (70A.65.210(3)(c) and (d)),
- (3) California currently has about 321 million unused allowances (which would cover about the amount of GHG emissions expected to occur in a year in California) in the possession of covered entities in this system (<https://apnews.com/article/climate-business-environment-pollution-california-air-resources-board-21d34adf68b5d612fbc37c3f10a13fef>),
- (4) the Independent Emissions Market Advisory Committee (a committee of 5 experts appointed by the CA governor and legislature) has opined that these unused allowances could substantially interfere with CA's progress in reducing GHG emissions (<https://apnews.com/article/climate-business-environment-and-nature-california-pollution-694060aa41a4e78dc8a436a71d57564d>),
- (5) use of offset credits is viewed as being detrimental to progress in meeting GHG emissions goals in cap and trade systems (see, e.g. Cullenward and Victor, Making Climate

Policy Work, polity, 2021, Chapter 5.)

(6) in CA offset credits could be used to meet up to 8 percent of a covered entity's compliance obligation for emissions through 2020, up to 4 percent from 2021-2025 and up to 6 percent for emissions from 2026-2030 (<https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program/about>), whereas in WA offset credits can be used to meet no more than 5 percent of a covered entity's compliance obligation for emissions in the first compliance period (2023-2026) and no more than 4 percent in the second compliance period (2027-2030)(RCW 70A.65.170(3)(a) and (b)), although these limits can be modified by rule to align with jurisdictions with which WA has linked (RCW 70A.65.170(3)(c)),

(7) California's own progress report based on data available through 2019 indicates that "many trends moved in the wrong direction, away from advancing climate goals and showing worsening inequality" (Draft 2022 Progress Report California's Sustainable Communities and Climate Protection Act), and

(8) the 2023 allowance price of the California/Quebec linked cap and trade system is \$27.85 (<https://ww2.arb.ca.gov/news/california-and-quebec-release-summary-results-34th-joint-cap-and-trade-allowance-auction>), and the 2023 allowance price of the WA cap and invest system is \$48.50

(<https://www.realchangenews.org/news/2023/03/15/washington-holds-first-carbon-auction-determining-price-4850-ton>),

what are the Department's views on

(1) whether linkage of WA with CA/Quebec will interfere with WA's progress towards its emissions goals,

(2) whether the WA allowance price will fall if WA links with CA (or if WA price does not fall, I am not sure why any WA entity would buy WA allowance at \$48.50 when it could buy a CA/Quebec allowance at \$27.85), thereby leading to (a) a lessening of revenue available for WA to spend on various projects furthering both environmental justice and reduction of GHG emissions and/or GHG capture (for example in forests) and (b) a lessening of pressure on covered entities to curb their GHG emissions, given the decreased allowance prices,

(3) whether there is any possibility that linkage will increase the CA/Quebec allowance price to WA levels if WA links with CA/Quebec,

(4) whether the linkage of WA with CA/Quebec will have adverse effects on already highly impacted communities in WA,

(5) whether it might be wiser to let the WA cap and invest system operate on its own for a year or more, as opposed to immediately linking to another jurisdiction, to determine how effectively the system will operate using the original WA rules, as opposed to immediately modifying these rules to link with another jurisdiction, and

(6) whether the department thinks it might be preferable to seek a partial linkage with the CA/Quebec system, rather than a full linkage, and, if so, what form would such a partial linkage take?

Sincerely,

Rosemary Sweeney



Re: Front and Centered Comments on Ecology's Proposal to Link Washington's Carbon Market with California and Québec

Stephanie Potts
 WA Dept. of Ecology - Air Quality Program
 P.O. Box 47600
 Olympia, WA 98504-7600

May 15, 2023

Dear Ms. Potts:

Thank you for the opportunity to provide input on the question of whether Ecology should pursue linkage of Washington's carbon market with those of California and Québec.

Front and Centered is a climate justice coalition of organizations led by and serving communities of color in Washington. Our mission is to advocate for the interests of frontline communities, who are first and worst impacted by the climate crisis, in advocating for a just transition from an extractive to a regenerative economy. In this letter, we seek to express our concerns surrounding the proposal to link carbon markets. Despite limited information, there is clear indication that the greenhouse gas emissions trading programs that Ecology is considering linking to are operating in a less than satisfactory manner and that linkage would serve only to frustrate both Washington's emission reduction goals and protective measures, as well as those of the linked markets.

Before beginning an analysis of the harms that linkage could cause, it is first necessary to consider Ecology's public participation process. Ecology has solicited public feedback on whether it should actively pursue linkage but has not provided participants sufficient analysis from which to comment. The law sets out criteria that include environmental and human impacts, but the only publicly available information Ecology has provided is an economic analysis on the price of carbon in the market. This focuses more on the cost of compliance, and not the other, arguably more important, societal goals of the programs, including the benefits or harms caused to communities. In other words, Ecology is asking the public to think about the criteria posed by the legislature and to provide feedback but has not provided information to

help them do so. Without any information on the potential effects of linkage Ecology cannot expect to receive useful input from the public.

Ecology is asking the public to provide input on how California and Québec's markets operate even before Ecology itself has looked at how the two markets operate.¹ Instead, Ecology has solicited feedback from the public on how Ecology should go about analyzing the criteria that the legislature gave the department, rather than providing the public with any meaningful analysis as a result of the criteria. Following Ecology's analysis of the criteria, there is no meaningful opportunity for public input prior to Ecology issuing a decision on whether to pursue linking markets.² Essentially, Ecology has siloed community voices solely to provide feedback on the criteria Ecology utilizes to analyze a decision with major effects, rather than allowing community voices into the decision itself.

The next opportunity for public comment will be after Ecology has already made a decision to pursue linkage—most likely 2024, at the earliest.³ At that point, negotiation processes will have already begun and a draft linkage proposal will have been developed, meaning that the opportunity to provide meaningful feedback in opposition of any linkage will be quite limited.

I. Legal Background

RCW 70A.65.210 provides the legal authority for Ecology to link jurisdictions, but it requires that Ecology first make certain findings and hold a public comment period before entering into a linkage agreement. Ecology must consider input received from public comment before finalizing a linkage agreement.⁴ If Ecology finds that a full linkage agreement is unlikely to meet criteria set by the legislature, it may enter into a linkage agreement with limitations (including limits on the share of compliance that may be met with allowances originating from linked jurisdictions and other limitations deemed necessary by department).⁵

The criteria that Ecology must consider before entering into a linkage agreement are quite detailed. First, Ecology must determine that any linkage agreement allows for the mutual use and recognition of compliance instruments issued by WA and other linked jurisdictions, broadens the GHG emission reduction opportunities to reduce the cost of compliance on covered entities and consumers, enables allowance auctions to be held jointly and provides for the use of a unified tracking system for compliance instruments, enhances market security, reduces program administration costs, and provides consistent requirements for covered

¹ Washington State Dept. of Ecology, *Cap-and-Invest Linkage Listening Session - April 18, 2023*, YouTube (Apr. 27, 2023), https://www.youtube.com/watch?v=Tvdw_xcjlCQ (25:30-26:12, explaining the criteria that Ecology must analyze before linking, but then noting that Ecology has not yet begun to evaluate and that this public process is simply to solicit feedback on what considerations Ecology should have when evaluating criteria).

² *Cap-and-Invest Linkage*, Washington State Dept. of Ecology, <https://ecology.wa.gov/Air-Climate/Climate-Commitment-Act/Cap-and-invest/Linkage> (last visited May 15, 2023)

³ *Id.*

⁴ RCW 70A.65.210(3).

⁵ RCW 70A.65.210(3).

entities whose operations span jurisdictional boundaries.⁶ Second, Ecology must “ensure that the linking jurisdiction has provisions to ensure the distribution of benefits from the program to vulnerable populations and overburdened communities.”⁷ Third, any linkage agreement may “not yield net adverse impacts to either jurisdictions’ highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions.”⁸ Finally, any linkage agreement Ecology enters into must “[n]ot adversely impact Washington’s ability to achieve the emission reduction limits established in the [CCA].”⁹ In this final consideration, Ecology “must evaluate and make a finding regarding whether the aggregate number of unused allowances in a linked program would reduce the stringency of Washington’s program and the state’s ability to achieve its greenhouse gas emissions reduction limits.”¹⁰

II. Linkage is not appropriate, as it will yield net adverse impacts to highly impacted communities and will negatively affect Washington’s abilities to achieve its stated emission reduction limits.

A. Linkage would lead to a drop in the price of carbon, leading to less revenue achieved for CCA funds, as well as a reduction in incentive to reduce emissions.

Ecology has already commissioned an independent economic analysis of the cap-and-invest program that estimated allowance prices under different regulatory scenarios.¹¹ This analysis found that linkage would lead to the lowest cost per metric ton of carbon emissions.¹² Linkage prices were modeled to be around \$17 less per metric ton of carbon emissions than the proposed rules set forth by Ecology, which includes frontloading of the release of an allowance price containment reserve (APCR), and around \$27 per metric ton of carbon emissions lower than a scenario without linkage or frontloading.¹³

There are also a number of mismatches in policy that have led to a glut of allowances available in the potentially linked markets of California and Québec, and which would likely lead to a reduced incentive for emitters to curtail emissions should Washington link to those markets. Though Washington may have policy measures in place that reduce the number of allowances available for purchase at auction in accordance with the number of offsets purchased, California does not.¹⁴ Further, while in Washington, only certain industries are granted free allowances, in

⁶ RCW 70A.65.210(1).

⁷ RCW 70A.65.210(3)(b).

⁸ RCW 70A.65.210(3)(c).

⁹ RCW 70A.65.210(3)(d).

¹⁰ RCW 70A.65.210(3).

¹¹ Washington State Dept. of Ecology, *Summary of Market Modeling and Analysis of the Proposed Cap and Invest Program* (Publication No. 23-02-010 2022).

¹² *Id.* at 3-4

¹³ *Id.*

¹⁴ Isabella Brenda, *Emitting Greenhouse Gases in WA? Here’s Who Will Need to Pay Up to Pollute*, Seattle Times (Feb. 26, 2023), <https://www.seattletimes.com/seattle-news/environment/emitting->

California, all industrial facilities receive free allowances.¹⁵ Combined with the fact that both Washington and California allow for the “banking” of carbon allowances without expiration dates,¹⁶ it becomes clear that there is a strong risk of having an overabundance of banked allowances become utilized any time the auctioned price of carbon is deemed too high by emitters. In California, the number of banked allowances is “roughly equivalent to all the carbon the companies emit in a year.”¹⁷ There are so many banked allowances that the Legislative Analyst’s Office (LAO) for California found that the covered entities will be able to continue emitting well above the state’s emission reduction goals in 2030.¹⁸ As the Chair of the Independent Emissions Market Advisory Committee for California stated, “[b]ecause of the size of the bank, it’s plausible that all the covered sources don’t reduce emissions at all over the course of the decade.”¹⁹ The California LAO has also noted that this is likely going to be a cyclical problem: “[a]s covered entities begin to see that more allowances than they need are available, some of the allowances offered at state auctions likely will go unsold.”²⁰ These results would only be amplified by linkage, as the number of allowances available to be sold are increased across the markets.

Further, while linkage reduces the cost of compliance for emitters, it also reduces the amount of funds in accounts funded by the carbon markets. This, in turn, means less funds going to overburdened communities, which would pose a problem for overburdened communities in all linked markets, not just Washington.²¹

The current trends out of California’s linked market suggests that linking Washington’s market would only serve to frustrate both Washington and California’s abilities to achieve their respective greenhouse gas emission reduction limits, all while reducing the amount of funds available to overburdened communities.

B. The results from California’s market already show that there is continued harm to environmental justice impacted communities from their cap-and-trade model. Linking Washington’s cap-and-trade model only serves to exacerbate these harms for both California and Washington residents.

greenhouse-gases-in-wa-heres-who-will-need-to-pay-up-to-pollute/ (“Comparatively, in California, offsets may be used in addition to pollution allowances.”).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Kathleen Ronayne, *California Companies’ Pollution Credits Risk Climate Aims*, AP News (Feb. 16, 2022), <https://apnews.com/article/climate-business-environment-and-nature-california-pollution-694060aa41a4e78dc8a436a71d57564d> (citing the 2022 Annual Report of the Independent Emissions Market Advisory Committee); see also Gabriel Petek, *California Legislative Analyst’s Office, Assessing California’s Climate Policies: The 2022 Scoping Plan Update 8* (2023), <https://lao.ca.gov/Publications/Report/4656>.

¹⁸ Petek, *supra* note 17, at 8.

¹⁹ Ronayne, *supra* note 17 (quoting committee Chair Dallas Burtraw).

²⁰ Petek, *supra* note 17, at 9.

²¹ *Id.* at 9 (noting that allowance prices will decline in California as a result of the overabundance of banked allowances, leading to reduction in auction revenue).

While Ecology must analyze whether potential market partners have provisions to ensure their programs provide benefits to vulnerable populations and overburdened communities, the department must also look to what effects would be had by these programs should they be linked.²²

Multiple reports out of California have shown that while the cap-and-trade program may have raised the cost of emitting some fossil fuels, the rates at which emissions have been changed are not equal.²³ At least two studies have demonstrated that communities of color “are still more exposed to pollution from facilities such as oil refineries when compared to white communities.”²⁴ Further, “[s]ome of those communities even saw the level of emissions grow worse since the start of the cap and trade program.”²⁵ Similarly, multiple studies have drawn into question the impact of offsets for overburdened communities and vulnerable populations.²⁶

In other words, the California cap-and-trade program does not actually enact a benefit for overburdened communities and vulnerable populations. Linking Washington’s market to California’s market would only serve to exacerbate these harms by allowing for a glut of allowances to flood the joint market and drive down the price of carbon, leading to reduced funding for overburdened communities, as well as a reducing incentive for covered emitters to reduce the amount of pollution they are generating.

C. Any benefits of linkage are administrative or favor emitters, but even those benefits are uncertain given the legal status of CARB authority to administer a cap-and-trade program post-2030.

As noted above, linking carbon markets does not benefit overburdened communities and may, in fact, frustrate the state’s ability to meet its greenhouse gas emission reduction targets. Given this data, it seems that the only benefits that could credibly be demonstrated from linkage modeling are administrative and/or favor polluters regulated under the market.

²² RCW 70A.65.210(3)(b)-(c).

²³ Jonah Valdez, *Is California’s Cap-and-Trade Program Hurting the Environment More Than Helping It?*, Los Angeles Times (March 22, 2022), <https://www.latimes.com/california/story/2022-03-22/what-has-california-cap-and-trade-accomplished>.

²⁴ *Id.*

²⁵ *Id.*

²⁶ Dallas Burtraw & Katelyn Roedner Sutter, *Chapter 1: Carbon Market Reform*, in 2022 ANNUAL REPORT OF THE INDEPENDENT EMISSIONS MARKET ADVISORY COMMITTEE 6, 11 (2022), <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf> (“...the quality and permanence of forest offsets remain important questions.”); see also Evan Halper, *Burned Trees and Billions in Cash: How a California Climate Program Lets Companies Keep Polluting*, Los Angeles Times (Sept. 8, 2021) (“The California regulators are also tangling with a credentialed group of scholars at Stanford, UC Berkeley, UC Santa Barbara, Columbia University and the University of Utah who have concluded the state is significantly exaggerating the environmental value of the offsets California polluters are buying.”).

Administratively, Ecology notes that “[l]arger markets are generally more stable and have more consistent pricing.”²⁷

While the initial cost of compliance may seem more attractive through a linked market, it is unclear how costs would play out in the long-term. Per the independent economic report commissioned by Ecology, the price of allowances “in a linked market would most likely align more closely with prices in the California-Québec market,” rather than the higher prices of an independent Washington market.²⁸ However, as also explored above, it is unclear how the price of carbon would be affected by the glut of allocations banked in the California market. The California LAO predicts that carbon prices will continue to trend lower as a result of the banked allowances, even without linkage and the introduction of additional allowances.²⁹

This does not even account for the uncertainty around the legal authority of the California Air Regulatory Board to administer the California cap and trade program post-2030. Per California Assembly Bill 398, CARB has explicit legal authority to administer a cap and trade program through the end of 2030.³⁰ However, what happens after 2030 is less clear.³¹ The opacity around this legal question has very real implications for the operation of the carbon market in the interim: “[i]f investors know a carbon price will exist, they can evaluate low-carbon technologies; however, the market will not effectively drive investor behavior if the market’s future is uncertain. Ambiguity about the market after 2030 introduces risk to investments....”³² Even if California chooses to rely on a statutory reading that implies an authority for CARB to operate the cap-and-trade market post-2030, this does not remove the need for significant policy alterations to be made to the California market, which itself will introduce uncertainty into the price of carbon. Both the independent commission tasked with the oversight of CARB’s implementation of the cap-and-trade program and the California Legislative Analyst’s Office have noted the need for substantive changes to the program in order for the state to meet its own emissions reduction targets.³³

²⁷ *Cap-and-Invest Linkage*, *supra* note 2.

²⁸ *Id.*

²⁹ Petek, *supra* note 17, at 9.

³⁰ California Global Warming Solutions Act of 2006, Cal. Assemb. B. 398, Chapter 135 Reg. Sess. 2017-2018 (Ca. 2017), https://leginfo.ca.gov/faces/billPdf.xhtml?bill_id=201720180AB398&version=20170AB39892C HP.

³¹ Danny Cullenward, *Chapter 4: Legal Authority*, in Independent Emissions Market Advisory Committee, 2022 Annual Report of the Independent Emissions Market Advisory Committee 24 (2022), <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf> (analyzing whether the relevant statutes can be read to imply continued authority for CARB to administer the cap-and-trade program post-2030).

³² Burtraw & Sutter, *supra* note 26, at 6.

³³ *Id.* at 7 (“To achieve the accelerated 2030 emissions reduction target requires the ‘cap’ to be calibrated to the level of ambition required to meet the state’s climate goals.”); Petek, *supra* note 17, at 1 (“We also recommend the Legislature consider changes to the cap-and-trade program to address concerns about program stringency.”).

These regulatory changes are certain to cause an effect on the price of carbon.³⁴ As a result, by considering linking in this period of uncertainty around the future of California's carbon market, Ecology is effectively signing up Washington's market for a period of instability.

III. Prior to considering linkage, Washington State should address issues with the independent Washington carbon market.

Washington's independent carbon market faces its own flaws that should be addressed before Ecology considers linking the market with others. As Front and Centered determined in its 2022 report, *Exposing False Solutions: How Washington's Cap and Trade Program Gives Industrial Polluters a Free Pass*, the Washington cap-and-trade program, as currently structured, provides little to no incentive for emitters that are protected under the "emissions-intensive and trade-exposed" (EITE) label to actually reduce any emissions.³⁵ Also, as noted above, Washington's carbon allowances have no expiration date,³⁶ meaning that emitters can bank these allowances for as long as they wish, potentially leading to a situation similar to what California is currently facing, where there is a stockpile of allowances that may lead to California failing to meet its greenhouse gas emissions reduction targets.

Ultimately, the cap-and-trade model is flawed in that, at its core, it focuses on the economics of curtailing pollution, rather than the real-world effects of the continued influx of pollutants to vulnerable populations. As such, Front and Centered suggests that at minimum, Ecology take into consideration the following changes to the cap-and-trade program, either prior to or during linkage agreements:

- The establishment of "no-trade zones" in or near overburdened communities;³⁷
- The establishment of expiry dates for stored allocations;³⁸ and
- Further limiting the use of offsets.³⁹

IV. Conclusion

³⁴ *Id.* at 7 ("A challenge with any adjustment to the carbon market is an administrative intervention suggests another may be forthcoming, thereby undermining confidence in the market.").

³⁵ Greg Karras, Front and Centered, *Exposing False Solutions: How Washington's Cap and Trade Program Gives Industrial Polluters a Free Pass* 1, 2 (2022), <https://frontandcentered.org/wp-content/uploads/2022/06/Exposing-False-Solutions-Report-June2022.pdf>.

³⁶ Brenda, *supra* note 14.

³⁷ See Katelyn Sutter & Dr. Meredith Fowlie, *Chapter 2: No-Trade Zones and Facility Level Emission Limits*, in 2022 ANNUAL REPORT OF THE INDEPENDENT EMISSIONS MARKET ADVISORY COMMITTEE 14 (2022), <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf>; Environmental Justice Advisory Committee, 2022 Scoping Plan Recommendations 28, Recommendation C4 (2022), <https://ww2.arb.ca.gov/resources-related-ab-32-environmental-justice-advisory-committee-2022-scoping-plan-update>.

³⁸ Sutter & Fowlie, *supra* note 37, at 17.

³⁹ Environmental Justice Advisory Committee, *supra* note 37, at 27, Recommendation C2.

Carbon markets have inherent conceptual flaws—they allow most major polluters to continue as usual and puts industry in the driver’s seat for where we go with GHG policy.⁴⁰ Further, they have not met their own expectations in practice, as is seen in the case of California greenhouse gas emissions reduction forecasting.⁴¹ As explored in the comment above, linking will only exacerbate these issues.

We have handed enough carrots to emitters with the development of the cap-and-trade model. Now is the time to craft forward-looking policy and put the power back into the hands of the people and policymakers.

In addition to the above comments, we pose the following questions to Ecology for consideration:

- 1) It does not seem at all the spirit of the law, nor the intent of the legislature, that cost of compliance for industry should receive the same level of gravity as the effects linkage would have on overburdened communities and vulnerable populations.⁴² Is Ecology planning to weight the different criteria considerations provided to the department by the legislature? If so, how?
- 2) A number of studies on the California cap-and-trade program have found that Black and Latino communities and other communities of color are still more exposed to pollution from facilities covered by the program than are white communities.⁴³ In fact, some communities actually saw the level of emissions grow worse since the start of cap-and-trade.⁴⁴
 - a) How would Ecology deal with the fact that emitters in California have already purchased enough offsets and allowances to afford them the ability to potentially not change business as usual? Would not linking just allow for even more of a glut of allowances across all the linked markets (especially given that California & Québec’s market is over five times larger than the Washington market and this is already happening)?
 - b) As a result of the above studies, some advocates in California are calling for the implementation of no-trade zones in order to force facilities located near overburdened communities and vulnerable populations to comply with emissions

⁴⁰ Karras, *supra* note 35, at 1.

⁴¹ See, e.g., Petek, *supra* note 17, at 1.

⁴² RCW 70A.65.005(4) (“The legislature further finds that while enacted carbon policies can be well-intended to reduce greenhouse gas emissions and provide environmental benefits to communities, the policies may not do enough to ensure environmental health disparities are reduced and environmental benefits are provided to those communities most impacted by environmental harms from greenhouse gas and air pollutant emissions.”).

⁴³ Valdez, *supra* note 23.

⁴⁴ *Id.*

reductions standards without the assistance of allowances.⁴⁵ Would Ecology seek to introduce similar protections in Washington if linkage were to occur?

- 3) Ecology recently commissioned an independent economic analysis of what would happen if linkage were to occur. The study determined that linkage would actually lead to the lowest cost of allowances. While this would reduce the cost of compliance for industry, it would also lead to reduced funding in the CCA accounts.⁴⁶ Why would linkage be beneficial beyond a reduced cost of compliance?
- 4) Why would Ecology choose to link with California now, when the legal authority of the California Air Resource Board to administer the cap and trade program is undetermined post-2030?⁴⁷ Even if legal authority is clarified, the independent government body that is statutorily charged with analyzing and reporting on the California cap and trade program, the legislative analyst's office, and state politicians have noted the need for fundamental updates to California's cap-and-trade model in order for it to even remain functional, much less successful.⁴⁸ Why would Ecology link before those changes are determined, when such changes could have a huge effect on the carbon market?
- 5) Multiple studies of California's offsets have determined that even with oversight, the projects often have no actual beneficial impact (or their impact is otherwise unverifiable).⁴⁹ Further, multiple critiques have been leveled at the offset program, noting that it harms local communities by allowing emitters to continue business as usual.⁵⁰ How does Ecology plan to ensure there are meaningful impacts to communities as a result of offsets programs?
- 6) Has Ecology studied how the Inflation Reduction Act will affect: the market price of carbon in both a linked and unlinked market, compliance with carbon emissions

⁴⁵ See Katelyn Sutter and Dr. Meredith Fowlie, *Chapter 2: No-Trade Zones and Facility Level Emission Limits*, in Independent Emissions Market Advisory Committee, 2022 Annual Report of the Independent Emissions Market Advisory Committee 14 (2022), <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf>.

⁴⁶ *Cap-and-Invest Linkage*, *supra* note 2 ("If linking results in lower allowances prices, it could reduce the amount of funding generated for climate projects throughout the state.").

⁴⁷ Cullenward, *supra* note 31.

⁴⁸ Burtraw & Sutter, *supra* note 26, at 7 ("To achieve the accelerated 2030 emissions reduction target requires the 'cap' to be calibrated to the level of ambition required to meet the state's climate goals."); Petek, *supra* note 17, at 1 ("We also recommend the Legislature consider changes to the cap-and-trade program to address concerns about program stringency."); Ronayne, *supra* note 17 ("State Sen. Bob Wieckowski, a Democrat, said he should have pushed harder to bar companies from keeping saved allowances after 2021, forcing them to start fresh.")

⁴⁹ Burtraw & Sutter, *supra* note 26, at 11 ("...the quality and permanence of forest offsets remain important questions."); see also Halper, *supra* note 26.

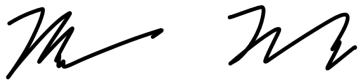
⁵⁰ Halper, *supra* note 26.

reduction goals, and greenhouse gas emissions overall?⁵¹ If it has not, when will Ecology study the interaction between federal and state policy on the topic? Will the results be made public?

Sincerely,



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⁵¹ Meredith Fowlie & Dallas Burtraw, *Chapter 3: Federal and State Climate Policy Interactions*, in 2022 ANNUAL REPORT OF THE INDEPENDENT EMISSIONS MARKET ADVISORY COMMITTEE 18, 18-19 (2022), <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf> (discussing, in part, how IRA subsidies will reduce demand for allowances and carbon prices).



May 15, 2023

E-Distribution

Stephanie Potts

CCALinkage@ecy.wa.gov

WA Dept. of Ecology – Air Quality Program

PO BOX 47600

Olympia WA 98504-7600

Re: Defer Summer 2023 Pursue Cap/Trade Linkage Decision & Conduct EJ Analysis

Dear Ms. Potts,

Thank you for gathering feedback to see whether it would benefit Washington state to link its cap-and-invest program with similar programs in California and Quebec that operate in a common market.

https://ecology.wa.gov/Blog/Posts/May-2023/Meaningful-Momentum-CCA-Updates-for-May-2023?utm_medium=email&utm_source=govdelivery

Beacon Hill neighborhood in Seattle is an overburdened community with GHG/air pollution coming from roads, aircraft and oil/gas heated homes. We have 40,000+ residents with 70% + BIPOC and 40%+ immigrants and refugees. As communities of color, we find the linkage topic highly complex and find it difficult to predict its impacts. We do not have the capacity nor resources to hire consultants to give feedback on its predicted racial, environmental, health, and economic impacts on our BIPOC, vulnerable and overburdened communities.

To begin with, we are concerned that the Cap-and-Trade program:

- 1) already allows companies to pay to pollute way beyond the 8-year period when permanent climate temperature change can be averted, and
- 2) does not have enough accountability tools to get companies to convert to clean energy in the 8-year period.

You know that our communities in Washington are already experiencing increasing climate events --extreme heat, forest fires, smoke from forest fires, and flooding. The COVID pandemic demonstrated that communities of color, immigrants and refugees are faster and harder adversely impacted.

Our feedback is for the Dept. of Ecology to:

- 1) defer making the linkage decision this summer until item 2 is accomplished and the results are shared with our communities for feedback,
- 2) conduct a racial cumulative impact/environmental justice analysis consistent with the HEAL Act to do no harm nor create new inequities, and
- 3) develop more tools to prompt participating and all pollution sources to convert to clean energy within the 8 years to avert permanent climate temperature change.

Cap and trade linkage is too big and too important a decision to be rushed. It has short- and long-term impact on our lives and health and is difficult to undo. We look forward to positive response to our feedback. Together, we can.

Sincerely,

Maria Batayola

Beacon Hill Council Chair Maria Batayola



5031 University Way NE
Seattle, WA 98105
info@350seattle.org

May 15, 2023

Stephanie Potts
Cap-and-Invest Program Linkage Planner
CCALinkage@ecy.wa.gov

Re: Should Washington link its carbon market to California and Québec's?

Dear Ms. Potts,

Thank you for the opportunity to comment on the potential linkage of Washington's carbon market with California and Québec's (hereafter, "California" except where noted).

350 Seattle urges Ecology to delay any such linkage.

Linkage with California's carbon market is expected to lower Washington's Climate Commitment Act (CCA) allowance prices in future auctions. Some argue this is positive because polluters will have lower costs to pass on to consumers and that, in turn, would preserve public goodwill and avoid legislative or initiative attempts to curtail the CCA.

350 Seattle takes a different view. We recommend that Washington's allowance prices should be set exclusively by Washington's market. The allowance price is the primary driver for finding the right balance between a price high enough to force emissions down in time to meet our goals but not cause industry leakage. Allowing California's market price to dilute the strength of Washington's market will, in the words of RCW 70A.65.210, "*reduce the stringency of Washington's program and our state's ability to achieve its greenhouse gas emissions reduction limits*" (1, see also References, below).

Here we elaborate eight reasons for our perspective, followed by two additional concerns and an observation.

Reason 1: Our system should be better established before linking

The CCA is just getting started. Covered entities need more time to find their footing. For example, before the first auction, fuel suppliers were proactively frontloading surcharges and/or using the CCA as an excuse to raise prices for end users (2). Even agricultural fuel companies that were exempted from the CCA took part (3).

Before committing Washington to linkage with another system that will introduce new complexities, Ecology should counter local misinformation and, to the degree possible, enforce a fair program here in Washington. Given that enforcement may require additional legislation, more time is needed. It is premature to consider linking with California's cap and trade system.

Reason 2: Early investments are the most impactful

Washington's CCA revenues have only just begun and our legislature has just started investing in infrastructure and programs to lower emissions and/or mitigate climate change impacts. Early investments are the most impactful at reducing emissions and we need to keep our focus local. This is crucial given our 2030 emission reduction goals, and the increasing instability of the climate. The upcoming El Nino ocean temperature warming cycle is expected to bring a new level of climate instability (4, 5). Emission reduction and resiliency investments in Washington are needed now more than ever. Lowering CCA allowance prices as the result of linking with California pulls our focus from our own developing programs and would be counterproductive at the worst possible time.

Reason 3: A baseline report should precede linkage

Before linking with another program, we need more data about the strength of our market over time, decarbonization initiatives by covered entities, effectiveness of investments at reducing emissions, and integration of the administration of investments into state government. A significant change in CCA auction prices has the potential to affect all of these elements, and will introduce new uncertainties.

By establishing a baseline report ahead of linkage, Ecology and the Legislature will be better able to evaluate the potential impacts of linkage agreements, and subsequent reports will better assist with modifications and course corrections. The first CCA progress report is not scheduled until 2027, whereas Ecology's current timeline expects to announce a linkage decision this summer, with actual linkage occurring as soon as 2025.

Ecology should produce at least one baseline report before linkage is complete. This may require enabling legislation.

Reason 4: Higher allowance prices are more effective

Emissions Intensive Trade-Exposed covered entities benefit from a high allowance price because their no-cost allowances provide them capital for their decarbonization investments. And a high price for compliance allowances provides a clear market signal that it is more cost-effective to address decarbonization.

Puget Sound Energy (PSE), one of Washington's largest climate polluters, has already provided evidence that the initial CCA auction price was not high enough. In their 2023 Gas Utility Integrated Resource Plan ([6](#)), PSE indicates that they intend to keep buying allowances in the CCA compliance market until 2050 rather than take the necessary steps to actually decarbonize because their electrification scenario is 15% more expensive -- see Fig. 2.11, Preferred Portfolio ([7](#)) vs Fig. 6.1, Electrification Scenario ([8](#)). Given that the initial CCA auction price wasn't high enough to incentivize change at PSE, a lower auction price as a result of linkage with California would remove any incentive for PSE to decarbonize their gas utility.

Reason 5: British Columbia's carbon price is more realistic and predictable

Washington's initial allowance auction price is only slightly higher than British Columbia's carbon tax, which has been aligned with the federal Canadian carbon tax. Meanwhile California's allowance prices are artificially low due to surplus banked allowances. British Columbia's carbon price is clearly more realistic, and because it is a defined tax, more predictable, providing more economic certainty for their covered entities. Washington should not lower its allowance price prematurely through linkage with California and should seek similar predictive certainty.

Reason 6: California's auctions are oversupplied and underpriced

California has, admirably, recently adopted net-zero carbon emissions by 2045, requiring accelerated emission reductions to meet its 2030 goals. A tighter market with fewer allowances will be necessary. Currently California's market suffers from price uncertainty, and low prices have led to allowance banking that suppresses their market's allowance price. In its 2022 report the state's Independent Emissions Market Advisory Committee (IEMAC, [9](#)) advises *for the fifth consecutive year* reforms to California's auction system and how allowances are supplied ([10](#)).

Before entering into a linkage agreement, Ecology must evaluate and make a finding whether the aggregate number of unused allowances in a linked program would reduce the stringency of Washington's program and our state's ability to meet its emissions limits ([1](#)). In its 2021 report, IEMAC calculated that 321 million allowances have been banked, more than the emissions reductions expected from California's cap and trade program over the coming decade ([11](#)), and more than five times the number of allowances Washington has budgeted for 2023 ([12](#)).

Given the risk to Washington's ability to meet its climate goals through CCA investments posed by California's lower allowance price and volume of banked allowances, it would not be prudent

for Washington to link with California until auction reforms recommended by IEMAC, such as the creation of an emissions containment reserve, have been completed.

Reason 7: Washington and California need more time to ensure their individual programs meet environmental justice goals.

The Climate Commitment Act states in clear language that program design must be guided by the Environmental Justice Council (EJC, [13](#)). Yet the last two years have shown us that the work of forming and educating the council and establishing the council's working relationships with state agencies is a slow and arduous path. The EJC needs more time to build expertise in how Washington's program should be administered to ensure it meets its environmental justice commitments. Adding another state's program at this point would be counterproductive. This is especially true when California's system needs structural reforms to better address that state's environmental justice issues.

In an attempt to accomplish long overdue site-specific air quality reforms, California's Environmental Justice Advisory Committee (EJAC, [14](#)) has recommended that some polluting facilities be prohibited from using allowances ([15](#)).

Whether, and how, California's air quality reform will be implemented remains to be seen, but it may involve significant changes to how their carbon market provisions allowances and trades them, whether the use of offsets is modified, and how banked allowances are used.

Given that Washington is implementing a different methodology to pursue similar goals, we should delay linkage with California until there is more certainty regarding necessary changes to their program design and Washington's EJC can knowledgeably evaluate the impacts of linkage on our environmental justice goals.

This directly relates to RCW 70A.65.210 (3) (b), *"Ensure that the linking jurisdiction has provisions to ensure the distribution of benefits from the program to vulnerable populations and overburdened communities."* ([1](#)).

Reason 8: Will California's system continue past 2030?

The legal authority of the California Air Resources Board (CARB, [16](#)) to implement their cap and trade system past 2030 has been called into question ([17](#)). Legislative remedies may be required to clarify CARB's authority to administer and enforce the program.

Given this statutory uncertainty, linking prematurely with California could create significant market uncertainties for Washington, with the potential result of curtailing CCA investments and compromising our state's ability to meet its climate goals.

IEMAC recommends that California act to reform its system before 2025. Washington should delay any linkage decision until it becomes clear whether California will meet that recommendation.

We have two additional concerns regarding linkage with California and Quebec.

Concern 1: California's forest offset buffer pools are inadequate

We previously expressed our concerns with California's forest offset protocol to Joshua Grice during public comment on WAC 174-446 ([18](#)). As noted there, California's forest offset buffer pools are inadequate.

Purchasers of forest offsets in Washington's carbon market should be protected from California's forest offset products. While that protection does not have to preclude linkage with California, it should inform Ecology's timeline for linkage and future linkage negotiations.

Concern 2: Québec's new forestry offset protocol is flawed

Last December, Québec introduced a new forest offset protocol that adopts ton-year accounting, an approach for bundling short-term carbon storage into offset credits. Earlier this month, independent non-profit climate solutions analyst CarbonPlan expressed concerns regarding Québec's new protocol:

"...ton-year accounting is at best an incomplete method for valuing temporary carbon storage. At worst, it is an unscientific justification for ongoing emissions." ([19](#))

Purchasers of forest offsets in Washington's carbon market should be protected from Québec's new forest offset credits.

"...credits originating from Quebec are eligible for use by regulated polluters in California. Washington State is currently considering linking its carbon market to these jurisdictions as well. We hope our analysis motivates regulators in both Washington and California to examine these issues and prevent the use of credits generated under Quebec's reforestation protocol." ([19](#))

We urge Ecology to examine CarbonPlan's concerns thoroughly. While Québec's flawed protocol may not preclude linkage with California, it should inform Ecology's timeline and future linkage negotiations.

We close with this observation:

Skepticism over linkage is justified

Skepticism regarding the virtues of linkage is longstanding (emphasis added):

“It is becoming clear that cap and trade works only under special circumstances — when one entity controls the market and parallel initiatives do not undermine it.” (20)

*“Linked carbon markets are difficult to manage when many regulatory authorities compete. Interactions with other climate policies trigger unintended outcomes. Policymakers find it hard to keep prices at the 'right' level — neither so high that a carbon market becomes politically unacceptable, nor so low that it fails to change behaviour. **California's case shows that lawmakers can be tempted to use regulatory loopholes to drive down prices and weaken the market's effectiveness. Such problems will only worsen when more markets are linked up.**” (20)*

This analysis is as true today as it was when it was published six years ago. In our view it speaks to inherent risks in any cap and trade system, and provides insight into why carbon prices differ between California and Washington.

Thanks to the proactive efforts of legislators, policy advisors and independent groups, Washington took lessons from California and succeeded in creating a cap and invest system that is now referenced as a model for other states, including California and, most recently, New York State. Given this success, Washington should not squander its leadership. Our state and agency leaders have a moral responsibility to incentivize California to make positive changes.

We urge Ecology to delay linkage with California or any other jurisdiction.

Again, thank you for the opportunity to comment, and thank you to all of the Ecology staff who are ensuring that the Climate Commitment Act is effective.

Sincerely yours,

David Perk
350 Seattle
davidperk@350seattle.org

350 Seattle works toward climate justice by organizing people to make deep system change: resisting fossil fuels; building momentum for healthy alternatives; and fostering resilient, just, and welcoming communities.

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May 15, 2023

**Ms. Stephanie Potts
Cap-and-Invest Program Linkage Planner
Washington Department of Ecology
300 Desmond Dr SE, Lacey, WA 98503**

Re: The Department of Ecology's decision to pursue linkage with California and Québec's carbon markets.

Dear Ms. Potts,

We are grateful to the Department of Ecology (the Department) for its thorough outreach and stakeholder engagement process to offer feedback on linkage. Climate Solutions is a nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest is a hub of climate action, and Climate Solutions is central to the movement as a catalyst and advocate.

Linkage with California and Québec's cap-and-invest markets comes with a broad set of nuanced opportunities and challenges. Linking programs can reduce administrative burdens for the state, create a more robust and efficient market, and ultimately reduce costs for customers.¹ These opportunities amount to what Climate Solutions sees as the greatest benefits of linkage—its potential for increasing the longevity and durability of Washington's program and for influencing Québec and California to increase the environmental integrity of and environmental justice provisions within their laws.

However, our support for linkage is contingent on Washington, California, and Québec's ability to achieve the criteria as laid out by the Department and address some of the greatest barriers and potential harms that may come from linkage. We are concerned that if California and Québec's programs remain unchanged, linkage would threaten Washington's ability to meet its statutory emissions reductions requirements and weaken potential benefits of the program for vulnerable populations. As the Department weighs the benefits and challenges of linkage, it is critical to holistically consider options to enter into a linkage agreement while eliminating these concerns. Climate Solutions offers three key recommendations for the Department, in addition to other considerations to help inform each criteria: **conduct an environmental justice assessment to analyze the impact of linkage on overburdened communities and identify**

¹ International Emissions Trading Association & Environmental Defense Fund, "A Roadmap for Linkage." July 2022. <https://ieta.org/resources/Resources/Reports/ARoadmapforLinkageJuly2022.pdf>.

strategies to eliminate harm and maximize benefits of linkage; avoid linking until California’s law has been extended to 2050; and evaluate restricted linkage as an option to limit the number of allowances flowing into Washington.

In part one of this letter, we discuss the potential benefits of linkage. In part two, we make recommendations that may help attain the full potential of these benefits and outline key considerations for the Department to assess whether linkage meets the four criteria.

I. Should Washington Pursue Linkage with California and Québec?

Provided that the necessary changes are implemented to meet the criteria in statute, Climate solutions supports linkage between Washington, California, and Québec for its potential to increase the longevity of Washington’s cap-and-invest program and influence California and Québec’s programs to become more ambitious in their greenhouse gas reductions and more effective in their protections for overburdened communities.

1. Linkage can enhance program durability through integrating into a larger market that reduces the cost of greenhouse gas emissions reductions and enhances public support.

First and foremost, linkage may enhance program durability by making program administration more efficient and cost effective for the Department.² By joining market operations and streamlining auctions into one larger market, the administration process will be more efficient and less costly—especially for smaller jurisdictions like Washington.

Additionally, various analyses, including the Vivid Economics report requested by the Department and numerous other pieces of research, indicate that linkage drives down the cost of allowances through fostering a more robust market.³ These lower allowance prices enable jurisdictions to pursue the lowest-cost emissions reductions while maintaining emissions reductions per the trajectory of the cap.⁴ The benefit of allowance price reductions is often framed around reducing compliance costs for businesses, however we view linkage’s price impact as an approach for lowering costs for end-customers and safeguarding the longevity of

² International Emissions Trading Association & Environmental Defense Fund, “A Roadmap for Linkage.” July 2022. <https://ieta.org/resources/Resources/Reports/ARoadmapforLinkageJuly2022.pdf>.

³ Department of Ecology, “Washington Climate Commitment Act: Summary of economic and market modeling and analysis of the proposed Cap and Invest program.” July 2022. https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Vivid-CCA-Report_5a57f91c-6b59-468b-9689-2521a1d6daf2.pdf.

⁴ ICAP & PMR, “Emissions Trading in Practice: A Handbook on Design and Implementation (2nd Edition).” April 2021. https://icapcarbonaction.com/system/files/document/ets-handbook-2020_finalweb.pdf.

Washington's program. Certain businesses are already demonstrating their intent to pass the costs of the CCA down to customers, risking the public's buy-in into the program at a time when the new investments and programs generated through CCA revenue are still getting off the ground. By linking with California and Québec's programs, however, the public will be able to see and experience real emissions reductions – through investments and new incentive programs, business innovation, and air pollution improvements – at a lower cost.

Furthermore, linkage may also help to reduce the risk of reaching the price ceiling and prevent businesses from exceeding the cap on pollution. As part of the CCA, lawmakers included a price ceiling mechanism modeled after California's program, whereby the Department allows for the sale of price ceiling units at a fixed price to keep costs from rising. Although this is an effective mechanism to contain costs, these price ceiling units are *above* the cap and would decelerate Washington's emissions reductions. Washington is currently below the price ceiling. However, given the strong demand demonstrated through the first auction and the Vivid Economics modeling that projects a consistent rise in allowance prices, the state is potentially at risk of reaching the ceiling.⁵ Linkage with a broader, more established market would ultimately help to preempt this risk and ensure Washington's market avoids reaching the ceiling price. Thus, linkage may support Washington in maintaining its ambitious cap trajectory. However, it is critical to note that California's large pool of banked allowances also threatens Washington's ability to achieve its emissions reduction requirements under this program. We will discuss potential options for limiting this risk in more detail below.

2. Under a strong linkage agreement, Washington could influence California and Québec to make their programs more ambitious in greenhouse gas reductions requirements and protections for overburdened communities.

Unlike durability where the impact of linkage is more measurable, the potential benefit of influencing other states to improve their laws is largely contingent on the strength of Washington's linkage agreement with California and Québec, and their independent decisions to improve their respective programs. Specifically, we see linkage as an opportunity to influence California and Québec to more closely align with the ambition of Washington's law.

When designing Washington's CCA, lawmakers built on California's law, replicating the strengths of California's law where applicable and learning from its unintended consequences.

⁵ Department of Ecology, "Washington Climate Commitment Act: Summary of economic and market modeling and analysis of the proposed Cap and Invest program." July 2022.
https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Vivid-CCA-Report_5a57f91c-6b59-468b-9689-2521a1d6daf2.pdf.

For example, in response to concerns that California’s law enables hotspots of localized air pollution in already overburdened communities, the CCA centers environmental justice and benefits to overburdened communities throughout the law. This includes creating a new program to cut criteria pollution in overburdened communities, building in oversight and assessment by the Environmental Justice Council, carving out funds specifically for Tribal climate adaptation, and more. Washington also has a more ambitious cap than both California and Québec and created an offset program that is under the cap (rather than outside of the cap), which helps to maintain the pace of emissions reductions and avoid offsets leading to additional pollution.

Given the criteria laid out in statute for linkage to benefit overburdened communities and to maintain Washington’s ability to meet its emissions reduction targets, pushing California and Québec to align with the ambition of Washington’s law is essential for a linkage agreement. The Independent Emissions Market Advisory Committee notes many options California has to strengthen its law, whether through limiting the supply of California’s allowances, requiring steeper emissions reductions in overburdened communities, and/or extending its program to 2050.⁶ It may be possible to implement some of these changes through conditions outlined in a formal linkage agreement, or it may be that the external pressure from Washington and other states that are considering cap-and-invest programs is enough to encourage California to make these changes on their own accord. In whichever scenario, if California and Québec strengthen their laws, linkage may accelerate greenhouse gas reductions on a regional scale and simultaneously enable greater improvements in air quality at a local level.

Finally, Washington’s decision to link with California and Québec may also spur other states to pursue cap-and-invest programs to drive down their emissions. A broader market enables greater efficiencies and reduced administrative burdens, and seeing a state like Washington successfully join this combined market would make the prospect of developing a cap-and-invest program and linking with the larger market more politically feasible for states with smaller economies.

II. Criteria Assessment

Realizing the full potential of these benefits requires that, in pursuit of linkage, the Department establish a strong agreement with California and Québec to ensure linkage meets the following

⁶IEMAC, “2022 Annual Report of the Independent Emissions Market Advisory Committee.” February 3, 2023. <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf?emrc=6afe11>.

statutory criteria. We offer recommendations for the Department to consider as it assesses the impact of linkage, with our topline recommendation for each criterion designated as “key recommendations.” Many of the recommendations we discuss are provided in more detail in the letter submitted by the Stockholm Environment Institute and want to affirm our strong support for their recommendations.

1. Ensure that California and Québec have provisions to ensure the distribution of benefits from the program to vulnerable populations and overburdened communities.

Key Recommendation: Conduct an Environmental Justice Assessment to evaluate the impacts of linkage and identify opportunities to reduce/minimize harm and maximize benefits to overburdened communities.

We urge you to determine whether this current decision-making process around pursuing linkage, the rulemaking, the development of a linkage agreement, or other elements of the linkage process might be considered a Significant Agency Action to enable the use of an Environmental Justice Assessment to better understand impacts to overburdened communities.⁷ Throughout this assessment, the Department should work closely with the Council to identify opportunities to maximize benefits and minimize harm to communities as part of a linkage agreement and through complementary policies. An EJ Assessment would also be useful to assess the impacts on overburdened communities under different linkage scenarios. For example, the assessment could identify the potential for benefits or impacts in a restricted linkage versus full linkage scenario, or scenarios where California addresses its allowance bank versus continuing with the program as it exists today. All of these scenarios will have differing impacts on vulnerable populations, and an Environmental Justice Assessment can help evaluate these various impacts.

Identify potential impacts, if any, of Washington and California’s different definitions of highly impacted communities in their laws.

Washington’s and California’s laws include different definitions of overburdened communities, which ultimately could lead to different outcomes and impacts of the program on vulnerable populations. The CCA defines overburdened communities as geographic areas “where vulnerable populations face combined, multiple environmental harms and contaminants through multiple pathways” and references other definitions under various laws to more comprehensively capture communities overburdened with health stressors including highly

⁷ Ecology, “Implementing the HEAL Act: Environmental justice assessments.” 2023.
<https://ecology.wa.gov/Events/ProgA/Environmental-Justice/EJ-Assessments>.

impacted communities and communities on “Indian country.”⁸ This broad-reaching definition is in addition to the overburdened communities identified specifically for implementation of Section 3 to ensure that benefits from investments can be applied more broadly to overburdened communities across the state, and more specifically to those communities impacted by criteria pollution.

California’s law, however, appears more narrowly defined, resulting in a set number of communities identified as “disadvantaged,” akin to Washington’s overburdened community identification process.⁹ The Department should consider what impact these different definitions might have on measured outcomes—for instance, the Department could evaluate whether there are gaps in California definitions and, subsequently, in the benefits accrued to overburdened and vulnerable populations.

The Department should clearly outline the scope of benefits it plans to evaluate.

The Department should clearly outline the scope of benefits it aims to evaluate. Health benefits should remain top priority, given concerns raised around California’s impact (or lack thereof) on criteria pollution. However, the Department could also seek to identify a broader suite of benefits, including economic benefits and more, that are linked to, but separate from air quality and health improvements. For example, in Washington’s law, gas utilities must consign an increasing portion of their allowances to auction to eliminate the cost burden of the CCA on low-income customers and potentially invest in decarbonization and efficiency projects. If these investments from gas utilities were designed to prioritize cost-assistance for low and moderate-income homes, this would not only result in health benefits, but also significant economic benefits from decarbonizing and mitigating the burden of the rising cost of gas. The Department should analyze similar provisions in California’s and Québec’s laws to understand the range of potential benefits that could reach communities.

The benefits of the *investments* from the cap-and-invest revenue could also extend beyond improved health outcomes. Investments in clean buses and public transportation improvements, for example, could offer significant benefits for access to resources and jobs and improved quality of life if designed properly to prioritize overburdened communities. Given these potentially wide-ranging impacts and benefits of these cap-and-invest programs, it's important that the Department identifies its scope early on.

Consider a breadth of research, perspectives, and program elements to identify potential

⁸ RCW 70A.65.10

⁹ CalEPA, “California Climate Investments to Benefit Disadvantaged Communities.” 2023. <https://calepa.ca.gov/envjustice/ghginvest/>.

benefits.

To assess whether California's and Québec's programs benefit vulnerable populations and overburdened communities, the Department should holistically consider the body of literature and research available, while recognizing Washington's different context. The Department should isolate the impacts and/or benefits that stem from:

- The cap-and-invest program itself. Identify studies that assess the impact of the cap-and-invest program on greenhouse gas reductions and local air pollution reductions in overburdened communities.¹⁰
- The investments from the cap-and-invest revenue.¹¹ Identify the different programs California and Québec have funded through their revenue. Identify what percentage of their funds have reached disadvantaged communities and the impact of those funds on any quantifiable or qualitative benefits to communities, air quality, health, greenhouse gas reduction, and more.
- The confluence of these two elements – how might the program itself and the programs created through new cap-and-invest revenue streams compound and accelerate air quality benefits? How might investments bolster emissions reductions at polluting facilities?

Public comment letters from open comment periods in California and Québec could also be a useful tool in understanding the impacts of the program on communities. But most critically, the Department should engage directly with overburdened community members and community-based organizations in each of these jurisdictions to understand their experiences with these programs, identify the benefits they want to see in their communities, and to find ways to integrate these community benefits into a linkage agreement.

2. Linking would not have an overall negative effect on highly impacted communities in Washington, California, or Québec.

Key Recommendation: Once linkage is deemed a Significant Agency Action, use the Environmental Justice Assessment to identify benefits and offer insight into potential negative impacts on highly impacted communities of cap-and-invest programs and linkage.

¹⁰ E.g., Hernandez-Cortes, D. & Meng, K., "Do Environmental Markets Cause Environmental Injustice? Evidence from California's Carbon Market." February 23, 2022. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4041857; Walch, R., "The Effect of California's Carbon Cap and Trade Program on Co-pollutants and Environmental Justice: Evidence from the Electricity Sector." November 1, 2018.

https://www.dropbox.com/s/5s9rrhd2d493mjg/Walch_CA_CAT_copollutants.pdf?dl=0.

¹¹ CalEPA, "California Climate Investments Using Cap-and-Trade Auction Proceeds." April 2023. https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/ccj_annual_report_2023.pdf

This second criterion is inherently linked with the first criterion – it is important that linkage enables benefits to flow to overburdened communities in California, Québec, and Washington, while safeguarding against any harms that may come with a larger allowance market and lower-cost allowances. Given the overlap with the first criterion, we recommend relying on similar sources and considerations. Namely, the Department should conduct an Environmental Justice Assessment that considers potential negative impacts (and benefits) and means to mitigate them, meet with communities and community-based organizations in California and Quebec, reference papers and articles, interviews, public comments and more to understand communities’ perspectives on these cap-and-invest programs and their impacts on communities.

Assess and compare the full suite policies in California, Québec, and Washington to improve criteria pollution, air quality, and health disparities.

Lawmakers included Section 3 in Washington’s CCA to regulate and reduce criteria pollution in overburdened communities as a direct response to criticism that California’s program enabled businesses to keep polluting in these communities. The Department should consider whether California and Québec have similar policies to reduce localized criteria pollution alongside greenhouse gas pollution, such as California’s Community Air Protection Program.¹² As part of this analysis, the department could compare the pollutant thresholds used to identify overburdened communities, identify any laws or regulations to curb air toxics in addition to criteria pollutants, and the degree to which communities were involved in program design. The Department should also consider options that may not be reflected in Washington’s law for improving outcomes for overburdened communities. For example, California’s Independent Emissions Market Advisory Committee notes in its 2022 Report that California could help curb criteria pollution by implementing geographic trading limitations wherein facilities would essentially be limited to “source-specific” greenhouse gas emissions reductions.¹³ Assessing these potential changes may be useful for designing a linkage agreement that ensures protections for overburdened communities in all jurisdictions.

Assess and compare provisions throughout California, Québec, and Washington’s cap-and-invest laws that ensure equity is centered in program implementation.

Washington’s law includes numerous provisions to enable equitable program implementation including minimum investment commitments for overburdened communities and Tribes, requiring the Environmental Justice Council to provide recommendations and general oversight,

¹² CARB, “Community Air Protection Program.” 2023. <https://ww2.arb.ca.gov/capp>

¹³ IEMAC, “2022 Annual Report of the Independent Emissions Market Advisory Committee.” February 3, 2023. <https://calepa.ca.gov/wp-content/uploads/sites/6/2023/02/2022-ANNUAL-REPORT-OF-THE-INDEPENDENT-EMISSIONS-MARKET-ADVISORY-COMMITTEE-2.pdf?emrc=6afe11>.

and Tribal consultation. If present, the Department should identify any similar or additional environmental justice safeguards written into California and Québec’s laws and regulations as these are critical for ensuring benefits reach communities and harms. The Department should also consider ways to integrate a requirement for certain equity provisions into a future linkage agreement.

3. Joining markets would not negatively impact Washington's ability to meet the emissions-reduction commitments set in state law.

Key Recommendation: Consider partial or restricted linkage as means for reducing the cost of allowances without harming Washington’s ability to meet its own GHG reductions.

Restricted linkage is a potential option the Department could pursue to help limit rising costs in Washington while mitigating concerns that California’s large supply of unbanked allowances would harm Washington’s ability to meet its greenhouse gas reduction requirements. This restriction could be implemented in various ways, but is generally accomplished by limiting, or restricting, the use of allowances from another jurisdiction.¹⁴ For example, a restricted linkage agreement could allow Washington businesses to have access to a limited number of out-of-state allowances to increase the supply of allowances and drive down costs without flooding the market.

Another option that may be more administratively burdensome but would ultimately have the same effect would be to establish a certain percent of out-of-state allowances that could be used to meet an entity’s compliance obligation, similar to the design of the offset program. There are some tradeoffs to this approach, given it may lead to lower administrative and market efficiencies, but it “may be useful if there is a need to trade off some advantages against some of the risks.”¹⁵ The Department could also consider pursuing restricted linkage for a set number of years before deciding to pursue full linkage as a way to give other jurisdictions additional time to implement major programmatic changes (e.g., addressing the allowance bank or extending the program to 2050).

Key Recommendation: Washington’s linkage with California and Québec should be contingent on California’s program reauthorization.

Currently, California’s program is only extended through 2030 and requires reauthorization to

¹⁴ ICAP & PMR, “Emissions Trading in Practice: A Handbook on Design and Implementation (2nd Edition).” April 2021. https://icapcarbonaction.com/system/files/document/ets-handbook-2020_finalweb.pdf.

¹⁵ ICAP & PMR, April 2021.

extend to 2050, when California must reduce its emissions by 80% by 2045.¹⁶ While the California Air Resources Board may have implicit authority to enable this extension, it is likely that legislation and approval by the Legislature will be required to reauthorize the program. Given these uncertainties, the Department should consider the risks associated with linking with a program that may end in 2030. For example, California would no longer be incentivized to address its large bank of unused allowances to meet its 2050 goals in a scenario where the program does not reauthorize. Administrative burden and costs associated with linking with a program for a brief 5-year period may also pose risks, particularly given the staff capacity needed to execute the linkage process, including public comment periods, rulemaking, designing of a linkage agreement, and subsequent de-linking. Thus, *without* assurance that California's program will extend to 2050, linkage may harm Washington's – and California's – ability to reach its greenhouse gas emissions reduction goals.

The Department should work closely with California's program administrators and advocates to understand the likelihood of program extension and ultimately, should wait to link until the program has been reauthorized to avoid these concerns.

Closely follow potential opportunities for California to address its large bank of unused allowances.

As of 2022, California banked 321 million allowances, which is equivalent to the carbon reductions needed to meet California's 2030 reduction goals.¹⁷ As noted in part one of our analysis, linkage should be contingent on California addressing its large bank of unused allowances. This overallocation poses one of the greatest barriers to linkage given its potential to hinder Washington's (and California's) ability to meet its emissions-reduction requirements set in law through enabling Washington to exceed its statewide cap with the availability of cheap, overabundant allowances, and reducing revenue streams that could be invested in decarbonization projects.

The Independent Emissions Market Advisory Committee 2022 Annual Report notes a few options that California administrators have to address the allowance supply, including implementing an emissions containment reserve, as well as an administrative change to reduce annual emissions budgets to decrease allowances proportionally across allowance supplies (e.g., secondary market, free allowance allocation) – not just through auction.¹⁸ Whichever

¹⁶ Office of Governor Newsom, "California Releases World's First Plan to Achieve Net Zero Carbon Pollution." November, 2022. <https://www.gov.ca.gov/2022/11/16/california-releases-worlds-first-plan-to-achieve-net-zero-carbon-pollution/>.

¹⁷ Berkeley Law, "California Climate Policy Fact Sheet: Cap-and-Trade." <https://www.law.berkeley.edu/wp-content/uploads/2019/12/Fact-Sheet-Cap-and-Trade.pdf>

¹⁸ IEMAC, February 3, 2023.

approach California takes, it is important that they address this supply to meet all three programs' reduction targets and the Department should work closely with the Advisory Committee to understand these potential shifts and to track any rulemakings or legislative changes.

Consider the complex role of each jurisdiction's offset program and their impact on program effectiveness and greenhouse gas emissions reductions.

In California and Québec, offsets are outside of their respective emissions caps, where the purchase of an offset does not impact the number of allowances available for purchase. This means that covered entities can fully "offset" their emissions with the purchase of an offset, which slows California and Québec's ability to meet their greenhouse gas reductions and enables businesses to continue to pollute in communities at higher levels for longer. In response to these concerns, offsets in Washington's program are *within the state's emissions cap*, such that purchasing an offset removes the equivalent number of allowances from the market. This means that Washington's offset program still encourages emissions reductions while providing an *additional* benefit for investments in conservation. Washington's program also provides support and incentives for offsets on Tribal land to drive these dollars to Tribes. As the Department considers whether to link, it should carefully consider the implications of this separate treatment of offsets under each program's law and how that might impact Washington's ability to meet its greenhouse gas emissions. It is also worth considering whether California and Québec have a similar program designed to support Tribes in developing offset programs.

It is worth noting that California is considering implementing a true-up mechanism to account for invalid offsets that would remove the equivalent amount of emissions from the allowance pool. The Department should consider the impact of such a change on emissions reductions.¹⁹

Assess the impact that California's banked allowances has had on Québec.

As is required by statute, the Department must consider the implications of California's banked allowances issue on Washington's ability to meet its own GHG reduction targets set in law. In order to assess the impact of linkage on Washington's ability to meet its emissions targets, the Department should utilize Québec as a case study and analyze the impact of linkage on Québec, which is comparable in both size and emissions output. The Department should consider any existing literature on these impacts and should meet directly with Québec's program

¹⁹IEMAC, February 3, 2023.

administrators to learn more.²⁰ However, it is worth highlighting that a 2020 study found that prior to linkage, Québec had a lower settlement price than that of California, and the price of an allowance increased relative to Québec's original prices.²¹ Thus, although Québec may offer useful insight into the scale of impact, it may not offer a direct comparison of price impacts.

Consider the implications of electricity markets and imports on linkage.

The Department should consider the implications of electricity markets and recent engagement on electricity imports under the CCA in its decision-making on linkage. Many conversations around electricity markets have centered around the need for a fully integrated wholesale electricity market in the West. It will be important for the Department to closely track the development of an integrated market over the coming years to ensure that electricity markets can efficiently operate in a linked system, while strengthening practices for electric greenhouse gas emissions accounting. The Department must ensure enforcement and close tracking of imported and exported electricity to maintain the stringency of both laws.

4. Linking would reduce the cost of compliance for covered businesses.

Re-frame criterion #4 to more closely align with the intent of the statute to achieve the most cost-effective greenhouse gas emissions reductions.

As written, this criterion does not fully capture the intent of the statute and may run counter to the goal of criterion #3 to avoid negatively impacting Washington's ability to meet its greenhouse gas emissions reductions. The statute states that a goal of linkage is to "broaden the greenhouse gas emission reduction opportunities to reduce the costs of compliance on covered entities and consumers."²² Rather than solely focusing on reducing costs for Washington entities, the intent of this criterion is to ensure that linkage facilitates the lowest-cost greenhouse gas emissions reductions between all three programs. At some point during the lifetime of the program, Washington will likely have more cost-effective greenhouse gas emission reduction projects, and at other points in the program, California or Quebec may. This criterion should better reflect the goal of ensuring linkage provides an opportunity for seeking the most cost-effective greenhouse gas reduction opportunities at a regional level between the

²⁰ E.g., Vivid Economics, "Market Stability Measures." 2020. https://climate.ec.europa.eu/system/files/2020-06/study_market_stability_measures_en.pdf;

Purdon, M., Houle, D., Lachappelle, E., "The Political Economy of California and Québec's Cap-and-Trade." 2014. https://www.researchgate.net/publication/276289377_The_Political_Economy_of_California_and_Québec%27s_Cap-and-Trade#pf27.

²¹Purdon, M., et al., 2014.

²² RCW 70a.65.210

linked programs.

Use Québec as a case study to understand the cost impacts of linkage on a smaller market.

Given that Québec and Washington are comparable in size and emissions output, the impact of linkage on the cost of compliance and emissions reductions will be useful. As highlighted under criterion #3, the Department should connect with Québec's cap-and-invest administrators to understand the impact of linking on: their ability to meet their GHG reductions, its ability (or lack thereof) to reduce the cost of compliance for covered businesses, and more. It will also be useful to understand any administrative benefits that come with linkage beyond sharing an auction system and platform, and identify other areas Québec may have seen efficiencies or challenges as they worked to integrate their system with California's. In general, understanding how linkage may have contributed to the sustainability of Québec's smaller program will be useful.

Conclusion

Linkage has the potential to increase the durability of Washington's program, reduce costs for consumers, and improve the environmental integrity and equity provisions of California's and Québec's programs. However, linkage may also pose risks and could undermine the impact of provisions to protect overburdened communities and meet greenhouse gas limits in Washington's law. Thus, our support for linkage hinges on: (1) the benefits and protections for overburdened communities and the degree to which these programs mirror some of Washington's critical provisions for environmental justice and overburdened communities, especially for air quality; (2) efforts to address California's large supply of banked allowances to ensure all three jurisdictions collectively meet their emissions reduction goals; and (3) California's extension of its program beyond 2030 to help ensure linkage bears benefits and efficiencies in the long term. Ultimately, Washington, California, and Québec have an opportunity to set a national standard for a carbon market. If Washington pursues linkage and is able to help influence California and Quebec strengthen their programs, we could see our region as a whole more effectively and equitably meet our greenhouse gas reduction goals.

We look forward to continuing to work with the Department as it considers linkage.

Sincerely,



Altinay Karasapan
Washington Regulatory Policy Manager
Climate Solutions



Kelly Hall
Washington Director
Climate Solutions

May 15, 2023

Stephanie Potts
WA Dept. of Ecology – Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Re: Comments on Cap & Invest Linkage Exploratory Process

Dear Ms. Potts,

On behalf of The Nature Conservancy and our 310,000 supporters across the state, thank you for this opportunity to provide comments on the critical decision on whether Washington state should link our Cap & Invest system to California and Quebec. The Nature Conservancy helped shape and strongly supported the Climate Commitment Act as landmark climate legislation for Washington state. Washington learned from the shortcomings of previous Cap & Invest programs to create a policy that will dramatically reduce greenhouse gas emissions, ensure that overburdened communities realize health benefits from reduced emissions and associated toxic pollution, and invests in transitioning our state to a clean economy with climate resilient communities. Whatever decision the Department of Ecology ultimately makes, we encourage one that it is made with the intent to strengthen these goals.

In short, we urge caution and careful consideration and analysis as the Department of Ecology makes this decision. Washington's system was developed with the benefit of seeing the successes and shortfalls of the similar systems in California and Quebec, ours is a permanent program with more ambitious greenhouse gas targets, limited offsets within the greenhouse gas cap and an embedded air quality program; each of these components can all be negatively impacted if linkage is implemented without protections for Washington's unique system. As such, we offer the following comments as broad areas of consideration and further research as Ecology makes this determination.

Conduct an Environmental Justice Assessment prior to deciding whether or not to pursue linkage

The informal public process provided does not allow for knowledgeable public input for Ecology to in turn inform their decision on linkage; due to the fact that there is little generally accessible information that analyzes the impact of linking carbon markets. Furthermore, one of the only available analyses focuses exclusively on the impacts of linkage on the allowance price. This leaves out the crucial impacts that linkage may have on overburdened communities and greenhouse gas and criteria air pollutants. Given that this is a significant agency decision with

large implications for Washingtonians health and our ability to reduce emissions of all types; an environmental justice assessment. While the conducting of an environmental justice assessment is required by the Climate Commitment Act, the timing of when in the process it should be done is not. It is the Nature Conservancy's recommendation that it should be undertaken prior to making the decision to link. Once completed that assessment should be shared broadly with Ecology and another round of public comments should be conducted before a decision on linkage is made. Such a process would allow for a more informed public to submit comments targeted towards better known impacts and outcomes.

A critical analysis of an Environmental Justice assessment of linkage should be focused on the pollution burden and health disparities of communities in Washington, California and Quebec – not just the potential economic burden of high fuel and transportation costs. While economic burden, especially for low-income communities is a key consideration, it should not be an exclusive one. The air quality program and other environmental health benefits of Washington's Cap and Invest program are a critical piece of the program and designed purposefully to address perceived shortcomings in California's system. As such, Ecology should conduct the needed analysis of any negative impacts on reaching our GHG reduction targets, improving air quality in overburdened communities and other potential impacts to overburdened communities. With this analysis in hand, Ecology should then re-open opportunities for input on whether or not to link from a public informed about the impacts of linkage to pollution burden and health disparities in all linking jurisdictions.

Prohibit unlimited use of unused California allowances in Washington

With hundreds of millions of unused allowances built up by entities in California, unlimited linkage between California and Washington could very likely lead to a complete diminishment of needed revenue to invest for our transition to a clean economy – while also limiting actual greenhouse gas reductions by Washington state entities. A linkage agreement that weakens the greenhouse gas impacts and the investment potential of the Cap & Invest system would be unacceptable. Ecology must be certain that any approach to linkage under consideration will maintain needed revenue for the clean economy transition and maintain incentives for Washington's covered entities to reduce their emissions and not simply allow unfettered access of California's unused allowances to flood our tightly regulated market.

In addition, California's system does not extend beyond 2030 and that impermanence could lead to further "dumping" of allowances, as unused allowance become worthless in California with that program's potential expiration. To address the threats of California's allowance glut and program expiration date, Ecology should consider very limited linking by significantly restricting the number of allowances from California and Quebec that could be allowed in Washington. This would allow for some cost containment without harming the goals of Washington's program. We support Stockholm Environment Institute's robust analysis on this issue and encourage Ecology's deep consideration of their comments on this and other matters.

All offsets in a linked market must be under the cap

Ecology must protect the integrity of Climate Commitment Act's impacts on greenhouse gas reduction. Unlike in Washington, California's offsets are able to exceed their cap on Greenhouse

Gas emissions – allowing California entities to purchase offsets in Washington would limit, if not eliminate, an overall reduction in greenhouse gases. Offsets that do not contribute to lowering emissions under the cap do not meet the program’s core objective and should not be allowed in a linkage agreement. Ecology should make linkage of Washington’s system contingent on California adapting their program to include offsets under their cap so that the offsets contribute to greenhouse gas reduction targets.

The Nature Conservancy appreciates this chance to provide input on Ecology’s linkage decision process. We hope to provide input on this decision again should Ecology conduct an Environmental Justice Assessment and shares how linkage would impact overburdened communities in all linked jurisdictions, as well as how Ecology would protect the goals of Washington’s program with other less rigorous programs.

Sincerely,

David B. Mendoza
Director of Advocacy & Engagement

Joshua Rubinstein
Conservation Policy Associate

May 15, 2023

Stephanie Potts
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 Air Quality Program
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RE: Environmental Defense Fund comments relating to linkage between Washington's emissions market and the joint California-Quebec emissions market

Dear Ms. Potts,

Environmental Defense Fund (EDF) appreciates the opportunity to provide input as the Department of Ecology (Ecology) evaluates a potential linkage between Washington's emissions market and the joint California-Quebec emissions market. EDF is a non-profit, non-governmental, and non-partisan organization that links science, economics, and law to create innovative, equitable, and cost-effective solutions to urgent environmental problems. EDF has over three million members and activists across the country, including over 100,000 in Washington state.

EDF brings deep expertise to climate policy design, particularly the design of enforceable, declining, economy-wide limits on climate pollution. EDF has long pursued initiatives at the state, national, and international levels designed to reduce emissions of climate-altering and health-harming air pollutants. EDF has been deeply involved in the design and implementation of California's cap-and-trade program since the program's launch in 2012. We continue to provide technical and policy expertise to make the program as strong as possible going forward and provide analysis of quarterly auction results—as we also now do in Washington.

EDF engages with both the California-Quebec emissions market and the Washington's emissions market to advocate for the deep emissions reductions needed to address the urgent challenge of climate change while creating a more sustainable and equitable future for all. Our goals for these both emissions markets include:

- Promoting ambition in the greenhouse gas emissions limits set by these markets in order to achieve the near- and long-term emissions reductions required to avert the worst impacts of climate change. Cap stringency must deliver cumulative greenhouse gas emissions reductions in alignment with science-based climate targets.
- Ensuring that emissions reductions are accurately quantified and that any offsets used to meet compliance obligations are additional and verifiable, and result in real, quantifiable, and permanent reductions in greenhouse gas emissions.
- Ensuring that the benefits of these emissions markets are shared equitably, particularly among communities that are disproportionately impacted by climate change and pollution. This includes ensuring that revenue from these markets is allocated to support investments in low-income and frontline communities, such as clean energy, energy efficiency, and transportation programs. This also includes securing air quality protections that work alongside and within market-based programs to ensure that air quality improves in communities that face disproportionate air pollution burdens.

Washington's Climate Commitment Act makes the state the country's frontrunner on climate action, with the most ambitious enforceable limits on climate pollution of [any state in the nation](#). By taking bold action to reduce greenhouse gas emissions, Washington is demonstrating that it is possible to address the urgent challenge of climate change while creating a more sustainable and prosperous future. Now, Washington is taking the next step forwards by evaluating whether to link the Climate Commitment Act's cap-and-invest program with the joint California-Quebec emissions market.

Linkage can offer important benefits to the state of Washington, driving climate action at the regional scale and enabling increased cost-effectiveness while maintaining the environmental integrity of the linked jurisdictions' declining caps on emissions. Through linkage, Washington can make its cap-and-invest program as strong and predictable as possible, helping facilitate ambitious climate action for decades to come and creating a foundation for broader climate action in the future.

Benefits of linkage between Washington's market and the joint California-Quebec emissions market

By linking their carbon markets, Washington and California would demonstrate continued leadership on climate action and send a strong signal to other states and countries about the importance of reducing greenhouse gas emissions in an effective, coordinated manner. In evaluating the benefits of linking, we urge Ecology to consider the following:

Linkage will create substantial economic benefits for Washington state, enabling greater levels of cost-effectiveness while maintaining the environmental integrity of the state's declining cap on emissions.

Linkage between emissions markets in Washington, Quebec, and California will create substantial economic benefits for Washington State while preserving the environmental integrity of the cap-and-invest program. A 2022 joint report from EDF and IETA found that **"fundamentally, formal linkage leads to a single allowance price across all linked jurisdictions, thereby reducing total costs to final consumers without sacrificing environmental benefits. In turn, these cost reductions make it easier for regulators to achieve ambitious climate targets and lower overall cap levels."**¹

Earlier research by the OECD in 2014 similarly found that "linking schemes can improve cost effectiveness by increasing the size and liquidity of carbon markets."² A larger, linked market will provide more opportunities for companies to find lower-cost options to reduce their emissions, helping to lower compliance costs for companies in Washington while still maintaining the same level of aggregate, cumulative greenhouse gas emissions reductions across the linked jurisdictions. This will allow Washington to achieve greater levels of cost effectiveness while maintaining the environmental integrity of the state's declining cap on emissions.

¹ Environmental Defense Fund and International Emissions Trading Association. A Roadmap for Linkage: Aligning California and Washington's Carbon Prices. July 2022.

<https://ieta.org/resources/Resources/Reports/ARoadmapforLinkageJuly2022.pdf>

² Dellink, Rob et al. Towards global carbon pricing: Direct and indirect linking of carbon markets. OECD Journal: Economic Studies. 2014. <https://www.oecd.org/economy/growth/towards-global-carbon-pricing-direct-and-indirect-linking-of-carbon-markets.pdf>

Linkage will reduce the overall cost of compliance for regulated businesses in Washington. The economic analysis³ published by Washington’s Department of Ecology, which examined the potential outcome of linking markets between Washington and California, showed that if market participants had certainty that the program would link with California’s program by 2025, the result would be a significant drop in the initial Washington allowance prices. This is compared to a market in which there was no expectation of linkage – with initial allowance prices dropping 30% from \$58.31 in a program without an expectation of linkage to \$40.74 in a program with an expectation of linkage to California.

Broader economic research also finds that program linkage yields efficiency gains; a recent study from economists at the University of Massachusetts Amherst found that linkage “yields lower total abatement costs and greater economic surplus in each program,” compared to independent systems.⁴ This study built on earlier research by Resources for the Future, which found in 2013 that “bilateral linking of cap-and-trade programs offers potential efficiency gains through lower-cost emissions reductions.”⁵

These cost-effectiveness and efficiency gains can enable greater climate ambition across the two jurisdictions. The price reductions modeled by the Department of Ecology in a scenario with an expectation of linkage suggest that in a linked market, Washington is less likely to trigger an auction of allowances from the Allowance Price Containment Reserve—keeping those allowances out of the market and lowering the overall emissions under the cap.

Linkage between the programs will allow for more streamlined auction administration and program management, while also increasing overall market security.

Linking Washington’s market with the joint California-Quebec market will streamline auction administration and program management by utilizing a shared auction that leverages California and Quebec’s proven approach. Washington has already taken steps towards this outcome by utilizing the Western Climate Initiative as its auction platform—the same auction platform used by California and Quebec’s joint auctions. Linkage also establishes a single allowance price across all linked jurisdictions. Washington’s market already includes safeguards against market manipulation, but a single allowance price acts as an additional safeguard while also making it easier for regulated businesses that must comply with programs in multiple jurisdictions.

Linkage can also enhance market security, and “offers opportunities for sharing of risks related to changing circumstances.”⁶ When multiple carbon markets are linked, there is a larger pool of allowances available for trading, creating a more liquid market; increased liquidity tends to also increase market resilience and the ability of the market to absorb shocks such as sudden changes in commodity prices or

³ Revised Preliminary Regulatory Analysis, Washington State Department of Ecology Air Quality Program. May 2022. <https://apps.ecology.wa.gov/publications/documents/2202019.pdf>.

⁴ Woerman, Matt. Linking carbon markets with different initial conditions. *Journal of Environmental Economics and Management*. May 2023. <https://www.sciencedirect.com/science/article/abs/pii/S0095069623000384>

⁵ Burtraw, Dallas et al. Linking by Degrees: Incremental Alignment of Cap-and-Trade Markets. *Resources for the Future*. April 2013. <https://media.rff.org/documents/RFF-DP-13-04.pdf>.

⁶ Ibid.

in currency exchange rates.^{7,8} This increased liquidity and security makes it easier for companies to plan their emissions reductions and invest in low-carbon technologies.

Furthermore, by sharing information, regulators can learn from each other's experiences and share best practices, leading to more effective program management and a stronger overall market. Administration of a linked market is also more efficient, benefiting from reduced program costs and streamlined processes that benefit both regulators and companies across a linked system.⁹

Streamlined compliance, reduced administrative costs, a single allowance price, and increased market security all contribute to a more effective and efficient cap-and-invest program that will drive down greenhouse gas emissions over time.

Linkage between Washington's program and the joint California-Quebec emissions trading system would be a major achievement for the climate, building momentum for bold climate action and signaling a common, large-scale effort to reduce greenhouse gas emissions.

Climate change is a global problem, and greenhouse gas emissions are a global pollutant. Climate leadership states like Washington are essential for driving progress to cut emissions, and Washington's Climate Commitment Act is an important model of climate action that other jurisdictions should follow. Linkage would be a concrete step towards achieving the greater level of cooperation that is necessary to prevent the most dangerous and irreversible impacts of climate change.

To realize the benefits of linkage to their fullest potential, we urge Ecology to work towards a functioning linked market as soon as possible, but no later than 2025. Linkage during the first compliance period of the Washington cap-and-invest program would provide stability and certainty to regulated entities while locking in benefits for energy affordability as soon as possible.

Linkage Criteria

The Climate Commitment Act lays out four criteria that must be evaluated before Washington can move forward with linking its program with another jurisdiction. Those criteria include:

- 1) Ensure that the linking jurisdictions have provisions to ensure their programs provide benefits to vulnerable populations and overburdened communities.
- 2) Ensure that linking would not have an overall negative effect on highly impacted communities in the linking jurisdictions.
- 3) Ensure that linking markets would not impact Washington's ability to achieve its greenhouse gas emissions reduction limits, including an analysis of pre-2020 unused allowances in a linked program.
- 4) Ensure that linking markets would reduce the cost of compliance for covered businesses.

In evaluating these criteria, we recommend that Ecology consider the following:

⁷ Environmental Defense Fund and International Emissions Trading Association. A Roadmap for Linkage: Aligning California and Washington's Carbon Prices. July 2022.

<https://ieta.org/resources/Resources/Reports/ARoadmapforLinkageJuly2022.pdf>

⁸ Santikarn, M. et al. A Guide to Linking Emissions Trading Systems. International Carbon Action Partnership. 2018.

https://icapcarbonaction.com/system/files/document/icap_guide_to_linking_full-report_1.pdf

⁹Ibid.

The Climate Commitment Act gives Ecology broad authority to adjust the program as needed to ensure that Washington’s achieves its 2030, 2040, and 2050 climate targets.

The Climate Commitment Act (CCA) grants broad authority to the Washington State Department of Ecology to design and implement its cap-and-invest program, with the flexibility to adjust the program as needed to ensure that the state meets its 2030, 2040, and 2050 emissions reduction targets.

Specifically, the [CCA states](#) that Ecology has the authority to evaluate the performance in the program of reducing greenhouse gases, and that "If the evaluation shows that adjustments to the annual allowance budgets are necessary for covered entities to achieve their proportionate share of the 2030 and 2040 emission reduction limits identified in RCW 70A.45.020, as applicable, the department shall adjust the annual allowance budgets accordingly."

This provision gives Ecology the power, if necessary, to adjust the number of allowances available to regulated entities to ensure that the state stays on track to meet its 2030, 2040, and 2050 climate targets.

Additionally, evaluation of Washington’s ability to meet its 2030, 2040, and 2050 climate targets should include consideration of complementary policies that will work alongside the cap-and-invest program to collectively ensure that the state can meet its goals. Together, these policies create a comprehensive and flexible approach to reducing greenhouse gas emissions and transitioning to a clean energy economy.

Cumulative emissions reductions are a critical metric for effective climate action, and progress towards shared emission reduction goals at the regional scale can be reflected in emissions accounting.

The impact of long-lived greenhouse gas emissions in the atmosphere is cumulative; much of the pollution we are emitting into the atmosphere today will linger and continue to cause warming for decades to come. Cumulative emissions levels are a major determinant of the level of warming that our planet experiences, and it's critical that our approach to climate policy is consistent not only with in-year targets, but also with assessments of carbon dioxide budgets that estimate the cumulative amount of carbon dioxide that can be emitted while staying below science-based temperature targets. That is, effective climate policy needs to achieve an emissions decline **pathway** with a persistent downwards trajectory that aligns with estimated carbon dioxide budgets.

Cap-and-invest and cap-and-trade programs with allowance budgets that decline year-over-year are designed to effectively reduce cumulative emissions over time, ensuring that emissions decline in line with a cumulative carbon budget that’s aligned with an in-year goal. In a linked emissions market, different marginal costs for reducing pollution will likely lead to a net flow of allowances between jurisdictions. For example, the linkage between California and Quebec, which has been operating since 2014, offers several guideposts for navigating the questions that arise when a smaller market merges with a larger market.

Quebec is typically a [net importer of allowances](#) from California, though it was a net exporter to California during the first two years of linkage.¹⁰ It is important to note that though Quebec is a net importer of allowances from California, each net allowance imported by Quebec means that one fewer net emissions allowance was available to regulated entities in California. This approach is consistent with

¹⁰ California Air Resources Board and Government of Quebec. Report on the Net Flow of Compliance Instruments between Quebec and California for the Period 2013-2020. December 2022.
<https://www.environnement.gouv.qc.ca/changements/carbone/rapport-flux-echanges-droits-emission-ges-quebec-californie-2013-2020-en.pdf>

achieving a regional shared carbon budget based on climate targets in the two jurisdictions, and allowed both jurisdictions to achieve their individual climate goals.

An evaluation of linkage criteria should reflect studies on local air pollution in communities in California that face a disproportionate share of environmental health harms.

Under the declining economy-wide cap on emissions, individual regulated businesses make decisions about when and how to reduce emissions based on allowance prices. As explained by ASU Professor [Danae Hernández-Cortés](#), a given cap-and-trade program’s ability to reduce emissions and decrease environmental disparities is critically dependent upon the location/spatial distribution of polluting facilities, the marginal abatement costs of those facilities, and their geographic proximity to disadvantaged communities. Strictly looking at emissions production, the ability of facilities to accumulate emissions permits while under the market’s cap could theoretically result in an increase in emissions. If the greenhouse gas pollutants regulated under the market are co-emitted with local air pollutants, an increase in emissions would likely coincide with an increase in localized air pollution, thereby amplifying the health impacts experienced by the overburdened communities who typically live nearer to polluting facilities. To calculate how a cap-and-trade program will affect environmental justice gaps, it is thus imperative to note where regulated facilities are located and to model how the emissions that they produce under the program will travel in relation to downwind and disadvantaged communities.

In the long-term, [California's Scoping Plan](#) plays out a strategy for achieving emissions reductions of 48% below 1990 levels by 2030. Air quality co-benefits will be substantial. But *where* those co-benefits are located is critical for ensuring that air pollution improves in the most impacted communities. A [2017 report from CalEPA’s Office of Environmental Health Hazard Assessment](#) also points out that data analysis of GHG emissions and air pollutants is complicated by differences in regulatory programs, and advocate for “co-reporting of criteria, air-toxic and GHG emissions for the facilities subject to the Cap-and-Trade Program” to aid investigation of emissions impacts.¹¹ Similarly, the [California Air Resources Board has specifically recommended](#) working “with air districts to assess emissions reduction opportunities” and improving “emissions inventory and data transparency” in order to achieve further reductions in air pollution.¹²

A variety of academic studies have been conducted that assess the environmental justice impacts of California’s cap-and-trade program. A [recent study in the Journal of Public Economics](#) evaluated how California’s environmental justice gap—the disproportionately higher pollution concentrations that are systemically experienced by people of color and low-income communities—has changed since the introduction of California’s cap-and-trade program in 2013. The study found that since California’s program launched, the environmental justice gap has narrowed and disparities in local air pollution concentrations from industrial sources regulated by the market have fallen.¹³ In other words, as a result of

¹¹ California Environmental Protection Agency Office of Environmental Health Hazard Assessment. Tracking and Evaluation of Benefits and Impacts of Greenhouse Gas Limits in Disadvantaged Communities: Initial Report. February 2017. <https://oehha.ca.gov/media/downloads/environmental-justice/report/oehhaab32report020217.pdf>

¹² California Air Resource Board. California’s Clean Air Approach and Update on the Cap-and-Trade Adaptive Management Process. November 2016. <https://ww2.arb.ca.gov/sites/default/files/barcu/board/books/2016/111716/16-10-5pres.pdf>.

¹³ Meng, Kyle C. and Danae Hernandez-Cortez. Do environmental markets cause environmental injustice? Evidence from California’s carbon market. Journal of Public Economics. January 2023. <https://www.sciencedirect.com/science/article/pii/S0047272722001888>

cap-and-trade, California’s disadvantaged communities have experienced a greater reduction in pollution than their non-disadvantaged neighbors.

However, while California has made important progress towards addressing air pollution in disproportionately impacted communities, there remains a significant need for targeted air pollution policies and enhanced monitoring and enforcement to ensure that air quality continues to improve in California’s disadvantaged communities and ultimately such unacceptable disparities are eliminated.

In evaluating how California’s program has benefitted vulnerable populations and overburdened communities, consider data on how investments of cap-and-trade program revenue have been targeted to provide benefits to California’s priority populations.

Investment in environmental justice communities is a clear priority in California’s carbon market. At least 35% of the revenue from California’s auctioned allowances must be used to benefit priority populations, including disadvantaged communities, low-income communities, and low-income households. CalEPA defines disadvantaged communities based on census tract data relating to socioeconomic status and pollution exposure. Currently, these designated communities include those in the top 25 percent of tracts “experiencing disproportionate amounts of pollution, environmental degradation, and socioeconomic and public health conditions,” those scoring in the highest five percent on the CalEnviroScreen Pollution Burden metric, those identified as disadvantaged by the 2017 census, and those residing on Tribal lands. Low-income households are those at income levels at or below 80 percent of the California state median.

As of 2022, 73% of the cumulative \$9.3 billion implemented by California Climate Investments are benefiting priority populations, significantly exceeding that 35 percent statutory minimum.¹⁴ This includes contracts of more than 9,000 affordable housing units, funding of more than 850 transit agency projects, and reductions in more than 78,000 tons of criteria air pollutants.

In Washington state, effective implementation of the Climate Commitment Act’s air quality protections can help ensure that the cap-and-invest program provides air quality benefits to communities that are overburdened by air pollution and environmental health harms.

Section 3 of the Climate Commitment Act tasks the Department of Ecology with a four-pronged commitment relating to air quality protection. Ecology must: 1) identify both the communities overburdened by air pollution and the sources of that pollution, 2) expand the state’s air quality monitoring infrastructure, 3) reduce criteria air pollutants in those communities, and 4) evaluate reduction strategies periodically to make sure goals are being met. If implemented effectively, these provisions will provide an important safeguard to ensure that criteria air pollution levels are reduced in overburdened communities.

The CCA geographically defines those “overburdened communities” as areas in which “vulnerable populations face combined, multiple environmental harms and health impacts or risks due to exposure to environmental pollutants or contaminants through multiple pathways, which may result in significant disparate adverse health outcomes or effects.” That classification is very similar to California’s statutory language (described above), which was also updated in 2022 to include Tribal lands in its designation of

¹⁴ California Air Resources Board. Annual Report to the Legislature on California Climate Investments using Cap-and-Trade Auction Proceeds. April 2023. https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/cci_annual_report_2023.pdf

disadvantaged communities.¹⁵ Overlap in this definition and in the minimum revenue investment requirements reflects Washington and California's shared focus on disadvantaged communities, which in turn suggests a promising foundation for linking the two states' carbon markets.

A minimum of 35%, and a goal of 40%, of revenue from Washington's cap-and-invest program must be invested in projects that create direct benefits for communities overburdened by air pollution. An additional 10% or more must be invested in projects that are supported by Tribes.

CCA funding will fund emissions reductions, climate resilience, and air quality improvements in overburdened communities. Specific programs will likely include increasing access to public transportation through transit grants, supporting the clean energy transition through renewable energy investments and affected worker assistance, and addressing health inequities via strengthened air quality monitoring networks. Investment of auction revenue is a critical mechanism for ensuring that overburdened communities and vulnerable populations receive direct benefits from the cap-and-invest program. California's more established cap-and-trade boasts a successful legacy of projects that have collectively saved 560 billion gallons of water, reduced 72 billion vehicle miles traveled, and generated 3.6 billion KWH of renewable energy. With more than 200,000 new urban trees planted, more than 21,000 new jobs created, and more than 10,000 new affordable housing units developed, the California Climate Investments provide a clear model for how CCA proceeds can be invested into the Washington communities most in need of them.

Thank you for considering our comments on potential linkage between Washington's emissions market and the joint California-Quebec emissions market. EDF appreciates the work that the Department of Ecology has done to build and launch a nation-leading cap-and-invest program, and we look forward to continued opportunities for engagement as Washington considers taking a next step towards a coordinated, regional market for reducing climate pollution.

Respectfully submitted,

Kjellen Belcher
Manager, U.S. Climate

Caroline Jones
Senior Analyst, U.S. Climate

Delia Novak
Intern, U.S. Climate

¹⁵ California Air Resources Board. Priority Populations. Accessed May 2023.
<https://www.caclimateinvestments.ca.gov/priority-populations>



May 15, 2023

Stephanie Potts
WA Dept. of Ecology - Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Re: Comments on Cap-and-Invest Linkage Exploratory Process

Dear Ms. Potts:

Thank you for the opportunity to provide comments as Ecology considers whether to pursue linking Washington's cap-and-invest program with the California-Québec greenhouse gas emissions market. As a statewide organization, Washington Conservation Action works to develop, advocate, and defend policies that ensure environmental progress and justice by centering and amplifying the voices of the most impacted communities. We have worked on carbon pricing for over a decade and are committed to realizing a just and equitable implementation of the Climate Commitment Act. We offer the following comments regarding restricted linkage, criteria, overall approach, offsets, and public participation.

Review Options For Restricted Linkage

We support by reference the comment letter submitted by the Stockholm Environment Institute and specifically ask Ecology to evaluate possible restricted linkage options as part of this phase of the linkage analysis. Evaluation of the statutory linkage criteria, offset considerations, and potential necessary changes to program structures, as discussed below, will be critical to determining whether restricted linkage with the California-Québec market would be beneficial.

Linkage Criteria

The following responds to Ecology's request for public input on how to evaluate the linkage criteria identified in RCW 70A.65.210.





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Ensure that the linking jurisdiction has provisions to ensure the distribution of benefits from the program to vulnerable populations and overburdened communities.

We agree with the inclusion of revenue-based benefits as part of the evaluation of this criterion and urge Ecology to also consider information about the program's impacts on air quality in overburdened communities in each jurisdiction.

Additionally, it could be helpful for Ecology to understand and document what, if any, other benefits to overburdened communities and vulnerable populations each of the potential linking jurisdictions may include as part of their program. For example, are there local hire or other labor protection benefits included in a potential linking jurisdiction's structure; are there benefits to local businesses near the covered entities, etc. Understanding and documenting these benefits may inform what, if anything, could be included in a potential linkage agreement.

Ensure that linking would not have an overall negative effect on highly impacted communities in Washington, California or Quebec.

In order to fully evaluate this criterion, Ecology should address several foundational considerations. This includes:

- 1) Ecology should have a clear understanding of how "highly impacted communities" are designated in each linking jurisdiction and note any substantive differences around definitions and/or designations. Ecology should also examine if and how impacts to these communities are evaluated in each jurisdiction.

Additionally, Ecology should understand and consider whether federally recognized Tribes in the United States and First Nations and Inuit communities in Canada are included and consulted in the designation of communities.

- 2) Within Washington, Ecology must fulfill its existing obligation to proactively and meaningfully engage and consult with federally recognized tribes, with sufficient time and information made available.
- 3) Ecology should actively seek the recommendations of the Washington Environmental Justice Council and provide adequate and timely information for the Council's





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deliberations. As part of this process, it would be helpful for Ecology to articulate whether any actions undertaken in pursuing, finalizing, or enacting a linkage agreement will qualify as significant agency actions subject to environmental justice assessment requirements under the HEAL Act. This includes at what stage of the process that designation would occur and how, if designated, the environmental justice assessment would then inform the rest of the process.

Alongside the above foundational considerations, we urge Ecology to address the following in its evaluation of this criterion:

- Direct public input from California and Québec, in addition to a review of each jurisdiction's policies and studies considering program impacts. This may include review of public comment, such as feedback from California communities on CalEnviroScreen, the impacts of being identified as disadvantaged, and/or setting up a process with California and Quebec to conduct public engagement processes.
- Specific analysis on likely impacts of linkage on criteria air pollution in overburdened communities or analogous communities in each jurisdiction.

Ensure that linking markets would not impact Washington's ability to achieve its greenhouse gas reduction limits, including an analysis of pre-2020 unused allowances in a linked program.

As discussed in detail in the Stockholm Environment Institute's comment letter cited above, linking fully with the California-Québec market under current conditions would likely pose an unavoidable threat to Washington's ability to achieve its greenhouse gas reduction limits. This is largely because of the current excess of WCI banked allowances and uncertainty whether California's program will be extended past 2030. Fully evaluating the impacts, and the options for restricted linkage scenarios, will be critical in determining whether and how to proceed with linkage.

As part of evaluating this criterion, Ecology should conduct an analysis of the potential impacts of linkage on in-state and global emissions reductions under various scenarios. Ecology should also be explicit and transparent about the contribution of complementary policies in driving emissions reductions. Since the CCA functions to provide revenue and, in some ways, a backstop for Washington's portfolio of climate laws and policies, this information will be helpful for continued advocacy for strong implementation of complementary policies.





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Additionally, Ecology should evaluate how it will manage allowances over time within a linked market. This includes if there are sufficient ways for Ecology to limit or change the number of allowances over the course of the program.

In the long term, to enable ongoing evaluation of the criteria and future linkage decisions, Ecology must develop an accurate and transparent process to track how the cap-and-invest program is impacting greenhouse gas emission reductions over time.

Ensure that linking markets would reduce the cost of compliance for covered businesses.

We urge Ecology to broaden this criterion to include an analysis of potential impacts for consumers, not just covered businesses, in order to fulfill the law's requirements and ensure that linkage supports the need for transparency. This includes evaluation of potential impacts for consumers with mandated cost protections under Washington's program, such as low-income utility customers and agricultural fuel users, and customers without cost protections, such as consumers of transportation fuels.

Additionally, we encourage Ecology to publicly communicate how it is balancing the structural tensions between reducing the costs of compliance and: a) potentially reducing revenues to invest in overburdened communities; and b) ensuring that cap-and-invest program revenue is sufficient for investments that drive greenhouse gas emissions reductions at the scale needed to meet our state emissions limits.

Changes to Program Structures

Based on thorough evaluation of the statutory criteria listed above, Ecology should conduct an analysis of what changes California and Québec would need to make in order to ensure any form of linkage results in net benefits across jurisdictions. Areas of particular importance in this regard include the current excess of WCI banked allowances and uncertainty whether California's program will be extended past 2030. Other areas of importance include issues relating to offsets, as discussed below; electricity imports and electricity markets; alignment of noncompliance penalties across programs, and differences in the treatment of emissions-intensive, trade-exposed facilities.





Ecology should also conduct an analysis to determine what changes to Washington’s cap-and-invest program would be necessary or beneficial and whether these changes could be made at the agency level, or would require further legislative action.

Ecology should share the results of these analyses publicly before a decision is made on whether to pursue any form of linkage.

Offsets

Washington’s program was structured in part to learn from the challenges faced by California’s program. To that end, it is of particular importance that Ecology retains a rigorous approach to offsets in Washington should it pursue linkage and understand the likely implications of linkage to offset projects and the direct environmental benefits they provide. Including offsets under the cap was a major innovation of Washington’s approach to cap-and-invest, and it helps to mitigate the potential significant environmental justice impacts of emissions trading programs. Maintaining offsets under the cap is crucial to the integrity of the program, and Washington should strongly advocate for California to adopt this under-the-cap approach. Adoption of an under-the-cap approach in California has the potential to lead to better environmental and social outcomes in both jurisdictions. The following elements are critical to include in Ecology’s evaluation of whether to pursue linkage.

- 1) **Maintaining the unique provisions of Washington’s offset program:** Ecology should explicitly address how the structure of the Washington program — with offsets falling under the allowance cap — will be upheld and not weakened within any version of a linked system. Upholding the program’s potential to support more environmentally and socially just outcomes also requires Ecology to maintain the provision of the CCA that decreases offset purchasing ability in response to local air quality issues [WAC 173-446-600(7)(d)(i)]. Ecology should develop specific strategies to ensure Washington would maintain offsets below the cap if linked with markets that allow offsets above the cap.
- 2) **Direct Environmental Benefits:** Ecology should analyze how reducing direct environmental benefits (DEBS) requirements from 100% to 50% or 75% across compliance periods due to linkage may impact local and overburdened communities





and identify strategies to mitigate any disproportionate reduction in benefits. Ecology should also provide clear guidance and/or examples demonstrating how projects implemented outside of the state can meet the DEBS requirement. Ecology should analyze how linkage for offsets may need to be approached differently than allowances in a linked system, due to the Direct Environmental Benefit requirement and the portion of offsets only available for offset projects on Tribal lands.

- 3) **Price impacts on offset credits:** Analysis should be completed regarding how expected price changes due to linkage will impact cost of offset credits, and how doing so may impact supply and location of offset projects. Offset projects are viewed as an opportunity for landowners, including tribal governments and small forest landowners, to implement improved conservation practices and generate revenue, as well as drawing down additional carbon important to meet our greenhouse gas emissions targets. Linkage may impact the viability of carbon offset projects, and therefore both revenue and environmental impacts locally - particularly in rural areas.
- 4) **Usage of offset credits across jurisdictions:** Analysis to understand current usage of the offset quota in California will be important. In the event there are additional offset quotas in California that can be used but have not been used to date, analysis will be important to understand how linkage is likely to impact whether regulated facilities pursue offset credits generated under California or Washington. In the event California does not move offsets under the cap, consistent with Washington, a facility purchasing California offset credits will have different impacts on allowances and result in different environmental and social outcomes.
- 5) **Future offset protocol creation and adjustment:** Under linkage, consistency of offset protocols across linked jurisdictions will be important. Ecology should consider the impacts of linkage on the potential for Washington to independently develop or direct revisions to existing offsets protocols, such as the as-yet unused CARB Urban Forests Protocol. Ecology should also provide clarity on Washington's ability to develop new offset protocols and pursue any protocols outside of a linked program, and how any new protocols will be developed and approved— such as a protocol for aggregating credits among Tribal and/or small forest landowners, or for blue carbon. Ecology should





conduct due diligence to ensure any protocols developed are robust and ensure new or revised protocols do not create asymmetries between jurisdictions.

Public Engagement

To ensure transparency and facilitate public participation, we urge Ecology to clarify opportunities for public engagement during the linkage agreement negotiation process. Specifically, if a decision to pursue linkage is made, there should be opportunities for meaningful public participation before a draft linkage agreement is released. We also urge Ecology to publicly track which outcomes and information from its current review could potentially be incorporated into a linkage agreement and which could not. This transparency will help the public stay connected and informed on the process, benefits, and drawbacks of this critical decision.

Finally, it would be helpful for Ecology to provide more resources, such as one-pagers, infographics, and summaries, to make complex and specialized content more accessible for a general audience.

The decision whether to pursue linkage will have far-reaching consequences for Washington's cap-and-invest program and our state's ability to achieve its statutory greenhouse gas emissions limits. It may also have profound implications for carbon markets on a national and international scale.

We thank Ecology for its careful consideration of this decision and look forward to continuing to participate in the months and years ahead.

Sincerely,

Rebecca Ponzio (Climate and Fossil Fuel Program Director), Rachel Baker (Forest Program Director), Caitlin Krenn (Climate and Clean Energy Campaign Manager) and Katie Fields (Forests and Communities Program Manager)

Contacts for follow up: Rebecca Ponzio (rebecca@waconservationaction.org) and Rachel Baker (r.baker@waconservationaction.org)



Section 2: Agency request legislation

(October 2023 – March 2024)

Paul Tabayoyon

To whom it may concern,

I and many in my community do not support this Cap and Trade policy that deveolops linkages with California and Quiebec becuase there has not been any sound proof of previous program successes in lowering pollution in areas that buy cap and trade offsets to eliminate their need to lower pollution in the vicinity of the polluting entity.

Outsourcing pollution through cap and trade programs only seek to prevent a polluting entity from having to lesson pollution by buying offsets. I am not aware of any cap and trade programs that lower pollution where buyers buy offsets to prevent needed investment to mitigate or lesson local community pollution.

Please provide information to the public before approval of this policy of how these future cap and trade programs will not take money out of our polluted communities where the offsets are purchased, and include the community costs as these effected communities will only see pollution increase due to lack of proper permitting in many communities across Washington state that do no abide by the same state rules due to allowances, or lack of county participation.

I do not support the cap and trade program alliances with out of state and out of country entities due to the lack of ability to enforce, require, or prevent improper spending of funds that should be spent in the direct community where the cap and trade offsets are purchased. This program will only take funding out of our communities similarly as the exporting industries have with our local natural resources.

Linkage benefits and disadvantages: <https://www.tandfonline.com/doi/abs/10.3763/cpol.2009.0626>

From: [Maria Batayola](#)
To: [ECY RE CCA Questions](#); [Bourgault, Nick \(ECY\)](#); [Jones, Tamara M. \(ECY\)](#); [Creswell, Joel \(ECY\)](#)
Cc: [Beacon Hill Council \(Group Email\)](#); [Ortega, Estela \(DOH\)](#); [King Coalition](#); [paulina@duwamishcleanup.org](#); [Sheila Brush](#); [Brandon Bowersox-Johnson](#); [laura.gibbons](#)
Subject: Not Support Input to Linkage Legislation
Date: Saturday, November 25, 2023 11:03:15 AM

(Dear Nick, Tamara, and Joel, Sharing with overburdened communities as requested. Maria)

Dear Stephanie (Potts),

Thank you for reaching out by email and Ecology staff following up.

Our Seattle Beacon Hill Council's mission is to "advocate for a welcoming, diverse and healthy community neighborhood".

As community grass roots organization with little technical capacity, we rely trusted community partners, sources and institutions that utilize environmental, health and climate equity lens to analyze issues to fix, stop and/or not add further harm to our vulnerable and/or overburdened communities.

The Washington State Environmental Justice Council sent a letter to your Department of Ecology stating that they do not support the proposed linkage. <https://waportal.org/partners/home/environmental-justice-council/announcements> click "letter on linkage"

We are advocating for "no linkage" given that there is no guarantee that people of color, vulnerable and overburdened communities will not be harmed.

Sincerely,
 Beacon Hill Council

From: ECY RE CCA Questions <CCAQuestions@ECY.WA.GOV>
Sent: Monday, November 13, 2023 5:16 PM
To: [BeaconHillCouncil@gmail.com](#) <[BeaconHillCouncil@gmail.com](#)>; [mbjumpstart@msn.com](#) <[mbjumpstart@msn.com](#)>
Subject: Requesting your input on agency request legislation for the Climate Commitment Act – comment period extended

Hello,

We are reaching out to Beacon Hill Council again to request your input on potential agency request legislation to modify the [Climate Commitment Act](#). The potential bill would include changes to the law that may be necessary to [allow linking of Washington's carbon market with California and Québec](#), as well as potential provisions to address other issues we have identified during our first year implementing the cap-and-invest program. You can read more about the [proposals we are considering here](#).

We are in the process of developing the Environmental Justice Assessment for the legislation and are hoping to hear input from members of overburdened communities and vulnerable populations about how the potential legislation could affect them as well as overall thoughts and comments on the proposed legislation.

We held two public listening sessions in late October (you can watch the [recording here](#)) and we just extended our deadline for written comments to the end of December.

Please let us know if you are interested in meeting with Ecology to discuss this proposed legislation. You can also [email us your comments](#), or [submit comments online](#), if that works better for you.

We would also appreciate your help in sharing this information with others in your network who may be interested in commenting.

Thank you,

Stephanie Potts (she/her)
 Senior Environmental Planner, Cap-and-Invest Program and Linkage
 Climate Commitment Act Implementation Group | Washington Department of Ecology



December 29, 2023

Director Laura Watson
Washington Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

RE: 2024 Agency Request Legislation Related to Carbon Market Linkage

Dear Director Watson,

Friends of Toppenish Creek (FOTC) is a 501 C (3) group from the Yakima Valley with a mission to address adverse impacts of factory farms. We submit these comments regarding linkage of the WA Cap and Invest program with similar programs in California and Quebec. **FOTC recommends waiting to explore linkages until there are more facts on the table.**

Although there are many components to Cap and Invest, FOTC focuses on the impacts of methane and nitrous oxide emissions from management of manure on concentrated animal feeding operations (CAFOs).

Keeping large numbers of animals in small areas and storing feces and urine in lagoons (wet manure management) produces large amounts of methane, a greenhouse gas.^{1, 2, 3} Dry manure management and pasture-based strategies effectively reduce greenhouse gas emissions and increase environmental benefits.^{4, 5}

¹ U.S. Environmental Protection Agency. Practices to Reduce Methane Emissions from Livestock Manure Management. <https://www.epa.gov/agstar/practices-reduce-methane-emissions-livestock-manure-management>

² Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories. CH₄ and N₂O Emissions from Livestock Manure. https://www.ipcc-nggip.iges.or.jp/public/gp/bgp/4_2_CH4_and_N2O_Livestock_Manure.pdf

³ Environmental Defense Fund. 2018. Report: Changing Manure Management Would Significantly Reduce Dairy Methane Emissions. <https://www.edf.org/media/report-changing-manure-management-would-significantly-reduce-dairy-methane-emissions>

⁴ California Department of Food & Agriculture. Alternative Manure Management Program. <https://www.cdffa.ca.gov/oefi/AMMP/>

⁵ National Sustainable Agriculture Coalition. 2020. A Climate Friendly Approach to Managing Manure. <https://sustainableagriculture.net/blog/a-climate-friendly-approach-to-managing-manure/>

According to the WA State Dept. of Ecology's (Ecology's) most recent Greenhouse Gas Inventory for Washington State, (wet) manure management contributes 1.5 million metric tons of CO₂ equivalents (MMTCO₂e) per year to Washington's total emissions of 102.1 MMTCO₂e annual emissions.⁶

Linkage with California and Quebec could, in our opinion, commit Washington to ongoing efforts to perpetuate wet manure management and divert state efforts away from other more environmentally protective methods of treating animal manure. At this time California is engaged in debates regarding manure management policy and we do not know how these discussions will play out.^{7,8,9} California has serious problems with methane emissions from animal agriculture. Parts of California have the worst air quality in the nation.^{10,11}

FOTC is very concerned that Washington policy makers only look at short term economic benefits for those who buy and sell commodities, while ignoring long term impacts on the air, water, soil, and people. We say this because Ecology's *Cap-and-Invest Linkage Criteria: Preliminary Analysis Report*¹² and *Clean Fuel Standard Cost Benefit Analysis Report*¹³ and *Summary of market modeling and analysis of the proposed Cap-and-Invest Program*¹⁴ only address economics and fail to analyze what happens to Planet Earth using various methods of farming and energy production.

Governor Inslee's proposed 2024/2025 Operating Budget allocates an outsized proportion of funding from the Climate Commitment Account to the Dept. of Commerce for Energy and Innovation and fails to adequately fund programs to protect the environment. Please see this table of proposed funding.

⁶ Washington State Greenhouse Gas Emissions Inventory 1990–2019. 2022. <https://apps.ecology.wa.gov/publications/documents/2202054.pdf>

⁷ Public Justice. 2022. Factory Farm Gas Petition. 2021. <https://food.publicjustice.net/wp-content/uploads/sites/3/2021/10/Factory-Farm-Gas-Petition-FINAL.pdf>

⁸ Earth Justice. 2023. California's Proposed Low Carbon Fuel Standard is a Climate Policy Failure. <https://earthjustice.org/press/2023/californias-proposed-low-carbon-fuel-standard-is-a-climate-policy-failure>

⁹ Natural Resources Defense Council. 2023. CARB Must Reform LCFS Program to Meet Climate Goals. <https://www.nrdc.org/bio/kiki-velez/carb-must-reform-lcfs-program-meet-climate-goals-0>

¹⁰ American Lung Association. 2023. State of the Air. Report Card California. <https://www.lung.org/research/sota/city-rankings/states/california>

¹¹ AirNow.gov. <https://www.airnow.gov/national-maps/>

¹² Available at <https://apps.ecology.wa.gov/publications/documents/2314005.pdf>

¹³ Available at <https://ecology.wa.gov/getattachment/22790fe6-fc3a-414d-b3ba-036af0975258/20220512CfsCba.pdf>

¹⁴ Available at <https://apps.ecology.wa.gov/publications/SummaryPages/2202038.html>

Climate Commitment Account*

Commerce – Local Government	\$43,353,000
Commerce – Economic Development	\$8,780,000
Commerce Energy & Innovation	\$341,484,000
WA Dept. of Health	\$90,880,000
WA Dept. of Ecology	\$15,443,000
WA State Conservation Commission	\$30,200,000
WA Dept. of Fish & Wildlife	\$3,398,000
WA Dept. of Natural Resources	\$11,820,000
WA State Dept. of Agriculture	\$4,331,000
Energy Site Evaluation Council	\$7,402,000
University of Washington	\$3,413,000
Washington State University	\$8,321,000

* From the Governor's proposed 2024/2025 proposed Operating Budget. Available at <https://ofm.wa.gov/sites/default/files/public/budget/statebudget/24supp/OperatingZ-0567.3.pdf>

FOTC worries that Washington policy makers have a predetermined goal in mind to institutionalize wet manure management in our state using Cap and Invest. Here is one of the reasons why we worry:

Table 8 from WAC 173-424-900¹⁵ provides a calculation of carbon intensity (CI) for various fuels in grams of carbon dioxide equivalent per megajoule of energy (gCO₂e/MJ).

CI for Biomethane Compressed Natural Gas (CNG) from Landfill or Digester Gas equals 70

CI for Biomethane Compressed Natural Gas (CNG) from Municipal Wastewater Sludge, Food Waste, Green Waste, or Other Organic Waste equals 45

CI for Biomethane Liquified Natural Gas (LNG) from Landfill or Digester Gas equals 85

CI for Biomethane Liquified Natural Gas (LNG) from Municipal Wastewater Sludge, Food Waste, Green Waste, or Other Organic Waste equals 60

CI for Biomethane L-CNG from Landfill or Digester Gas equals 90

CI for Biomethane L-CNG from Municipal Wastewater Sludge, Food Waste, Green Waste, or Other Organic Waste equals 65

CI for Biomethane CNG, LNG, L-CNG from dairy or swine manure equals -150 (minus 150)

¹⁵ Available at <https://app.leg.wa.gov/WAC/default.aspx?cite=173-424-900>

Please tell us if we misinterpret the WAC. Please explain how management of human waste appears to differ so greatly from management of animal waste in terms of carbon intensity.

Or is WAC 173-424 part of an effort by policy makers to promote and support anaerobic digestion of dairy manure in Washington State, by emulating costly policies from California¹⁶?

We know that the WA State Dept. of Commerce has already allocated half a million dollars to help build a multi-million dollar manure methane plant in Sunnyside, Washington.¹⁷ And the public was left out of planning discussions, while the project proponent, Pacific Ag, has a seat on Ecology's Agriculture and Forestry Carbon Capture & Sequestration Advisory Panel.¹⁸

We know that FOTC cannot participate in meetings of Ecology's Ag and Water Quality Advisory Committee, but the WA Dairy Federation has a seat at the table and actively advises Ecology on policy making.¹⁹ We know that there is no comparable advisory committee for the environmental community.

We know that the WA State Environmental Justice Advisory Committee has not been adequately briefed on plans to explore linkage with California and Quebec Cap and Invest programs.²⁰ We know that Ecology's Environmental Justice staff does not visit the Lower Yakima Valley.

FOTC sincerely believes that concentrated animal feeding operations (CAFOs) harm the environment. We are happy to share proof if Ecology and other agencies are willing to listen.

FOTC urges Ecology to delay exploration of linkages with California and Quebec Cap and Invest programs until our leaders hear all the facts.

¹⁶ "between 2011 and 2022, the LCFS channeled more than \$5.8 billion towards factory farm gas and crop-based biofuels" Natural Resources Defense Council. <https://www.nrdc.org/bio/kiki-velez/carb-must-reform-lcfs-program-meet-climate-goals-0>

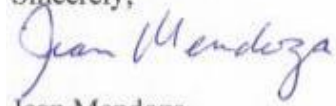
¹⁷ WA State Dept. of Commerce. Rural Clean Energy Innovation. <https://www.commerce.wa.gov/growing-the-economy/energy/clean-energy-fund/rural-clean-energy/>

¹⁸ WA State Dept. of Ecology. Agriculture and Forestry Carbon Capture & Sequestration Advisory Panel. https://www.ezview.wa.gov/site/alias_1962/37752/agri_-forestry_carbon_capt_sequest_adv_panel.aspx

¹⁹ WA State Dept. of Ecology. Agriculture & Water Quality Advisory Committee. <https://ecology.wa.gov/about-us/accountability-transparency/partnerships-committees/agriculture-and-water-quality-advisory-committee>

²⁰ Washington Environmental Justice Council. <https://waportal.org/partners/environmental-justice-council>

Sincerely,

A handwritten signature in blue ink that reads "Jean Mendoza". The signature is fluid and cursive, with the first name "Jean" and last name "Mendoza" clearly legible.

Jean Mendoza

Executive Director, Friends of Toppenish Creek
3142 Signal Peak Road
White Swan, WA 98952



Ms. Tamara Jones
 Senior Legislative Planner – Climate Pollution Reduction Program
 Tamara.Jones@ecy.wa.gov
 564-669-3713

December 20, 2023

RE: Public Comments on Cap-and-Invest Agency Request Legislation

Dear Ms. Jones,

Thank you for the opportunity to provide comment on the proposed agency request legislation on amending the Climate Commitment Act, RCW 70A.65.

Front and Centered has engaged in the development of Washington State's CCA linkage policy through some of the public participation meetings held in October, and has been following the development of the agency request legislation, as well as the agency determinations around linkage. We have been critical of efforts to link carbon markets and have articulated our rationale in prior comments to the department. In particular, we have cited our concern that the department has not done the appropriate level of analysis on the potential impacts of linkage on overburdened communities, but has instead elevated concerns raised by polluters on economic impacts to their business models. We continue to have these concerns.

Instead of engaging further on the substance of the proposed agency request legislation, Front and Centered will provide comments on the department's efforts to perform an Environmental Justice analysis on the agency request legislation in this docket, pursuant to RCW 70A.02.060.

The Healthy Environment for All (HEAL) Act requires that agencies perform an environmental assessment for any agency action deemed a "significant agency action." RCW 70A.02.060(1). A significant agency action includes agency request legislation. RCW 70A.02.010(12)(d).

An environmental justice assessment requires that an agency identify overburdened communities and vulnerable populations who are expected to be affected by the proposed agency action; identify the potential environmental and health impacts; identify if there will be

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✉ info@frontandcentered.org

ℹ EIN number 84-3336800

🌐 frontandcentered.org

impacts to federally reserved tribal rights and resources; summarize community input; describe how the agency can continue to engage affected parties; and describe options for the agency to reduce, mitigate, or eliminate identified probable impacts on overburdened communities and vulnerable populations. RCW 70A.02.060(4). In doing so, the agency must solicit feedback from members of overburdened communities and vulnerable populations. RCW 70A.02.060(5)(a). Finally, the agency must seek to reduce or eliminate the environmental harms caused and maximize the environmental benefits created by the proposed significant agency action. RCW 70A.02.060(6).

In this instance, the department has sought to solicit input from the general public on how they believe agency request legislation could affect overburdened communities and vulnerable populations. In their initial public engagement, the department had not yet proposed language for drafting, nor had the department even publicly issued a determination on whether linkage would be pursued. With regard to department analysis of effects of linkage, the department, as stated above, focused on economic effects and noted that effects on overburdened communities and vulnerable populations would depend on the final linkage agreement. This has the effect of making the barrier of participation for community members quite high, as community members would have to perform an analysis of potential impacts without actually knowing any meaningful details of the proposed action.

Further, the agency noted that it would place forward draft legislation before having completed an environmental justice assessment. The question, then, must be asked: how would an environmental justice assessment be able to affect the substance of the bill, if the assessment is done post-hoc? As noted above, part of the purpose of an environmental justice assessment is to help shape department decision making to reduce harms and maximize benefits to affected communities and populations. The department had not even yet done the sufficient analysis to determine effects of the proposed action on communities but went forward with proposing language anyways. This does not seem to comply with the intent of the law.

The agency must now remedy this significant oversight, first by conducting a comprehensive assessment of the effects of linkage and potential impacts on vulnerable populations and overburdened communities. Findings of this assessment must then be distributed to community members and made easily accessible and translated. Only after community members are fully informed can they meaningfully engage with the process of drafting amendments to the CCA. The department must also go beyond the practice of simply offering listening sessions and public comment periods. Instead, provide different modes of culturally-relevant engagement in community spaces to encourage participation in the drafting of the amendments.

The intent of the environmental justice assessment is to prevent agency actions from affecting harm on overburdened communities and vulnerable populations. We urge Ecology to conduct a more thorough assessment of the effects of linkage and involve members of vulnerable

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populations and overburdened communities in both the assessment and drafting of the CCA amendments.

Thank you for the opportunity to provide feedback. If you have any questions or comments, please feel free to contact me at 360-218-2794 or davin@frontandcentered.org.

Best,

A handwritten signature in black ink, consisting of a stylized 'D' followed by a horizontal line and a small flourish.

Davin Diaz
Policy Coordinator

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November 8, 2023

Tamara Jones
Senior Legislative Planner – Climate Pollution Reduction Program
Washington Department of Ecology
300 Desmond Dr SE, Lacey, WA 98503

Re: Climate Solutions’ Comments on Ecology’s Agency Request Legislation to Facilitate Linkage

Dear Tamara Jones,

Climate Solutions appreciates the opportunity to provide comments on the Department of Ecology’s (“the Department”) linkage request legislation and is grateful for the Department’s continued outreach around linkage. Climate Solutions is a clean energy nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest has emerged as a hub of climate action, and Climate Solutions is central to the movement as a catalyst, advocate, and campaign hub.

Linkage with California and Quebec’s joint market has the potential to stabilize prices, strengthen our carbon market, relieve administrative burden, and provide Washington with a unique opportunity to increase all three programs’ stringency and commitment to environmental justice. But in order to facilitate linkage and achieve those benefits, the Department must ensure any linkage agreement meets the linkage criteria laid out in statute (RCW 70a.65.210(3))—namely, ensuring that linkage does not harm our ability to meet our climate mandates, largely through addressing California’s large bank of unused allowances, and ensuring that linkage not only avoids harm to overburdened communities, but also brings benefits to these communities. Proposals that equip Washington to meet these criteria are steps we deem as *necessary* for facilitating linkage between the three jurisdictions.

The proposed changes outlined in Ecology’s request legislation are a combination of administrative and policy changes with the stated intention of facilitating linkage. However, we question whether the majority of these provisions *are* truly necessary for the success of merging markets, rather than simply a vessel for changes to overall CCA policy design. For example, while the amendments to electricity reporting are modeled after California’s, they do not have an impact on the ability of Washington to link with California. Similarly, the proposed amendments to offsets in Washington bear no impact on whether markets can merge—they are simply policy design choices that are intended to expand compliance entities’ opportunities to purchase offsets.

As the Department continues drafting this legislation, we encourage you to limit the scope of this bill to amendments that directly address and facilitate linkage. That being said, we wanted to



offer the following recommendations on certain provisions in the proposed legislation if the Department decides to move forward with the bill as is.

1. Maintain the integrity of Washington’s offset program.

We do not support the Department’s proposed amendment to RCW 0A.65.170(2), which requires that offset credits provide a direct environmental benefit to Washington state or are from offset projects located in a linked jurisdiction. The Department’s amendment would expand offset use to include not just offsets within California and Quebec, but also those deemed as providing “direct environmental benefits” to the state. We have heard concerns that California’s definition of projects that qualify as having “direct environmental benefits” is too broad and believe that Washington’s statute as currently written strikes an important balance of helping businesses contain costs through a larger offset market, while ensuring that the benefits of the offsets stay within the three jurisdictions. Thus if the Department were to pursue this amendment, one could argue that it would hinder Washington’s ability to meet the linkage criterion that requires linkage to “ensure benefits” to overburdened communities, as it would direct benefits away from the three jurisdictions.

We do want to highlight our support for Ecology’s second proposal to allow offsets on tribal lands to count towards the 5 percent of compliance obligation that can be met through offsets. This flexibility would encourage additional investments in these projects, while providing compliance entities with more options for meeting their compliance obligations. But despite supporting this amendment, we do not see it as necessary for linkage with California and Quebec’s markets.

2. Reconsider whether aligning purchasing and holding limits is necessary for linkage and maintain current 10% holding limit.

The Department states that it plans to introduce an amendment to increase covered entities’ purchasing limits from 10 to 25 percent and to remove the 10 percent holding limit on general market participants, as consistency with California and Quebec’s purchase limit is necessary “for linkage to occur.” Here again, we question how either of these changes would impact linkage and ask the Department to provide additional reasoning as to why consistency of purchase and holding limits are required for linkage. In fact, maintaining the 10% purchasing limit may better facilitate linkage than aligning with California’s 25 percent. If Washington pursues linkage, this will expand Washington’s pool of allowances by roughly five-fold, providing compliance entities with more opportunities to purchase allowances and meet their compliance obligation, all while still maintaining the stringency of the cap through the purchasing limit, which helps our state fulfill the criteria around “maintaining the stringency of Washington’s program” necessary for linkage.

Furthermore, we caution against changing the holding limit of general market participants beyond its current 10 percent limit. The original intent of this provision was to ensure that

general market participants who participate in the market but are not covered entities don't artificially inflate allowance prices by minimizing supply. In order to maintain this intent and the stringency of Washington's program, we suggest retaining the 10 percent holding limit. We again do not see this as a necessary policy change for linkage.

3. Consider incorporating provisions that would actively improve air quality outcomes in overburdened communities.

To reiterate, one of the greatest obstacles facing linkage is not only avoiding harm to vulnerable populations and overburdened communities, but actually bringing benefits to these communities in the process. Policy changes that address these concerns are what we view as necessary and key to facilitating linkage. For example, the Department could incorporate a provision into this bill that places pollution limits on certain high-polluting facilities in overburdened communities to ensure that the economy-wide benefits of an expanded market are paired with improvements in local-level air quality. This concept, referred to as facility-level caps, is a policy change supported by both Washington's Environmental Justice Council and California's Environmental Justice Advisory Committee that we think facilitates Washington's ability to link with the California-Quebec market, while also aligning with the requirements of our law.

The Department could also seek to accelerate pollution reduction at emissions-intensive trade exposed industries by *aligning with California's* allocation of allowances to these industrial facilities. This would be in line with many of the current provisions in the bill which are intended to align with California and Quebec.

4. The Department should place significant guardrails on an amendment that would enable changes to the CCA via rule.

Included in the proposals is a provision to enable the Department to make additional changes to the program by rule given that California and Quebec are both reassessing their cap-and-trade programs and may not finalize those changes until after the 2024 session. As currently described in its communications, we are concerned that this provision is too broad. Without significant guardrails on which specific provisions can be modified and to what extent, we do not support the ability to modify the CCA by rule. It is also worth noting that the Department has stated that linkage is likely to occur in 2025, so there will be an opportunity to make any additional, necessary changes in the 2025 session.

As the Department continues to offer public engagement opportunities on linkage and this request legislation, it will be critical to provide additional details and opportunities for feedback on this proposed amendment.



Climate Solutions appreciates the Department's continued outreach and opportunities for comment around linkage. We look forward to continuing to work with the you as it pursues linking with California and Quebec.

Sincerely,

Altinay Karasapan
Washington Regulatory Policy Manager
Climate Solutions

Kelly Hall
Washington Director
Climate Solutions



November 6, 2023

Washington Department of Ecology

300 Desmond Drive SE

Lacey, WA 98503

RE: Environmental Defense Fund comments relating to Climate Commitment Act Update and Agency Request Legislation

Environmental Defense Fund (EDF) appreciates the opportunity to provide input as the Department of Ecology (ECY) considers agency request legislation to amend provisions of the Climate Commitment Act (CCA) to facilitate linkage with the joint California-Quebec market. EDF is a non-profit, non-governmental, and non-partisan organization that links science, economics, and law to create innovative, equitable, and cost-effective solutions to urgent environmental problems. EDF has over three million members and activists across the country, including over 100,000 in Washington state. EDF brings deep expertise to climate policy design, particularly the design of enforceable, declining, economy-wide limits on climate pollution. EDF has long pursued initiatives at the state, national, and international levels designed to reduce emissions of climate-altering and health-harming air pollutants. EDF has been deeply involved in the design and implementation of California's cap-and-trade program since the program's launch in 2012. We continue to provide technical and policy expertise to make the program as strong as possible going forward and provide analysis of quarterly auction results—as we also now do in Washington.

EDF engages with both the California-Quebec emissions market and the Washington emissions market to advocate for the deep emissions reductions needed to address the urgent challenge of climate change while creating a more sustainable and equitable future for all. Washington's Climate Commitment Act makes the state the country's frontrunner on climate action, with the most ambitious enforceable limits on climate pollution of [any state in the nation](#). By taking bold action to reduce greenhouse gas emissions, Washington is demonstrating that it is possible to address the urgent challenge of climate change while creating a more sustainable and prosperous future. Now, Washington has taken the next step forward by deciding to pursue linkage with the joint California-Quebec emissions market. As we have written in previous comments, EDF strongly supports this decision, and sees a broader linked market as essential for enabling increased program ambition (facilitating greater emission reductions), building long-term market stability and predictability, and creating an even more cost-effective program.

At the October 26th public workshop held by ECY staff, we learned about some of the proposed changes to the CCA that ECY is considering requesting the legislature take up in January. As ECY

weighs changes to the program, EDF recommends that ECY prioritize any suggested operational changes from the potential linked jurisdictions in the WCI as long as those changes would meet the standard of maintaining or strengthening Washington's existing program. Our comments below are initial recommendations based on available information, and we will be submitting more detailed comments as this process moves forward.

Proposed changes to purchase limits

EDF supports the changes outlined by ECY staff at the October 26th meeting, including the alignment of purchase limits in Washington with those in the linked WCI market. Purchase limits in Washington are 10% for covered entities and 4% for general market participants, whereas in California those limits are 25% for covered entities and 4% for general market participants. We support ECY pursuing alignment of these prices, so that Washington increases its purchase limits for covered entities to align with California's. This would have a negligible impact on Washington's independent market, and would ensure an even playing field for market participants across jurisdictions in a linked market.

Proposed changes to the APCR

EDF also supports ECY's interest in altering the APCR auction schedule to facilitate earlier and more streamlined APCR auctions; we would further encourage ECY to consider other aspects of APCR alignment, such as alignment of trigger prices. While the Tier prices in Washington's and California's APCRs are aligned, the point at which an APCR is triggered is not. In Washington, an APCR auction is triggered if prices at a quarterly auction reach above the set Tier 1 price - as we have seen twice this year. In California, an APCR auction is triggered when prices reach at or above 60% of that Tier 1 price.

We recommend that Washington adopt the same 60% trigger threshold for their APCR auctions. Pledging to hold a reserve auction when prices reach a point lower than the actual Tier 1 price will give buyers more confidence in their ability to buy enough allowances to cover their emissions, because they are assured access to the additional APCR allowances without added price pressure and competition from non-covered entities. Given that demand in Washington has been consistently high and has already triggered two subsequent APCR auctions, it would benefit the Washington system to give buyers more certainty earlier in the process that they will be able to obtain sufficient allowances to cover their emissions. Knowing that the reserve allowances will be available at an established price gives bidders an alternative to purchasing allowances in the market at prices higher than the established APCR tier price, which will help cool demand and limit price pressure. By offering to sell allowances in the Reserve when prices hit a 60% threshold, compliance entities know that they will have the *option* to get more allowances if they aren't able to obtain enough in the quarterly auction.

This adjustment would also be important in the event of a linked market, to ensure that entities in Washington and California have the same opportunities for buying and banking allowances at a common price point. If Washington were to maintain its trigger point at the Tier 1 APCR price, while entities in California have the opportunity to access APCR allowances at a lower threshold, California entities would have the ability to accumulate APCR allowances at the Tier 1 price - potentially giving them an advantage over Washington entities who would need to reach a higher price point before having the same access. Adopting California's approach would allow

Washington entities to purchase allowances at \$51.90 in the preceding month, while Washington's approach would only offer those reserve tiers once an auction exceeds \$51.90 or higher.

This adjustment has the added benefit of aligning with California's approach to their APCR, which will further smooth the process of program linkage. While this alignment is an added benefit, it is not operationally critical to linkage; Quebec and California maintain separate APCR, with the reserve auctions only available to the entities operating in each jurisdiction.

Other technical considerations

In addition to the suggestions outlined above, we encourage ECY to examine the benefits of aligning Washington's compliance periods with those in the California- Quebec system to facilitate linking. This is another area where further alignment between the programs will smooth the linkage process and create a more unified market.

Proposed changes to ECY's authority to modify through rulemaking

EDF understands the necessity of ECY's potential request for specific agency authority to modify aspects of the program through rulemaking. Given the ongoing rulemaking in California and the potential for changes to be made in the linked California-Quebec program that would need to be addressed by ECY outside of a legislative session, ECY will need the ability to make some modifications to better facilitate linkage. However, EDF recommends that this authority be clearly delineated and limited in scope to whatever changes are strictly necessary for linkage to occur. A broad extent of agency discretion to make changes to a program in a future linked market may present challenges to potential partner jurisdictions, and ECY should aim to provide as much clarity as possible over when, how, and why the agency will be able to make changes through rulemaking.

Need for meaningful community engagement in Environmental Justice Assessment

As ECY takes its next steps with the Environmental Justice Assessment, it is critical that ECY prioritizes meaningful engagement with communities overburdened by pollution and works to address the concerns of environmental justice advocates. This includes using the tools at Ecology's disposal, such adopting standards and regulations to improve air quality in communities with high cumulative pollution burdens and eliminate disparities between overburdened communities and neighboring communities that are not overburdened. Ecology should make clear their intent to utilize these tools, and ensure that any potential changes to the CCA to better facilitate linkage must maintain or strengthen Washington's existing program.

In summary, EDF supports ECY's effort to pursue program alignment and facilitate linkage through these proposed changes. EDF encourages ECY to consider any changes recommended by California and Quebec, as long as those changes do not compromise the environmental integrity of the program or result in adverse effects to overburdened communities. We appreciate the opportunity to engage in this process and look forward to following ECY's next steps towards linkage.

Sincerely,
Caroline Jones
Senior Analyst, U.S. Climate

Submitted electronically

November 8, 2023

Director Laura Watson
Washington Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

RE: 2024 Agency Request Legislation Related to Carbon Market Linkage

Dear Director Watson,

The Nature Conservancy in Washington (TNC) played a key role in developing and passing the Climate Commitment Act (CCA). On behalf of our over 300,000 supporters in the state we continue to advocate for a strong cap and invest program that draws down greenhouse gasses and lowers air pollution in overburdened communities. We appreciate the opportunity to provide feedback on the proposed topics and public engagement process of the Department of Ecology's agency request legislation on CCA linkage.

After reviewing the materials provided by the Department of Ecology, we are concerned that there has been no stated or demonstrated need for this legislation to be put forward in the 2024 legislative session, especially just as conversations with California and Quebec are just beginning and will influence the policy details of legislation that may be needed to execute linkage. Many of these topics being proposed can and should be an early component of negotiations with California and Quebec. Some of the topics—such as the use and scale of offsets—are active discussions in California, where their legislature will be considering making their cap and invest system permanent and addressing issues that have arisen since their program's implementation.

As Department of Ecology says in their email with details on this proposed legislation, "California and Québec are both reassessing their cap-and-trade programs and may not finalize changes until after Washington's 2024 legislative session has concluded. At that point, we may need to make additional changes to the cap-and-invest program." As such, we believe it would be prudent and more efficient to wait until at least the 2025 session to bring forward comprehensive legislation that would encapsulate all needed changes to the CCA in order to implement linkage, as determined through completed negotiations.

Our recommendation is for the Department of Ecology to bring forward agency request legislation after completed negotiations with California and Quebec and an adequate Environmental Justice Assessment is able to inform the proposal. As we state in our May 15th, 2023 comment letter on potential linkage, negotiations between Washington, California, and Quebec should ensure linkage agreements and needed policy amendments maintain the integrity the Climate Commitment Act. We have serious concerns that agency request linkage legislation this upcoming legislative session has the potential to preemptively set Washington on

a path to weaken or undermine the integrity of the Climate Commitment Act.

An additional concern we'd like raise relates to Department of Ecology's obligation under the HEAL Act to conduct an Environmental Justice Assessment of agency request linkage legislation. This current public comment period is too brief and the proposals are too vague to adequately inform an Environmental Justice Assessment.

Environmental Justice Assessments, in part, rely on public input (RCW 70A.02.060(4)(d)). However, for that public input to be meaningful, there must be enough information, time, and opportunity for engagement to allow overburdened communities and vulnerable populations to have the ability to offer informed opinions about the proposed legislation.

In this circumstance, the description of the proposed legislation provided is too abstract to be able to fairly determine what impact proposed linkage legislation could have on overburdened communities and vulnerable populations. The Department of Ecology's materials even note that what materials have been provided is not a complete description of the full range of issues that may be addressed with the legislation—that the list of topics shared “reflects [Department of Ecology's] best current thinking of the topics to include in legislation, but it is not exhaustive” and, similarly, “an item's inclusion on this list is not a guarantee that it will be included in any potential future legislation.”

We recommend the Department of Ecology provide draft legislation text well in advance of a legislative session followed by an opportunity for robust public engagement to ensure the public input necessary to develop an adequate Environmental Justice Assessment able to inform agency request legislation before it becomes law.

As to specific feedback on the potential statutory amendments the Department of Ecology provided:

- We support clarifying that a covered entity may purchase all allowable offsets from projects on tribal land in Washington, not only the additional 3% after 5% of non-tribal offsets.
- We object to weakening CCA's market management provisions, as proposed by modifying the annual holding limits for general market participants. If linkage is intended to create market stability, this provision may weaken stability by allowing for market manipulation by general market participants. We would be remiss to simply modify this protection without any analysis or attempt to negotiate with California and Quebec.
- We believe existing CCA statute already requires that offset credits not providing direct environmental benefits in Washington “be located in a jurisdiction with which Washington has entered into a linkage agreement” and that need not be revised to facilitate linkage agreement. We would, however, encourage linkage negotiation with California and Quebec seek that those entities revise their programs to align with Washington's by assuring offset credits are generated on Tribal lands in those jurisdictions and also look to be consistent with the recommendations coming out of AB 398.
- We object to usurping the legislature's role in shaping the Climate Commitment Act, especially without the Department of Ecology providing any insight on what provisions they wish to change or justification on why this expanded authority is needed.

Thank you for considering our feedback. Please feel free to contact me at (703) 340-7553 or justin.allegro@tnc.org if you have any further questions on our comments.

Sincerely,

Justin Allegro
Policy Director
The Nature Conservancy in Washington

Section 3: Early engagement for linkage agreement

(November 2024 – March 2025)

Public Comment on Washington's Cap-and-Invest Linkage Agreement

Dear Washington State Department of Ecology,

I am a resident of Seattle who is deeply committed to Washington's climate policies and their role in advancing environmental justice. I appreciate the opportunity to provide input on the proposed Cap-and-Invest Linkage Agreement with California and Québec. While I support the linkage agreement for its potential to create a more stable carbon market, I have concerns about its impact on environmental justice and overburdened communities in Washington.

Perspectives on the California-Québec Agreement

The California-Québec Cap-and-Trade system has shown that linking markets can improve market stability and lower compliance costs, which benefits both businesses and consumers. However, evidence from California's experience has also raised serious equity concerns. Several studies have shown that some communities, particularly those near industrial facilities, did not experience the same air quality improvements as other regions. Washington must learn from these outcomes and ensure that its linkage agreement does not result in similar disparities.

While I support Washington's participation in a larger carbon market, certain provisions must be strengthened to protect overburdened communities from localized pollution increases and disproportionate economic burdens.

What's Missing and Should Be Included in Washington's Agreement?

A linkage agreement with California and Québec should include stronger safeguards for frontline communities, particularly in the following areas:

1. **Stronger Air Quality Regulations** – The California-Québec agreement does not do enough to prevent localized pollution hotspots. Washington must require additional air quality monitoring and direct emissions reductions in communities already burdened by pollution.
2. **Guaranteed Investment in Overburdened Communities** – While Washington's program mandates that 35% of Cap-and-Invest revenues go toward overburdened communities, the current structure distributes some of these funds as grants to community-based organizations. There is no clear accountability mechanism to ensure that these funds are reinvested directly into the communities most impacted by pollution. The agreement should include stronger oversight, transparency, and tracking requirements to guarantee that funds support tangible, community-driven projects that improve air quality, create local jobs, and promote clean energy access.
3. **Prohibition on Certain Offsets** – Offsets can allow polluters to continue emitting in Washington while purchasing allowances elsewhere. Washington should limit or eliminate the use of offsets for industries operating near vulnerable communities.

Addressing Environmental Justice Concerns in the Agreement

To ensure that Washington's Cap-and-Invest linkage agreement does not perpetuate environmental injustices, I recommend the following actions:

- Overburdened communities must have a formal role in monitoring and guiding the program's implementation, ensuring that their concerns are actively addressed.
- As mentioned, the current grant-based funding structure lacks safeguards to ensure the 35% allocation benefits impacted communities directly. Washington should develop clear guidelines for how these funds are spent and require that grant recipients demonstrate measurable benefits to the communities they serve.

Considerations for the Linkage Criteria Analysis

As part of the Department's analysis of linkage criteria, consider the following:

- Ensure that linking markets does not result in higher energy costs for Washington residents, especially for those in low-income and marginalized communities.
- Ensure that the linkage agreement does not weaken Washington's ability to achieve its own ambitious climate targets and environmental justice commitments.

While I support the Cap-and-Invest Linkage Agreement, I want to see more research showing that Washington will take additional steps to ensure environmental justice is fully integrated into the policy framework. This means addressing localized pollution, investing directly in overburdened communities, and making sure the program does not disproportionately burden marginalized groups. I urge the Department of Ecology to adopt these recommendations to make Washington's linkage agreement both effective and equitable.

Thank you for considering my comment. I appreciate the opportunity to participate in this important process.

Anonymous Anonymous

Please either fill out this survey or upload your comments using the button below.

What do you think of the California-Québec agreement? Which parts do you support?
Which parts concern you?

I think that the idea of using money to hide the amount of damage companies are doing to our planet is insane. The cap-invest program should be called "invest 2 hide our contribution to global warming" program. Because that is all that it does.
If a company is releasing X amount of pollution into the air, Y amount into the water, and Z amount into the soil, no "offset credit" nor any amount of money, will change those numbers. Unless that money is invested by the company, to actually reduce the amount they're producing &/or the method of disposals of those pollutants.

How should we address environmental justice concerns in an agreement? Do you have recommendations for how the agreement can address concerns related to impacts on communities that have experience the greatest environmental and health burdens? (referred to in Washington as 'overburdened communities')

Not via an auction, that's for damn sure.
Money can't buy us a new planet,
It should be used to cover up dangerous amounts of toxins companies are putting into the air, soil, and water

Devon Kellogg

Please either fill out this survey or upload your comments using the button below.

What do you think of the California-Québec agreement? Which parts do you support? Which parts concern you?

I support market stability, but I'm concerned about watering down the incentives for decarbonization. This should be the primary criteria for evaluation:

Ensure linkage will not “adversely impact Washington's ability to achieve the emission
reduction limits established in RCW 70A.45.020.”

What’s missing in the California-Québec agreement that should be included in an agreement with Washington?

Please encourage California and Québec to use the more aggressive cap.

Prioritize this goal: Ensure linkage will not “adversely impact Washington's ability to achieve the emission
reduction limits established in RCW 70A.45.020.”

How should we address environmental justice concerns in an agreement? Do you have recommendations for how the agreement can address concerns related to impacts on communities that have experience the greatest environmental and health burdens? (referred to in Washington as ‘overburdened communities’)

Prioritize proceeds going towards climate and health mitigation for the most impacted communities.

What should we consider in our analysis of the linkage criteria? See the [preliminary analysis](#) we shared last year.

Prioritize this goal: Ensure linkage will not “adversely impact Washington's ability to achieve the emission
reduction limits established in RCW 70A.45.020.”

Upload a comment letter or provide additional comments.

Please refer to WA 2021 State Energy Strategy for priority mitigation projects.

Don Steinke

Please either fill out this survey or upload your comments using the button below.

What do you think of the California-Québec agreement? Which parts do you support?
Which parts concern you?

Dear staff,
I'm not qualified to advise on this but I want you to know I appreciate your work.
I worked hard to defeat I-2117 and to protect the CCA. We won by 14% in a red county.

I would prefer that offsets are minimized, and that offset projects are limited to WA, CA or Quebec.

I'm on the Clark County Advisory Committee tasked with implementing the Climate Chapter of the GMA.

Thanks for all you do.
Don Steinke

How should we address environmental justice concerns in an agreement? Do you have recommendations for how the agreement can address concerns related to impacts on communities that have experience the greatest environmental and health burdens? (referred to in Washington as 'overburdened communities')

Subsidize apprenticeship programs for electricians of color.

Jeanne Poirier

Please either fill out this survey or upload your comments using the button below.

What do you think of the California-Québec agreement? Which parts do you support? Which parts concern you?

While it can seem more powerful to join together in mitigation of climate numbers, my concern is too often it makes it easier to impact communities who already experience horrible pollution and invasion of their native lands.

What's missing in the California-Québec agreement that should be included in an agreement with Washington?

Who is leading this charge? WA? CA? Canada? - a mix of all?
Honestly - I'm not sure what is missing from the agreement.

How should we address environmental justice concerns in an agreement? Do you have recommendations for how the agreement can address concerns related to impacts on communities that have experience the greatest environmental and health burdens? (referred to in Washington as 'overburdened communities')

Adopt the policy of Front & Centered here in WA. These folks need a seat at the decision table and absolutely need to receive 40% of the funds raised for the work THEY DECIDE is critical.

What should we consider in our analysis of the linkage criteria? See the [preliminary analysis](#) we shared last year.

No input on this - I probably looked at it but not going to read 100 pages to answer now.

Upload a comment letter or provide additional comments.

Very much appreciate the work and effort on this. Honestly things are so wonky in our world I think WA would be better off not linking with CA, Quebec.

Dear Stephanie Potts,

I appreciate the opportunity to comment on Washington State's Cap-and-Invest linkage program. My name is Xinyuan, and I am a student at Eastside Preparatory School with a strong interest in environmental policy and climate justice. I attended the public meeting held on February 27th at 2 pm.

I support the state's effort to link its carbon market with California and Québec, as this could enhance market stability and expand opportunities for emissions reductions. However, I would like to raise two key concerns:

1. Use of Auction Revenue

The Climate Commitment Act requires that at least 35% (with a goal of 40%) of auction revenues be directed to projects benefiting overburdened communities, as identified by the Environmental Justice Assessment. I urge the Department of Ecology to ensure transparency in how these funds are allocated and to prioritize investments in clean energy, pollution reduction, and climate resilience programs for communities most affected by environmental harm. Additionally, I encourage the state to provide public reporting on how funds are distributed to ensure accountability. I also have one question here: what is the rest of the auction money going to be used for?

2. Market Concentration and Allowance Hoarding

With the introduction of more allowances into the market due to linkage, there is a risk that large corporations could dominate the market by purchasing a disproportionate share of allowances, thus reducing competition and weakening this program's effectiveness. To prevent this, I recommend that Ecology implement strong market oversight and set stricter holding limits on allowances to ensure that a fair share of allowances remains accessible to smaller entities. Transparency in allowance distribution and regular evaluations of market behavior will help prevent monopolization and maintain the program's good intentions.

I believe that by addressing these concerns, the Cap-and-Invest Linkage program can be more effective in reducing emissions while ensuring fairness in the carbon market. Thank you for your time and consideration.

Sincerely,

Xinyuan Duan



Re: Front and Centered Comments on Ecology's Proposal to Link Washington's Carbon Market with California and Québec

Stephanie Potts
 WA Dept. of Ecology, Cap-and-Invest Program Linkage Planner
 P.O. Box 47600
 Olympia, WA 98504-7600

March 31, 2025

Dear Ms. Potts:

Front and Centered thanks the Department of Ecology for the ongoing opportunity to comment on the linkage process.

Front and Centered is a climate and environmental justice coalition of organizations led by and serving communities of color in Washington. Our mission is to advocate for the interests of frontline communities, who are first and worst impacted by the climate crisis, in advocating for a just transition from an extractive to a regenerative economy. In this letter, we seek to reiterate our concerns surrounding the proposal to link carbon markets. **Despite limited information, there is clear indication that the greenhouse gas emissions trading programs that Ecology is considering linking to are operating in a less than satisfactory manner and that linkage would serve only to frustrate both Washington's emission reduction goals and protective measures, as well as those of the linked markets. More importantly, the coalition fears that linkage would potentially lead to the continuation of an inequitable exposure to pollutants for frontline communities and would lead to benefits primarily to emitters.** For ease of access, Front and Centered's prior comments are attached to this letter.

Nevertheless, given that the Department of Ecology continues to pursue linkage, Front and Centered finds it necessary to provide public comment to the Department during this latest opportunity.

- I. Environmental and Climate Justice Must be Prioritized Concerns of Any Emissions Cap Market.

Washington State's Legislature, when passing the Climate Commitment Act, stated clearly their intent to address the historic inequities of environmental exposure and burden through the cap and invest market and to make doing so a central component of the policy. The Act begins by recognizing "communities that have historically borne the disproportionate impacts of environmental burdens and that now bear the disproportionate negative impacts of climate change." RCW 70A.65.005(3). The legislature went on to note that existing carbon policies "may not do enough to ensure environmental health disparities are reduced and environmental benefits are provided to those communities most impacted by environmental harms from greenhouse gas and air pollutant emissions." RCW 70A.65.005(4). The legislature then incorporated directives to (1) improve air quality in overburdened communities, (2) distribute resources acquired through the cap and trade program equitably, by prioritizing overburdened communities, and (3) re-stress the importance of consultation with overburdened communities in taking actions that affect those communities. RCW 70A.65.020; RCW 70A.65.230; RCW 70A.65.005(7).

In addition to the above requirements, the legislature directed the Department to consider linking with other jurisdictions, but simultaneously required Ecology to recognize "the special characteristics of the state's economy, communities, and industries." RCW 70A.65.060(3). The legislature more clearly articulated what it meant by detailing exactly the findings Ecology must make before entering into a linkage agreement, which includes a finding that linkage would not net adversely affect already overburdened communities in both Washington and linked market geographies. RCW 70A.65.210.

As noted above, Front and Centered provided detailed comments noting concerns with the effects of any kind of linkage on overburdened communities in Washington. Of top concern are fears that linkage would lead to worsened air quality in already overburdened communities in the state, as well as potentially lessened revenue as a result of lowered allowance prices. The state's Environmental Justice Council echoed these concerns in a letter to Ecology in October 2023. Both comments provided policy based solutions that the state could utilize to ensure that overburdened communities are protected by the cap and trade market in general, and especially in the event of linkage.

Of particular note in both the Front and Centered and EJC letter were policy recommendations to incorporate: (1) Facility-Specific Emissions Caps, (2) Limiting Use of Banked Allowances, and (3) Aligning Offset Policies to protect Overburdened Communities.

Resources for the Future, in their comment letter submitted during this public comment period, analyzed these three policy recommendations in detail. Front and Centered will not seek to reiterate all of the findings made in the study, but will draw out a few key points:

- 1) Facility-Specific Emissions Caps Would Reduce Pollution Exposure in Overburdened Communities

A key component of the legislature's intent in passing Washington's cap and invest law was to identify overburdened communities where the highest concentrations of criteria pollutants occur, determine the sources of those emissions and pollutants, and pursue significant reductions of emissions and pollutants in those communities. RCW 70A.65.005(7); RCW 70A.65.020. In its report, RFF finds that "[i]mplemented in tandem with linkage, [Facility-Specific Emissions Caps] can be a market-based backstop to air quality regulations, ensuring emissions reductions in disadvantaged or overburdened communities across jurisdictions at a rate equal to or greater than the state's average."¹

As such, regardless of whether Washington were to link or not, it seems that Ecology should explore the use of Facility-Specific Emissions Caps as a method of reducing harmful emissions located in or around overburdened communities in the state. RCW 70A.65.020 directs the department to use.

2) Banked Allowances Have the Potential to Cause Emissions Increases if Linkage Were to Occur

As Front and Centered and the Environmental Justice Council both noted, the number of allowances currently banked within the California market may lead to increased emissions in Washington, as well as a substantial reduction in funds collected from allowance auctions. As a result, both Front and Centered and the EJC advocated for the use of expiry dates for banked allowances in a Washington independent market. In addition, the Environmental Justice Council recommended the disallowance of allowances banked in other jurisdictions prior to linkage.

Resources for the Future explored these recommendations and determined three possible options for implementing them in the case of linkage: (1) discounting compliance values of allowances based on their vintage; (2) restricting the use of allowances banked prior to linkage; and (3) establishing an expiration date for banked allowances.² RFF also found that these methods are ineffectual unless all linked jurisdictions adopt the same policy.

As such, Washington, if it continues to pursue linkage, should seek to incorporate one of the above options in the language of the linkage agreement itself.

3) Alignment of Offsets Policies

As both the Front and Centered letter and the Environmental Justice Council letter note, there is a mismatch between how Washington's cap-and-trade program treats offsets and how those same mechanisms are treated in California and Quebec. Of particular concern is the counting of offsets as either "under the cap"--meaning any offset used leads to a proportional decrease in the amount of allowances offered for auction--or "over the cap"--where there is no relation between offset use and allowance availability. Washington's implementation of "under the cap"

¹ Nicholas Roy et al., Resources for the Future, Pub. No. 25-05, Considerations for Washington's Linkage Negotiations with California and Quebec 32 (2025).

² *Id.* at 33 (2025).

counting for allowances leads to a foreseeable reduction of total emissions, whereas California's "over the cap" methodology could lead to an increase in allowable emissions.³

In any linkage agreement, there should be language requiring offsets to be accounted for in an "under the cap" method.

As RFF also notes, Washington has stricter requirements than both California and Quebec with regard to direct environmental benefits that must be provided by a project to be offset credit eligible.⁴ Any linkage agreement should adopt the more stringent Washington standard and, further, there should be language that requires all linked jurisdictions to limit the usage of offsets by facilities located in or near overburdened communities to ensure enhanced prevention of harm to overburdened communities.

II. Conclusion

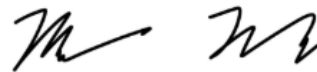
Front and Centered reiterates its stance against linkage. Third-party studies have shown that linkage would lead to potentially worse outcomes for overburdened communities, while the state's own preliminary analysis came to indeterminate results on the same question. There are numerous issues with Washington's independent market that need to be resolved, including how free allowances are allocated to various industries.

Nevertheless, if Ecology is to pursue linkage, it must do so in a manner that meets the requirements set forward by the legislature, which includes ensuring protection of overburdened communities. Front and Centered, as well as the Environmental Justice Council, have put forward multiple policy recommendations that the state can take action on to ensure the protection of overburdened communities. Many of these recommendations do not require linkage discussions to progress to be effective. The state should work to implement them in the short-term and should strive to incorporate language that requires all parties to any linkage agreement to uphold similarly strong policies to protect against the further harm and the equitable distribution of benefits to overburdened communities.

Sincerely,



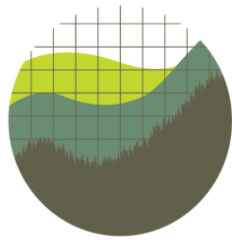
Davin Diaz
Environmental Justice Program Manager



Nico Wedekind
Policy Counsel

³ Nicholas Roy et al., Resources for the Future, Pub. No. 25-05, Considerations for Washington's Linkage Negotiations with California and Quebec 34 (2025).

⁴ *Id.*



Institute for
Policy Integrity
NEW YORK UNIVERSITY SCHOOL OF LAW

March 31, 2025

To: Washington Department of Ecology

Re: Cap-and-Invest Program: Linkage Agreement

The Institute for Policy Integrity at New York University School of Law (Policy Integrity)¹ respectfully submits the following comments to the Washington Department of Ecology (Department) regarding the linkage of Washington’s cap-and-invest carbon market with the California-Québec market. Policy Integrity is a non-partisan think tank dedicated to improving the quality of government decisionmaking through advocacy and scholarship in the fields of administrative law, economics, and public policy.

In 2021, Washington passed the Climate Commitment Act, which set greenhouse gas emissions limits for the state and established a cap-and-invest program to help achieve those limits.² Under the cap-and-invest program, covered entities must reduce their emissions or obtain allowances, either through quarterly auctions or by purchasing them on a secondary market, to cover emissions they do not reduce.³ The number of available allowances will decline over time, making allowances scarcer and thus encouraging further emissions reductions.⁴ The revenue collected from the cap-and-invest program will fund projects aimed at addressing the impacts of climate change, such as providing free public transportation for those below 18 years old, improving resilience against wildfires and rising sea levels, and expanding the state’s electric vehicle charging network.⁵

The cap-and-invest program became operational in 2023.⁶ Washington now aims to link its cap-and-invest market with the California-Québec market to create a single shared market, with joint auctions for allowances, a common allowance price, and trade of allowances across all three jurisdictions.⁷ The Department will use the California-Québec linkage agreement as a starting

¹ This document does not purport to present the views, if any, of New York University School of Law.

² *Washington’s Cap-and-Invest Program*, STATE OF WASH. DEP’T OF ECOLOGY, <https://perma.cc/4NM7-2E2X>. Because Washington uses the term “cap-and-invest” and California and Québec use “cap-and-trade,” this report uses “cap-and-invest” when referring to Washington’s program and “cap-and-trade” when referring to California’s program, Québec’s program, all three programs (California’s, Québec’s, and Washington’s) together, and non-specific cap-and-trade or cap-and-invest programs.

³ *Id.* Covered entities include certain fuel suppliers and natural gas and electric utilities, among others. *Id.*

⁴ *Id.*

⁵ *Climate Commitment Act 101*, STATE OF WASH. DEP’T OF ECOLOGY, <https://perma.cc/EDG4-YRPQ>.

⁶ *Washington’s Cap-and-Invest Program*, STATE OF WASH. DEP’T OF ECOLOGY, *supra* note 2.

⁷ *Cap-and-Invest linkage*, STATE OF WASH. DEP’T OF ECOLOGY, <https://perma.cc/774Z-8DC7>.

point for developing a new linkage agreement that will also include Washington.⁸ As an early step towards linkage, the Department has requested public input on that agreement.⁹

In working with California and Québec to develop an updated linkage agreement, the Department should:

- Use the linkage negotiations to advocate for higher integrity standards for the offsets that covered entities can use to meet their compliance obligations;
- Work with the other parties to evaluate how best to address the disproportionate burden of co-pollutants on overburdened communities; and
- Suggest amending the linkage agreement to provide explicitly for public disclosure of the market information the parties collect, subject to legal and confidentiality constraints.

This comment elaborates on these three points.

I. The Department should use the linkage negotiations to advocate for higher integrity standards for offsets used by covered entities towards their compliance obligations.

In Washington's, California's, and Québec's cap-and-trade programs, covered entities must surrender allowances to cover their emissions for each compliance period.¹⁰ Each allowance represents the right to emit a metric ton of carbon dioxide equivalent, so covered entities must surrender one allowance for every ton of emissions they measure.¹¹ For a limited portion of their calculated emissions, covered entities can surrender offsets¹² instead of allowances: in Washington, 8% of covered entities' obligations in the first compliance period and 6% in the second compliance period can be covered by offsets;¹³ in California, 4% (but rising to 6% for 2026 to 2030);¹⁴ and in Québec, 8%.¹⁵ An offset is a transferable instrument intended to represent an emissions reduction or removal of one metric ton of carbon dioxide equivalent.¹⁶

⁸ *Id.*

⁹ *Id.*

¹⁰ *Washington's Cap-and-Invest Program*, STATE OF WASH. DEP'T OF ECOLOGY, *supra* note 2; *FAQ Cap-and-Trade Program*, CAL. AIR RES. BD., <https://perma.cc/972R-2FSQ> ("How does the Cap-and-Trade Program work?"); *The Carbon Market, a Green Economy Growth Tool!*, MINISTRY OF ENV'T, FIGHT AGAINST CLIMATE CHANGE, WILDLIFE AND PARKS, <https://perma.cc/6LWT-CAE3>.

¹¹ *Id.*

¹² This comment letter uses "offsets" to reflect the language in the California-Québec linkage agreement. The Institute for Policy Integrity has generally referred to offsets as "carbon credits" instead. See Erin Shortell and Chris Holt, *Demystifying the Voluntary Carbon Market: An Overview of the Market's Inner Workings*, INST. FOR POL'Y INTEGRITY 2–3 (Feb. 2025), <https://perma.cc/5HZP-SADP>.

¹³ See RCW 70A.65.170(3)(a)–(b), (e); *Cap-and-Invest linkage*, STATE OF WASH. DEP'T OF ECOLOGY, *supra* note 7 ("Restricting the use of offset credits").

¹⁴ *Compliance Offset Program: About*, CAL. AIR RES. BD., <https://perma.cc/9DRR-E9SE>.

¹⁵ *Offset Credits*, MINISTRY OF ENV'T, FIGHT AGAINST CLIMATE CHANGE, WILDLIFE AND PARKS, <https://perma.cc/3S33-YY85>.

¹⁶ Wash. Admin. Code § 173-446-020 (2022) (defining "Registry offset credit"); CAL. CODE REGS. tit. 17, § 95802 (2018) (defining "Registry Offset Credit"); *Offset Credits*, MINISTRY OF ENV'T, FIGHT AGAINST CLIMATE CHANGE, WILDLIFE AND PARKS, <https://perma.cc/3S33-YY85>.

By permitting regulated entities to use offsets to meet a portion of their compliance obligations, Washington, California, and Québec implicitly treat offsets as equivalent to—or at least substitutable with—the allowances they issue. In theory, assuming equivalence between offsets and allowances seems reasonable. But in practice, offsets may *not* represent a metric ton of emissions reductions or removals because of integrity problems.

Offset integrity problems have affected the offsets that covered entities in the California-Québec market can use to meet their compliance obligations. More than four-fifths of the offsets in California’s registry come from forestry-related projects,¹⁷ but one peer-reviewed study found systematic over-crediting—29.4% of the offsets analyzed in the study—in California’s forest offset program.¹⁸ In addition, wildfires have burned through several of the forests in this program, destroying roughly 11 million offsets—too many to be compensated for by the buffer pool of around 6 million offsets.¹⁹ Since Washington has adopted four offset protocols directly from California’s program,²⁰ offsets used in Washington’s cap-and-invest program may suffer from the same or similar offset integrity problems.²¹

Some peer-reviewed literature has also clarified the scale of these offset integrity problems across the voluntary carbon market, where offsets are issued by some of the same entities that issue the offsets in Washington’s and California’s cap-and-trade programs.²² One study, which synthesized other studies’ findings covering about one-fifth of the offsets issued to date, estimated that about 84% of the covered offsets have integrity problems.²³ Another study examined the integrity of the offsets used from 2020 to 2023 by the 20 companies that retired the most offsets in the voluntary carbon market.²⁴ It found that 87% of these offsets had a high risk of not providing the claimed

¹⁷ Joseph E. Aldy and Zachery M. Halem, *Evolving Role of Greenhouse Gas Emission Offsets in Combating Climate Change*, 18 J. OF ENV’T ECON. AND POL’Y 212, 217 (2024).

¹⁸ Grayson Badgley et al., *Systematic over-crediting in California’s forest carbon offsets program*, 28 GLOBAL CHANGE BIOLOGY 1433 (2022), <https://onlinelibrary.wiley.com/doi/epdf/10.1111/gcb.15943> (last visited Mar. 27, 2025) [permalink unavailable].

¹⁹ Grayson Badgley, *Fire threatens the integrity of California’s forest offset program*, CARBONPLAN (Feb. 8, 2024), <https://perma.cc/3MS6-CJUX>.

²⁰ *Cap-and-Invest offsets*, STATE OF WASH. DEP’T OF ECOLOGY, <https://perma.cc/Q56V-MNA3> (“What categories of projects are qualified to issue credits under Cap-and-Invest?”).

²¹ See Shortell and Holt, *supra* note 12, at 26–37 for a broader discussion of offset integrity problems.

²² Compare Shortell and Holt, *supra* note 12, at 11 (noting that Climate Action Reserve and American Carbon Registry are among the large crediting programs that issue offsets in the voluntary carbon market) with Wash. Admin. Code § 173-446-020, *supra* note 16 (defining “Offset project registry”); *Cap-and-Invest offsets*, STATE OF WASH. DEP’T OF ECOLOGY, *supra* note 20 (identifying Climate Action Reserve and American Carbon Registry as approved registries); CAL. CODE REGS. tit. 17, § 95802, *supra* note 16 (defining “Offset Project Registry”); *Offset Project Registries*, CAL. AIR RES. BD., <https://perma.cc/6LD3-RJM5> (identifying Climate Action Reserve and American Carbon Registry as approved offset project registries).

²³ See Benedict S. Probst et al., *Systematic assessment of the achieved emission reductions of carbon crediting projects*, 15 NATURE COMMUNICATIONS no. 9562, 2024, at 1–2, <https://perma.cc/S3UD-W6Q6>.

²⁴ Gregory Trencher et al., *Demand for low-quality offsets by major companies undermines climate integrity of the voluntary carbon market*, 15 NATURE COMMUNICATIONS no. 6863, 2024, at 1, <https://perma.cc/EK2Z-2GCY>.

amount of emissions reductions or removals.²⁵ Extensive journalistic investigation has also highlighted offset integrity problems.²⁶

For the substitution of offsets for allowances to be justified in terms of emissions impact, offsets should actually represent one metric ton—or close to one metric ton—of emissions reductions or removals. Otherwise, covered entities could surrender offsets with limited, or no, emissions-reduction value instead of allowances that represent the right to emit one metric ton. Permitting the substitution of low-integrity offsets for allowances could thus limit the effectiveness of these cap-and-trade programs at reducing emissions.

When it comes to offset integrity, the linkage negotiations present an opportunity. Article 5 of the California-Québec agreement permits the parties to “mak[e] changes to the offset components of [their] program[s], including by . . . changing procedures for issuing offset credits,” and suggests that the parties should discuss any proposed changes to preserve the harmonization of their respective cap-and-trade programs.²⁷ During the linkage negotiations, the Department should advocate for higher integrity standards for offsets that covered entities can use to meet their compliance obligations.

To be sure, the Department may need to balance any possible advocacy for higher offset integrity standards, which would advance its emissions-reduction goals, with other interrelated goals: achieving linkage with the California-Québec market, containing program costs, and maintaining public support for these cap-and-trade programs. As long as such balancing is possible, the Department should use the linkage negotiations to call for higher offset integrity standards across all three cap-and-trade programs.

II. The Department should work with the other parties to carefully evaluate ways to address the disproportionate burden of pollutants on overburdened communities.

As part of this comment opportunity, the Department has requested recommendations on how to address environmental justice concerns in a linkage agreement.²⁸ Researchers and advocacy groups have raised concerns that cap-and-trade programs may not reduce air pollution in overburdened communities.²⁹ To address these concerns, the environmental justice advisory

²⁵ *Id.* The Trencher study uses heuristics to assess offset integrity: “(1) use of offsets from low/high-risk project types; (2) age of projects and credits; (3) cost of credits and (4) country of implementation (applied only to renewable energy projects).” *Id.* at 2.

²⁶ See, e.g., Heidi Blake, *The Great Cash-for-Carbon Hustle*, THE NEW YORKER (Oct. 16, 2023), <https://perma.cc/SDB8-U3H8>; Patrick Greenfield, *Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows*, THE GUARDIAN (Jan. 18, 2023), <https://perma.cc/U8JN-WZYV>.

²⁷ Agreement on the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions art. 5, Sept. 22, 2017, <https://perma.cc/Z2RK-5CSV>.

²⁸ *Cap-and-Invest: Linkage Agreement*, STATE OF WASH. DEP’T OF ECOLOGY, <https://perma.cc/HGV6-ELMC>.

²⁹ See, e.g., *Letter to Ecology RE – Linkage*, ENV’T JUST. COUNCIL (Oct. 26, 2023), <https://perma.cc/W7LZ-A47G>; *Environmental Justice Issues in California’s Cap and Trade System*, CAL. ENV’T JUST. ALL., <https://perma.cc/QQC5-LHG9>; see also Inst. for Pol’y Integrity and Guarini Ctr. on Env’t, Energy & Land Use L., Comment Letter on New York Cap-and-Invest Program 16 (Mar. 15, 2024), <https://perma.cc/RM7Z-3A9U>; Lara Cushing et al., *Carbon trading, co-pollutants, and environmental equity: Evidence from California’s cap-and-trade*

council in Washington has recommended supplementing Washington’s cap-and-invest program with facility-specific emissions caps, where facilities affecting overburdened communities face more stringent caps beyond the general greenhouse gas emissions cap.³⁰

There are some important nuances to weigh when considering facility-specific caps. First, the relationship between greenhouse gas emissions and air pollution is uncertain: although greenhouse gas emissions are generally assumed to trend in the same direction as air pollution levels, the relationship may vary based on factors such as technology and pollutant type.³¹ Second, it is not always obvious *which* facilities’ pollutants directly affect overburdened communities, as spatial dynamics governing the dispersal of air pollution are complex and may require extensive modeling and monitoring.³² In other words, facilities near or within overburdened communities may not necessarily be the facilities that contribute to these communities’ exposure.³³ If the Department decides to proceed with implementing facility-specific caps, it should carefully evaluate these considerations to determine how to design an optimal program.

III. The Department should suggest amending the linkage agreement to provide explicitly for public disclosure of market information, subject to legal and confidentiality requirements.

Article 15 of the California-Québec agreement requires the parties to share the information they collect under their respective cap-and-trade programs.³⁴ The agreement’s language creates ambiguity as to whether the parties must share information only with each other or also with the public.³⁵ The parties should consider explicitly agreeing to share collected information with the public, to the extent possible given legal and confidentiality constraints, such as by adding the italicized text below to the existing, non-italicized text:

“To support and enhance the administration, including the analysis, operation and supervision, and the enforcement of the Parties’ respective program requirements, the Parties shall jointly arrange

program (2011-2015), 15 PLOS MED. no. 7, 2018, at 2, <https://perma.cc/3SZX-XQ9R>; Jeff Todd, *Climate Cap and Trade and Pollution Hot Spots: An Economics Perspective*, 39 GA. STATE UNIV. L. REV. 1003, 1015 (2023).

³⁰ *Letter to Ecology RE – Linkage*, ENV’T JUST. COUNCIL, *supra* note 29; see also Nicholas Roy et al., *Considerations for Washington’s Linkage Negotiations with California and Québec*, RES. FOR THE FUTURE 30–32 (Mar. 2025), <https://perma.cc/QW85-GYD7>.

³¹ See Inst. for Pol’y Integrity and Guarini Ctr. on Env’t, Energy & Land Use L., *supra* note 29, at 16–17; Glen Sheriff, *California’s GHG Cap-and-Trade Program and the Equity of Air Toxic Releases*, 11 J. OF THE ASS’N OR ENV’T AND RES. ECONOMISTS 137, 138 (Jan. 2024), <https://www.journals.uchicago.edu/doi/10.1086/725699> (last visited Mar. 31, 2025) [permalink unavailable].

³² See *id.* at 17; Sheriff, *supra* note 31, at 139; Danae Hernandez-Cortes and Kyle C. Meng, *Do environmental markets cause environmental injustice? Evidence from California’s carbon market*, 217 J. OF PUB. ECON., no. 104786, 2023, at 2, <https://www.sciencedirect.com/science/article/pii/S0047272722001888> (last visited Mar. 31, 2025) [permalink unavailable].

³³ See *id.*

³⁴ Agreement on the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions, *supra* note 27, art. 15.

³⁵ See *id.*

to share information collected or developed under their respective programs, *both with each other and with the public.*³⁶

Such an amendment to the agreement’s text would both clarify the text’s meaning and benefit the public by improving transparency about the operation of these cap-and-trade programs.

In particular, public access to collected information would facilitate research and analysis. For example, policy and economic researchers would benefit from information such as:

- the extent of covered entities’ and voluntary participants’ emissions reductions after becoming subject to a cap-and-trade program;
- covered entities’ and voluntary participants’ reliance on offsets to meet their (mandated or elected) compliance obligations;
- any correlations between these entities’ emissions reductions in response to each cap-and-trade program and their reliance on offsets; and
- possible market manipulation or anti-competitive conduct in auctions.

This information would enable researchers to better analyze cap-and-trade programs’ effects and to identify design improvements, among other things.

At the same time, the California-Québec agreement recognizes that there may be valid reasons to keep some collected information private.³⁷ Where confidentiality concerns exist, the parties should consider ways to balance those concerns with the benefits of allowing the public to access the information. For example, the parties could consider making certain information public in anonymized form (such as at the industry level or through masking procedures);³⁸ allowing tiered access to the information (creating multiple versions of a dataset “with varying levels of specificity and protection”);³⁹ or limiting access to researchers and requiring those researchers to sign non-disclosure agreements.

To illustrate, from a research standpoint, the Department would ideally collect and publish transaction-level data for each quarterly auction, with de-anonymized information about the identities of covered entities and voluntary participants involved in the transaction and with the

³⁶ See *id.* (italicized text added).

³⁷ *Id.* (“Nothing in this Agreement requires a Party to breach privacy or confidentiality obligations or requirements prohibiting the collection, use or disclosure of information to which it is bound under its own laws, nor compromise the security with which information is held, nor disclose confidential information such as commercially sensitive or personal information.”).

³⁸ See, e.g., *National Strategy to Advance Privacy-Preserving Data Sharing and Analytics*, NAT’L SCI. AND TECH. COUNCIL 3, 15–16 (Mar. 2023), <https://perma.cc/4S68-G4RP> (recommending anonymization, among other methods, for making data widely available without disclosing sensitive information like company identity and other details related to company operations). For an example of the use of anonymization techniques, see *Commercial Buildings Energy Consumption Survey (CBECS)*, U.S. ENERGY AND INFO. ADMIN., <https://perma.cc/VMF2-L4S4> (using masking procedures to avoid disclosing individual building identities when making publicly available a microdata file with untabulated records about individual buildings).

³⁹ See, e.g., *Memorandum for the Heads of Executive Departments and Agencies* (M-19-15), OFF. OF MGMT. AND BUDGET 9 (Apr. 24, 2019), <https://perma.cc/RX7Z-TZ5E> (encouraging the use of tiered access); *Improving Implementation of the Information Quality Act: Frequently Asked Questions*, OFF. OF MGMT. AND BUDGET 8 (Dec. 2023), <https://perma.cc/68CW-PRJ4>.

auction-clearing price and quantity of allowances transacted. Having access to this information would allow researchers to observe compliance market participation at a firm level and discern how market participation varies by specific firm-level attributes including size, location, industry, sustainability goals and pledges, profitability, ownership structure, and market share—in short, to understand who participates in these markets, and how.

However, if the Department is unable to provide the de-anonymized identities of market participants or link them to specific market transactions, then it could consider publishing summary statistics of market participation metrics, at an auction-firm attribute level. For instance, after each auction, it could publish the sales volume of market participants, aggregated to a firm-industry level, or the sales volume for covered entities and voluntary participants separately. This aggregation would maintain market participants' anonymity while allowing researchers to understand some limited dimensions of heterogeneity in market participation.

Sincerely,

Erin Shortell, Legal Fellow

Derek Sylvan, Strategy Director

Mythili Vinnakota, Economic Fellow

erin.shortell@nyu.edu



March 25, 2025
Washington Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

Re: Cap-and-Invest Linkage Agreement

Dear Director Sixkiller,

Environmental Defense Fund (EDF) appreciates the opportunity to provide input as the Washington Department of Ecology (ECY) advances this critical rulemaking process to facilitate linkage with the joint California-Québec carbon market. EDF is a non-profit, non-governmental, and non-partisan organization that combines science, economics, and law to create innovative, equitable, and cost-effective solutions to urgent environmental problems. With over 3.5 million members nationwide, including over 100,000 in Washington state, EDF brings deep expertise in climate policy design, including the development of enforceable, economy-wide limits on climate pollution. Since the inception of California's cap-and-trade program in 2012, EDF has actively contributed technical and policy expertise to strengthen its effectiveness, engage with policymakers, and analyze auction results - as we now are also doing in Washington.

Washington's Climate Commitment Act (CCA) has solidified the state's reputation as a national leader in climate action, setting the most ambitious enforceable limits on climate pollution in the country. By taking decisive steps to cut greenhouse gas emissions, Washington is demonstrating that climate action can align with economic growth and sustainability. It has been exciting to see Washington's continued interest in and progress towards program linkage with California and Quebec over the last two years - EDF strongly supported Director Watson's decision to pursue linkage in November 2023, and also supported the passage of SB 6058 in the 2024 legislative session to further facilitate necessary changes enabling linkage. We appreciate ECY's continued engagement on this issue, including the informative public workshops that have been held to share information and answer questions about the linkage process.

As the impacts of climate change accelerate and federal action threatens to stall or reverse recent progress, bold, collaborative sub-national action has never been more critical. Linking carbon markets is a proven strategy to scale up climate ambition, enhance market stability, and improve cost-effectiveness. A multi-jurisdictional market can unlock greater emissions reductions, strengthen Washington's climate leadership, and provide long-term stability for the state's cap-and-invest program.

Maximizing Regional Emissions Reductions

By aligning policies and increasing the breadth of participants, linkage can drive deeper and faster regional emissions reductions. From a political opportunity standpoint, lower costs of compliance can allow policymakers and covered entities to be more ambitious in their emissions reductions targets. When California and Quebec linked their markets, they were able to achieve greater regional emissions reductions [at lower costs](#) than either jurisdiction would have achieved alone. [Recent Resources for the Future \(RFF\) modeling](#) underscores this opportunity: a linked market is projected to deliver additional net greenhouse gas reductions exceeding 50 million tons, compared to an unlinked market. Because greenhouse gases are global pollutants, cutting more emissions regionally benefits everyone. However, RFF's modeling also recognizes that these reductions may be unevenly distributed across jurisdictions, reinforcing the importance of fully implementing existing tools for local air quality protection in Washington.

Enhancing Cost-Effectiveness & Market Stability

A larger, linked market enhances efficiency, reducing compliance costs and increasing flexibility. [According to RFF's analysis](#), Washington entities would face significantly lower prices under a linked market compared to an unlinked one. In sectors where the costs associated with emissions reductions are passed through to consumers, the lower compliance costs in a linked market [can translate to enhanced affordability for ratepayers](#). This is particularly important for low- and middle-income households, for whom energy bills represent a greater share of monthly costs.

Greater market liquidity also reduces price volatility, distributes risks more evenly, and strengthens confidence in the program's longevity. This stability is essential for ensuring that Washington's cap-and-invest program remains a durable, long-term tool for reducing emissions.

Building on Washington's Climate Leadership

Washington's Climate Commitment Act sets some of the most ambitious emission reduction targets in the nation, setting both cumulative and near-term goals which are essential to minimizing long-term climate risks. Preserving the integrity of these targets is paramount as Washington extends its leadership beyond state borders.

A linked market would reinforce Washington's leadership by creating a more resilient, cost-effective, and politically durable system. The California-Québec market provides a strong foundation, demonstrating how linkage can successfully navigate policy differences and market integration while maintaining its stability and effectiveness. Washington now has the opportunity to join and strengthen this proven system, ensuring its cap-and-invest program delivers greater climate benefits at a lower cost—both for Washingtonians and the planet.

Lessons from the California-Québec Agreement

California and Quebec's linked carbon markets have proven to be highly successful examples of cross-jurisdictional collaboration in climate policy. Since linking in 2014, the partnership has

enabled both jurisdictions to achieve cost-effective emissions reductions while maintaining robust program integrity.

Over nearly a decade, the program has demonstrated remarkable durability. It has weathered legal challenges, political shifts, and even the inclusion and abrupt exit of Ontario without compromising its integrity or effectiveness. This resilience underscores the ability of linked markets to adapt to challenges while ensuring long-term stability and confidence for regulated entities and stakeholders. By linking their programs, California and Quebec have not only achieved their emissions reduction targets but have also reinforced the importance of collaboration in tackling global challenges. Their experience provides a valuable blueprint for Washington as it considers joining this established system.

As Washington considers linkage, it should ensure that any agreement builds upon these strengths while also addressing state priorities. This includes keeping Washington on track to meet its own emissions targets and engaging meaningfully with communities disproportionately impacted by pollution. Ecology should also fully leverage its existing regulatory tools to enhance air quality in overburdened areas, such as establishing stronger air quality standards in designated overburdened communities, and reducing the amount of offsets that can be used by an entity found to be substantively contributing to air pollution in overburdened communities.

Conclusion

Collaboration through linked carbon markets is the next logical step in Washington's climate leadership, and one that's deeply needed. By joining forces with California and Québec, Washington can amplify its impact, set an example for other jurisdictions, and accelerate progress toward a sustainable, low-carbon future. EDF appreciates the opportunity to contribute to this important process and looks forward to supporting ECY's efforts to finalize a linkage agreement that reflects the ambition and integrity of the CCA.

Sincerely,
Caroline Jones, Senior Analyst, US Climate
Environmental Defense Fund



WASHINGTON CONSERVATION ACTION

March 31, 2025

Washington Department of Ecology
Climate Pollution Reduction Program
PO BOX 47600
Olympia, WA 98504-7600

Re: Cap-and-Invest: Linkage Agreement

Dear Stephanie Potts:

Thank you for the opportunity to provide comments on Ecology's pursuit of a linkage agreement with the California-Québec carbon market. As a statewide organization, Washington Conservation Action works to develop, advocate, and defend policies that ensure environmental progress and justice by centering and amplifying the voices of the most impacted communities. We worked to help pass the Climate Commitment Act in 2021, have engaged in many rulemakings, and are committed to realizing a just and equitable implementation of the law.

Based on the February 27, 2025, public meeting hosted by Ecology, it is our understanding that this public comment process is intended to focus on: a) feedback about the existing linkage agreement between California and Québec; b) input regarding how a linkage agreement will address environmental justice; and c) identifying factors Ecology should consider in its analysis of linkage criteria. We understand that public input will inform Ecology's linkage agreement negotiations and environmental justice assessment. Our comments highlight topics and approaches we hope to see reflected in these processes.

Our comments are also informed by our collaboration with many partner organizations and our work with Resources for the Future (RFF), in partnership with Climate Solutions and The Nature Conservancy. A report based on this work was recently published by RFF and submitted to Ecology for consideration during this comment period.





WASHINGTON CONSERVATION ACTION

INPUT ON EXISTING LINKAGE AGREEMENT BETWEEN CALIFORNIA AND QUÉBEC

Recognition of sovereign Tribal nations is missing from the existing agreement. While Tribal nations are not party to the agreement, recognition of the sovereignty of Tribal nations participating in the program and impacted by the agreement should be included in any linkage agreement Washington negotiates. This is suggested in keeping with the intent described in RCW 70A.65.005(7), RCW 70A.65.110(8), RCW 70A.65.180 and RCW 70A.65.305, as well as the Centennial Accord.

We are supportive of the intent in Article 5 (Offsets) for jurisdictions to discuss changes to protocols in order to harmonize and integrate programs. While we recognize that Washington does not have the authority to determine what other jurisdictions will adopt, we strongly encourage Ecology to advocate for linked jurisdictions to improve their protocols to align with Washington's. The details of and rationale for this recommendation are outlined below.

OFFSETS

Potential adverse EJ impacts and DEBS in linked jurisdictions

The Climate Commitment Act's requirement for offsets projects to provide direct environmental benefits to the state (DEBS) is one of its most important characteristics, particularly to mitigate environmental injustice. The CCA intentionally set a more stringent requirement for DEBS than California to achieve program goals and contribute to improved environmental justice outcomes.

Strong DEBS requirements in all linked jurisdictions can help to mitigate harm, and Washington must ensure that a linked market does not contribute to adverse outcomes for people in those jurisdictions – or elsewhere. We appreciate that Washington's program already makes some effort to encourage DEBS in linked jurisdictions by requiring that all offsets used for compliance in Washington that are not based in Washington must be from projects *located in* linked jurisdictions. Ideally linkage negotiations can encourage linked jurisdictions to adopt similar approaches.





Protocols with different requirements for same project type across linked jurisdictions

To maintain the integrity of a linked program, it is important that Ecology analyze the potential consequences of a linked system in which different protocols exist for the same project type.

For example, as Ecology pursues updates to the U.S. Forests Offsets protocol, we anticipate that Washington's protocol will begin to substantially diverge from California's current forest offset protocol. Washington's version of the protocol will hopefully become more effective because of these updates. In contrast, California's protocol may not be updated until the 2030 expiration of the current version of California's program. We are concerned this could incentivize Washington-based offset projects to pursue offset credits using California's less rigorous protocol. This concern is compounded by the fact that California already has lower DEBS requirements – and regulated entities in California can comply with emissions reductions requirements by purchasing more offset credits from out-of-state projects than entities in Washington, including from projects based in Washington.

Linkage negotiations must compare overlapping offset protocols, analyze potential impacts, and seek consistency whenever possible. Otherwise, divergent protocols will generate additional complexity and undermine Ecology's efforts to enhance offset protocol rigor and the state's commitment to improved environmental justice outcomes in Washington. This dynamic could also emerge outside of a linked market as the California and Washington market run in parallel over time.

The following are proposed solutions we recommend Ecology explore:

- Conduct analysis of the potential for demand and prices of offset credits to be affected by differences in rigor of two protocols governing the same project type.
- Negotiate with California and Québec to align divergent protocols governing the same project type, taking into account input from stakeholders in each jurisdiction and environmental justice goals.



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Market factors related to linking offsets

We strongly recommend that Ecology evaluate the impacts on demand for offsets as compliance instruments in preparation for negotiating a linkage agreement with California and Québec. We encourage Ecology to conduct an analysis of the potential for demand and offset prices to be affected by linking markets.

Reporting consistency

Equivalent reporting for linked jurisdictions is necessary for the Department of Ecology to be able to analyze and adjust rules in a linked program. While Washington joined the Western Climate Initiative, Inc (WCI) in December 2021 and is using WCI's Compliance Instrument Tracking System Service (CITSS), we are not aware of publicly available compliance instrument reports for Washington equivalent to those published for the California-Québec program. The quarterly CITSS Compliance Instrument Report for California and Québec published by the CARB¹ provides information about the volume of both allowances and offsets in entity and jurisdictional accounts.

If Ecology is tracking equivalent compliance instrument accounts using CITSS, the reports should be made available to the public in addition to or in place of the current quarterly Ecology Offset Issuance Table.² It would be valuable for Ecology to provide a single report for all compliance instruments that reflects when allowances are retired due to offsets being used as compliance instruments. We encourage Ecology to ensure Washington information is included in the quarterly CITSS Compliance Instrument Report under linkage, including showing total, summarized entity and jurisdictional accounts for both allowances and offsets.

¹ CARB Linked California and Québec Cap-and-Trade Programs Compliance Instrument Report - Aggregated by Type and Account

https://ww2.arb.ca.gov/sites/default/files/2024-07/nc-2024_q2_complianceinstrumentreport.pdf

² Ecology Offset Credit Issuance Table

<https://apps.ecology.wa.gov/publications/documents/2314026.pdf>





WASHINGTON CONSERVATION ACTION

HARMONIZATION OF PROGRAMS

Emissions Containment Reserve

Linkage of Washington's program with the California-Québec market has the potential to provide many benefits, including cost containment, overall emissions reductions, and sending a positive signal to other states and international jurisdictions. At the same time, there are risks, including lower revenues to Washington, which could result in fewer investments to drive equitable emissions reductions.

A functional Emissions Containment Reserve in a linked market could mitigate some of these risks, by providing a backstop for allowance prices. This is a simple strategy already in Washington's statute. An ECR in a linked market would provide assurance that Washington communities – especially overburdened communities – will continue to benefit from sufficient market revenues. **For this reason, we also encourage Ecology to pursue an Emissions Containment Reserve as an integral element of a California-Québec-Washington linked market, in order to balance objectives and ensure linkage can meet all the requirements of RCW 70A.65.210.**

Treatment of Emissions Intensive Trade Exposed Industries

The manufacturing facilities covered by the Climate Commitment Act are treated as emissions-intensive, trade-exposed (EITE) industries. RCW 70A.65.110 requires Ecology to allocate no-cost allowances to EITE facilities based on each facility's unique carbon intensity benchmark or mass-based baseline and the actual production of that facility each year.

For the first compliance period, facilities will receive no-cost allowances equal to 100% of their compliance obligation. For the second compliance period, facilities will receive 97%, and for the third compliance period, facilities will receive 94%. Barring future legislative action, facilities will continue receiving no-cost allowances equal to 94% of their compliance obligation each year in perpetuity – even if the allocation to all EITE facilities in the program eventually exceeds the overall program cap. This could create significant problems in coming years, and linkage provides a powerful opportunity to avoid some of these problems by harmonizing with California's treatment of EITE facilities.





WASHINGTON CONSERVATION ACTION

For example, California uses a cap adjustment factor to determine its allocation of no-cost allowances to industrial facilities. The cap adjustment factor declines each year with the overall annual allowance cap. Because of this, facilities have a greater incentive to decrease their emissions each year, and there is less risk of the overall allocation of no-cost allowances to industrial facilities exceeding the program cap in future compliance periods.

California also uses sector-specific benchmarks in its allowance calculations, whereas Washington uses facility-specific carbon intensity benchmarks or mass-based baselines. This means that facilities in the same sector in Washington – and under linkage, in linked jurisdictions – are held to different and unequal standards for emissions efficiency. Harmonization with California’s program could help Washington resolve these issues and promote more effective decarbonization of industrial sector emissions under linkage.

For these reasons, we encourage Ecology to seek greater harmonization with California’s program in the allocation of no-cost allowances to manufacturing facilities as a core part of any linkage agreement.

Thank you for your consideration of these comments. Washington Conservation Action looks forward to continued participation in linkage conversations and appreciates Ecology’s ongoing work.

Sincerely,

Caitlin Krenn

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March 31, 2025

Stephanie Potts, Cap-and-Invest Program Linkage Planner
Department of Ecology
300 Desmond Dr SE, Lacey, WA 98503

Re: Climate Solutions' Comments on the Linkage Agreement and Process of Linking with California and Quebec's Carbon Markets.

Dear Stephanie Potts,

Climate Solutions appreciates the Department of Ecology's ("Ecology") continued opportunities to engage and comment on potential carbon market linkage with California and Quebec's joint market. Climate Solutions is a nonprofit organization working to accelerate clean energy solutions to the climate crisis. We have been a strong advocate for the Climate Commitment Act since its inception and are deeply invested in its success. We have been engaged in the topic and process of linking since it was first introduced by Ecology, participating in all public comment opportunities.

Although prices are now leveling off, allowance prices were variable in the first two years of CCA implementation due to the uncertainty that comes with a new program and pressure from Initiative-2117. Linkage with the California-Quebec market has the potential to stabilize prices. This predictability can help ensure the sustainability and longevity of the program, while also relieving administrative burdens, and, most critically, leading to greater reductions in greenhouse gas emissions across the region. This is an incredible opportunity for the participating states and provinces to all improve their climate outcomes.

But in order to facilitate linkage and achieve those benefits, Ecology must ensure (per RCW 70a.65.210(3))) that linkage does not harm Washington's ability to meet its climate mandates and not only avoids harm to overburdened communities, but also brings benefits to these communities. **Below, we offer recommendations to support meeting each of these criteria in both the linkage agreement and through additional policy mechanisms.**

- I. Linkage Agreement: Maintain language that facilitates ongoing review of programs and conversations and consider adding recognition of each jurisdiction's commitment to improving outcomes in overburdened communities.**

According to Ecology, a linkage agreement can help facilitate a more successful merging of markets by establishing expectations – e.g., agreeing to hold auctions jointly using the same platform – and a process for regularly communicating, consulting, and coordinating. Ecology



states that a linkage agreement cannot “modify existing laws and regulations, nor obligate jurisdictions to create new ones” so it appears that the California-Quebec linkage agreement generally serves its intended purpose.

We appreciate the California-Quebec agreement’s inclusion of the following provisions:

- “The Parties shall continue to examine their respective regulations for the reporting of greenhouse gas emissions and for the cap-and-trade program in order to promote continued harmonization and integration of the Parties' programs.”
- “To support the objective of harmonization and integration of the programs, any proposed changes or additions to those programs shall be discussed between the Parties.”

Applied together, these two agreements indicate (1) the importance of revisiting policies as new information comes to light around different needs for harmonization and (2) the need to communicate, coordinate, and collaborate to facilitate successful linkage. **This suggests that while the agreement *itself* cannot obligate a jurisdiction to create new laws or regulations, it can facilitate important conversations for the need for changes and safeguards to be put in place as each jurisdiction’s respective program evolves.**

We also want to offer one recommendation for the linkage agreement: in recognition of the fact that Washington’s law includes commitments to improving air quality in overburdened communities and California’s program has commitments in law to invest in overburdened communities (or “disadvantaged communities” per California’s law), we recommend referencing those obligations in the preamble.

Policy Recommendations:

II. **Activate the Emissions Containment Reserve in all three jurisdictions as a simple and effective safeguard for consistent revenue and emissions reductions.**

The Legislature created an Emissions Containment Reserve (“ECR”) per RCW 70A.65.140 to “help ensure that the price of allowances remains sufficient to incentivize reductions in greenhouse gas emissions.” The ECR is a simple but effective mechanism for maintaining the ability of the program to carry out its intended goal to reduce emissions when allowance prices fall and the market signal to reduce emissions weakens. One of the leading concerns with linkage is that California’s large bank of allowances will flood the market and bring prices down and result in fewer investments that help draw down emissions, reduce air pollution, and benefit communities. Establishing the ECR is one of the simplest responses to this concern, as it will remove allowances from the pool—and it is a mechanism that is already in statute.

In its concise explanatory statement during the 2022 Climate Commitment Act rulemaking process, Ecology stated it will “explore the possibility of reinstating the ECR trigger price” in the case where auction prices are not consistently rising faster than the auction floor price. In the



second year of the program, prices settled near the price floor of \$24.02. These prices still bring in hundreds of millions of dollars for state climate investments. But if the three jurisdictions link, Washington communities will need additional assurance that revenues will continue to flow to them—particularly to overburdened communities.

We recommend that all three jurisdictions establish and enact an ECR. It is important to note that this mechanism is only effective if all three jurisdictions implement the ECR. Please refer to the Resources for the Future report on [Considerations for Washington’s Linkage Negotiations with California and Québec](#) for additional details and analysis on the potential role of an ECR.

We believe the linkage agreement could help facilitate the implementation of an ECR. As noted above, the California-Quebec agreement states, “to support the objective of harmonization and integration of the programs, any proposed changes or additions to those programs shall be discussed between the Parties.” This provision suggests that Washington has grounds to discuss and advocate for this mechanism with California and Quebec in support of program harmonization and in the spirit of iterative examination of each program.

III. Leverage existing policy mechanisms and processes already established at Ecology and consider additional options to (1) ensure air quality improvements in overburdened communities and (2) maintain Washington’s program stringency in a linked market.

To ensure linkage does not harm overburdened communities and actively provides benefits to overburdened communities, it is critical that Ecology leverages existing policy mechanisms and consider additional options to ensure protection for overburdened communities.

- 1. Air Quality Rulemaking:** The rulemaking process required under RCW 70a.65.020(2) to reduce criteria pollution from highly polluting sources in overburdened communities is fundamental to the success of the CCA. We are glad that the Department has begun this process but want to **encourage the Department to work to develop draft language as expediently as possible to ensure adequate time for the public to analyze and provide feedback.** This rulemaking becomes even more critical under a linked system, as it was designed to ensure that Washington communities will not only see statewide greenhouse gas reductions but also localized pollution reduction within areas where vulnerable populations reside.
- 2. EITE Compliance:** Ecology’s process to determine recommendations for emissions intensive trade-exposed industry (EITE) compliance under the law is another opportunity to improve localized air pollution and protect Washington’s GHG laws. Until 2035, Washington EITEs will receive most of their allowances for no cost per statute. Meanwhile California’s law has established a decline for EITEs that follow along its cap trajectory. California also uses sector-specific benchmarks to calculate emissions,



whereas Washington uses facility-specific carbon intensity benchmarks or mass-based baselines. This means that facilities in the same sector in Washington – and under linkage, in linked jurisdictions – are held to different and unequal standards for emissions efficiency.

We encourage Ecology to develop recommendations for Washington to pursue a more ambitious EITE compliance pathway. This could include harmonizing with California’s approach, requiring EITEs to consign free allowances to auction and using that revenue for decarbonization, or other potential approaches. Not only would this help address localized emissions, but it would also help to further align Washington and California’s program and thus enable stronger linkage.

- 3. Additional Recommendations per Resources for the Future report:** We encourage Ecology to explore additional policy options outlined by the [Resources for the Future Linkage report](#) to help further reduce criteria pollution in overburdened communities. For example, the report recommends facility-specific caps in designated overburdened communities as an additional safeguard for local air emissions. The report also suggests that California could adopt Washington's provision regarding reducing the number of offsets used by an entity that contributes substantively to air pollution in overburdened communities. Again, we believe that the linkage agreement enables discussions of policy changes across jurisdictions to ensure harmonization.

We appreciate the opportunity to provide comments and look forward to continuing to work with Ecology as it explores different pathways to linking with California and Quebec.

Sincerely,

Altinay Karasapan
Washington Regulatory Policy Manager
Climate Solutions

Submitted electronically

March 31st, 2025

Stephanie Potts
Washington Department of Ecology
PO Box 47600
Olympia, WA 98504-7600

Dear Stephanie Potts,

On behalf of The Nature Conservancy and our 310,000 supporters across the state, thank you for this opportunity to provide comments on how Washington should approach a potential linkage agreement of our Cap & Invest system to California and Quebec. The Nature Conservancy helped shape and strongly supports the Climate Commitment Act (CCA) as landmark climate legislation for Washington state. Strong implementation of the CCA will dramatically reduce greenhouse gas emissions, ensure that overburdened communities realize health benefits from reduced emissions and associated toxic pollution, and create investments in transitioning our state to a clean economy with climate resilient communities.

The Nature Conservancy sees important benefits from linking Washington's carbon market to the California and Quebec markets. A linked market is likely to lead to stabilized allowance prices that will mitigate price impacts on Washingtonians, allow for more predictable revenue generation for investments by the state towards climate action, and allow emitters to better plan their investments to lower greenhouse gas pollution. However, in addition to these market benefits, any linkage agreement must by law not yield net adverse impacts to either jurisdiction's overburdened communities, and protect Washington's ability to achieve the state's statutory GHG limits (RCW 70.65.210).

Washington's cap and invest system was developed with an eye towards lessons learned from the earlier enacted systems in California and Quebec, and also towards linkage. Washington for instance has a permanent program with ambitious greenhouse gas targets, limited offsets under the greenhouse gas cap, an authorized Emissions Containment Reserve, and an embedded air quality program but there are aspects in which our system could be improved as well. For example, California's program approach towards Emissions Intensive Trade Exposed industries (EITEs) appears better positioned in achieving emissions reductions from these critical businesses. We urge Ecology to strengthen the combined carbon markets by balancing

the strengths of Washington's with California and Quebec, especially with regards to the treatment of EITEs under California's more robust approach.

Ecology has stated that the linkage agreement between California and Quebec is the starting place for drafting a linkage agreement that includes Washington. The California-Quebec agreement emphasizes harmonization, but does not provide a mechanism to ensure that overburdened communities will see benefits and not harms, nor would it inherently protect either the GHG or criteria emission reductions goals within Washington state. Modeling by Resources for the Future (RFF) shows that while linkage would lead to greater regional emissions reductions and a more affordable program, assuming no new state policy interventions, Washington's rate of emissions reductions were modeled to be moderately slower under linkage.¹

While linkage carries positive impacts, there are risks associated with linkage to the CCA's core goals of GHG and criteria emissions reduction, especially in overburdened communities. As such, Ecology should consider undertaking the following proposals through linkage agreement negotiations, rulemaking, EJ assessment, and other CCA implementation activities to advance these goals.

Ensure that linkage does “not yield net adverse impacts to either jurisdictions' highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions” (RCW 70A.65.210(3)(c)). The intent of the CCA is to address health disparities due to air pollution as well as lowering greenhouse gas pollution (RCW 70A.65.005). With modeling by RFF showing the potential for emissions abatement at point-source facilities to shift towards California in a linked market, without additional provisions, communities near these facilities in Washington may see potentially slower improvements in local air quality compared to an unlinked scenario. Further, EITEs receive free allowances to cover the vast majority of their baseline emissions through the third compliance period which does little to incentivize pollution reduction. Given the intent of the CCA is to address health disparities due to air pollution as well as lowering greenhouse gas pollution (RCW 70A.65.005), Ecology needs to ensure that linkage does not harm overburdened communities through increased air pollution. Therefore, we urge Ecology to address the potential negative air quality impacts of linkage, in the following ways:

- **Complete CCA air quality rulemaking before linkage**
Ecology is currently responsible for implementing the air quality provisions of the Climate Commitment Act. In order to provide certainty and durability for air quality

¹ Roy, Nicholas, Suzanne Russo, and Dallas Burtraw. “Considerations for Washington's Linkage Negotiations with California and Québec.” March 17, 2025. <https://www.rff.org/publications/reports/considerations-for-washingtons-linkage-negotiations-with-california-and-quebec/>

improvements, Ecology should focus on completing strong air quality rules before linking, and then ensure that linking does not weaken the air quality impacts of those rules.

- **Align Washington’s treatment of EITEs to California’s more rigorous approach**

One of The Nature Conservancy’s main concerns around air quality and linkage is that the EITEs in Washington receive 94% of their annual emissions levels in free allowances through 2034, even as the annual cap drops by 63.2% over the same time period. This subsidizes EITE emissions in a way that threatens the health of Washington’s overburdened communities as well as the state’s ability to meet the cap. California’s EITEs still receive free allowances, but they decrease in-line with the overall annual allowance cap.ⁱ

- **Implement Facility Specific Emissions Caps to improve air quality in overburdened communities**

To ensure that linkage does not adversely impact overburdened communities relative to the baseline of an unlinked market, Ecology should consider commissioning an independent study to further investigate the potential of establishing facility specific emissions caps for facilities emitting in the 16 communities overburdened by air pollution that Ecology has identified, as well as facilities in other communities that meet environmental health disparities criteria. The facility specific emissions cap should require these facilities reduce their emissions and pollution on the same decline as the overall cap to ensure Washington meets its commitments under the CCA to improving air quality in overburdened communities while benefitting from the allowance price stability of a linked market. Ecology should have the ability to implement a facility specific emissions cap under RCW 70A.65.020 (2)(b)(iii).

- **Utilize current authority to remove Free Allowances from EITEs in overburdened communities**

For EITE facilities in overburdened communities that are not meeting their air quality targets, reducing the amount of free allowances they are given could work to incentivize actions toward reducing air pollution and health disparities. Giving free allowances, for an extended period of time with no requirements, and especially at the high levels granted in the CCA, eliminates the market incentive for EITEs to reduce pollution in overburdened communities.

- **Conduct an Environmental Justice Assessment before linkage negotiations to guide the process, then reevaluate and finalize the EJ Assessment to guide the final decision**

An Environmental Justice assessment of linkage should be done and published in draft form now to guide linkage negotiations. Once an agreement is on the table for evaluation Ecology can reevaluate and finalize the EJ assessment based on the impacts

of the negotiated terms of linkage. The environmental justice assessment must include a focus on the pollution burden and health disparities of communities in Washington, California, and Quebec – not just the potential economic burden of fuel and transportation costs. While economic burden for low-income communities is a consideration, it must not be an exclusive one. The air quality program and other environmental health benefits of Washington’s Cap and Invest program are critical parts of the program. As such, Ecology should conduct the needed analysis to identify negative impacts on air quality in overburdened communities and other potential impacts to overburdened communities. With this analysis in hand Ecology can negotiate a linkage agreement that best serves Washington and meets the requirements of the CCA.

Ensure linkage does “Not adversely impact Washington's ability to achieve the emission reduction limits established in RCW 70A.45.020” (RCW 70A.65.210(3)(d))

- **Activate Washington’s Emission Containment Reserve and work to ensure linking jurisdictions have matching Emission Containment Reserves**

The Emissions Containment Reserve (ECR) serves two key purposes. First, it drives emissions reductions by maintaining a market incentive to reduce emissions when the auction price is low, ensuring that decarbonization continues. The ECR also raises revenue without impacting program affordability because it only activates when allowance prices are low. By lowering GHG pollution and stabilizing the state’s investments in climate resilience and a clean economy, the ECR is a critical tool to meeting two of the top three priorities of the CCA. Because an ECR will only function if it is uniform across the market, it is critical that Ecology include the ECR in their linkage negotiations and ensure California and Quebec implement matching ECR policies.

- **All offsets in a linked market must be under the cap**

Ecology must protect the integrity of Climate Commitment Act’s impacts on greenhouse gas reduction (RCW 70A.65.210(3)(d)). The use of any offset credit as a compliance instrument in a way that exceeds a cap on greenhouse gas emissions, and is not at least subsequently “trued up” in future allowance budgets, does not contribute to lowering emissions under the cap, does not meet the program’s core objective and should not be allowed in a linkage agreement. Ecology should ensure more transparency for the public and market participants that indeed all used for compliance in a linked market are counted under the cap.

- **Engage with California on updates to their program**

California’s carbon market does not extend beyond 2030. As Ecology considers necessary changes to the Washington CCA rules required by the legislature via SB 6058 specifically to support linkage, Ecology should support California’s consideration of the measures outlined in this letter and wait to proceed with linking until Washington has certainty of the ongoing stability of California’s program.

- **Match or improve upon California’s treatment of EITEs**

Washington state’s current treatment of EITEs – free allowances declining off-pace with the stringency of the cap, and without any required transparency around emission abatement investments – creates a major challenge in meeting climate targets and sufficiently reducing pollution in communities near those facilities. In California, EITE free allowance decline in alignment with the cap. Washington should adopt a similar system.

Through a strong linkage agreement and other associated steps Washington has the opportunity to strengthen climate action and air quality for communities across Washington, California, and Quebec. The programmatic elements of linked markets cannot weaken the climate, health, and resilience progress Washington is making. The Nature Conservancy urges Ecology to take the steps described above to ensure linkage strengthens Washington State’s climate action.

Sincerely,

David Mendoza
Director of Policy & Government Relations
The Nature Conservancy in Washington

ⁱ [Allowance Allocation to Industrial Facilities | California Air Resources Board](https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/allowance-allocation/allowance-allocation-industrial) <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/allowance-allocation/allowance-allocation-industrial>

Section 4: Cap-and-Invest Program Updates and Linkage rulemaking

(April 2024 - April 2026)
Rulemaking is still ongoing

Jeanne Poirier

The CCA is a fantastic start and example of how to address the climate crisis. My biggest fear with linkage is the commitment to vulnerable communities will be drowned with overcrowding of auctions/information/places to put the funds. It's bound to create bigger loopholes for polluters while making the population we committed to help with 40% of proceeds - already not happening in our state and abysmal in California so much worse. Please, please follow the lead of community organizations and leaders like Front and Centered.

Edward Mann

I want to see an economic analysis showing how expanding the carbon market will affect value of forest offsets. Creating an ecological value to forests is our best opportunity to rebuild these rural economies. Rural counties across this state and this country have been stripped of our assets, value and resources and abandoned by investment capital. This Cap & Invest program has to be more than just another revenue stream for the state.



September 27, 2024

Nikki Harris
Department of Ecology
Climate Pollution Reduction Program
PO BOX 47600
Olympia, WA 98504-7600

Re: Informal Comment for Chapter 173-446-Linkage WAC — Linkage Rulemaking

Dear Nikki Harris:

Thank you for the opportunity to provide comments on Ecology's rulemaking for Chapter 173-446-Linkage WAC. As a statewide organization, Washington Conservation Action works to develop, advocate, and defend policies that ensure environmental progress and justice by centering and amplifying the voices of the most impacted communities. We have worked on carbon pricing for over a decade and are committed to realizing a just and equitable implementation of the Climate Commitment Act.

Based on the July 10, 2024 public meeting hosted by Ecology, it is our understanding that this public comment process is intended to inform linkage agreement negotiations in addition to the proposed changes to Chapter 173-446 WAC and Chapter 173-441 WAC. Our comments highlight topics and approaches we hope to see reflected in that negotiation process. We do not have comments specific to the proposed changes to 173-446 WAC and 173-441 WAC.

The decision whether to pursue linkage will have far-reaching consequences for Washington's cap-and-invest program and our state's ability to achieve its statutory greenhouse gas emissions limits. It may also have profound implications for carbon markets on a national and international scale. We look forward to continued discussions with Ecology and the opportunity to submit comments on a range of issues as linkage negotiations proceed.



The comments in this letter are focused on the governing of offsets within a linked compliance market and are guided by our commitment to environmental justice. As such, our comments take into consideration the Environmental Justice Council's letter on linkage adopted on October 26, 2023.¹ Many of our comments reflect the need to ground linkage discussions in the precautionary principle, as described in the adopted letter.

Potential adverse EJ impacts and DEBS in linked jurisdictions

The Climate Commitment Act's requirement for offsets projects to provide direct environmental benefits to the state (DEBS) is one of its most important distinguishing characteristics, particularly to mitigate environmental injustice. The CCA intentionally set a more stringent requirement for DEBS than California to achieve program goals and respond to environmental justice concerns. While the current draft rule language for linkage does not include any proposed modifications of DEBS requirements in WAC 173-446-600, it is critical that the Department of Ecology maintain the existing rule's DEBS requirements at a minimum throughout linkage negotiations.

All linked jurisdictions must maintain strong DEBS requirements to mitigate harm, and Washington must ensure that linking with other jurisdictions' carbon markets does not contribute to adverse outcomes for people in those jurisdictions – or elsewhere. We appreciate that Washington's program already makes some effort to encourage DEBS in linked jurisdictions by requiring that all offsets used for compliance in Washington that are not based in Washington must be *located in* linked jurisdictions. Ideally linkage negotiations can encourage linked jurisdictions to adopt similar approaches, thus mitigating the potential impact of Washington's jurisdictional offsets becoming available to entities in linked programs.

Emissions Containment Reserve

We are aligned with our partners at Climate Solutions regarding the need to activate the Emissions Containment Reserve per RCW 70A.65.140 in order to reduce emissions when allowance prices fall. This is a simple strategy already in statute that can help to mitigate

¹ Environmental Justice Council October 26, 2023 Meeting Materials, p. 20
<https://waportal.org/sites/default/files/2024-01/October%2026%2C%202023%20EJ%20Council%20Meeting%20Packet.pdf>





potential losses in investments that help drawdown emissions and benefit communities due to market shifts from access to the California market under linkage (and also due to prices beginning to level off independently in Washington). If Washington links with the California and Quebec markets, the ECR provides assurance that Washington communities – especially overburdened communities – will benefit from market revenues. We urge Ecology to use this opportunity to reinstate the ECR. We also encourage Ecology to advocate for both California and Quebec to adopt ECRs during linkage negotiations to strengthen the programs and support communities in all three jurisdictions.

Protocols with different requirements for same project type across linked jurisdictions

To maintain the integrity of a linked program, it is important that Ecology analyze the potential consequences of a linked system in which different protocols exist for the same project type.

For example, as the Washington Department of Ecology pursues updates to the U.S. Forests Offsets protocol, we anticipate that Washington's protocol will begin to substantially diverge from California's current forest offset protocol. Washington's version of the protocol will hopefully become more effective because of these updates. In contrast, California's protocol may not be updated until the 2030 expiration of the current version of the California Air Resource Board (ARB)'s program. We are concerned this could incentivize Washington-based carbon projects to pursue projects using California's less rigorous protocol. This is compounded by the fact that California already has lower DEBS requirements – and regulated entities in California can comply with emissions reductions requirements by purchasing more out-of-state offset projects than Washington, including those based in Washington.

Linkage negotiations must compare overlapping offset protocols, analyze potential impacts, and seek consistency whenever possible. Otherwise, divergent protocols will generate additional complexity and undermine Ecology's efforts to enhance offset protocol rigor and the state's commitment to improved environmental justice outcomes in Washington. This dynamic could also emerge outside of a linked market as the California and Washington market run in parallel over time.





The following are proposed solutions we recommend Ecology explore:

- Conduct analysis of the potential for demand and prices of offset credits to be affected by differences in rigor of two protocols governing the same project type.
- Negotiate with California and Quebec to align divergent protocols governing the same project type, taking into account input from stakeholders in each jurisdiction and environmental justice goals. Alternatively, in a linkage agreement, include a requirement that linked jurisdictions will adopt whichever is the more rigorous of two protocols covering the same type of offsets if and when future protocols are developed separately.

Market factors related to linking offsets

We strongly recommend that Ecology evaluate the impacts on demand for offsets as compliance instruments in preparation for negotiating a linkage agreement with California and Quebec. We encourage Ecology to conduct an analysis of the potential for demand and offset prices to be affected by linking offsets markets, including exploring the following questions:

- Would linkage induce greater use of offsets as compliance instruments in California? In other words, could changes to supply, demand, and pricing of offset credits from Washington entities induce California entities to expand use of offsets for compliance up to California's limit (4% in the current compliance period and 6% in 2026-2030²) in a linked scenario?
 - If offsets remain outside of the cap in California, unlike in Washington, expanding the use of offsets may have impacts for emissions reductions and environmental justice.
 - What are the current prices (observed and projected) for offsets in Washington compared to California?

²<https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program/about#:~:text=Compliance%20entities%20may%20use%20ARB,for%20emissions%20from%202026%2D2030.>





Once these questions have been addressed, we encourage Ecology and its counterparts in California and Quebec to seek greater consistency across jurisdictions to limit arbitrage and gaming of the market. This could be done by ensuring offsets are below the cap in all three jurisdictions, adoption of a single version of protocols of the same project type, and/or consistent offset limits for regulated entities.

Reporting consistency

Equivalent reporting for linked jurisdictions is necessary for the Department of Ecology to be able to analyze and adjust rules in a linked program. While it is our understanding that Washington joined the Western Climate Initiative, Inc (WCI) in December 2021 and is using WCI's Compliance Instrument Tracking System Service (CITSS), we are not aware of publicly available compliance instrument reports for Washington equivalent to those published for the California-Quebec program. The quarterly CITSS Compliance Instrument Report for California and Quebec published by the ARB³ provides information about the volume of both allowances and offsets in entity and jurisdictional accounts.

If Ecology is tracking equivalent compliance instrument accounts using CITSS, the reports should be made available to the public in addition to or in place of the current quarterly Ecology Offset Issuance Table.⁴ It would be valuable for Ecology to provide a single report for all compliance instruments that reflects when allowances are retired due to offsets being used as compliance instruments. We encourage Ecology to adopt the same quarterly compliance instrument reporting format as the ARB, including showing total, summarized entity and jurisdictional accounts for both allowances and offsets.

Thank you for your consideration of these comments. Washington Conservation Action looks forward to continued participation in linkage conversations and appreciates Ecology's ongoing work.

³ ARB Linked California and Québec Cap-and-Trade Programs Compliance Instrument Report - Aggregated by Type and Account https://ww2.arb.ca.gov/sites/default/files/2024-07/nc-2024_q2_complianceinstrumentreport.pdf

⁴ Ecology Offset Credit Issuance Table <https://apps.ecology.wa.gov/publications/documents/2314026.pdf>





**WASHINGTON
CONSERVATION
ACTION**

Sincerely,

Katie Fields

Katie Fields

Forests, Fire and Communities Senior Manager

206-631-2638

katie@waconservationaction.org



Donna Albert

Vast amounts of agricultural land would be required to create enough biofuel (biogenic methane) to replace even a fraction of current natural gas use. Resources are also being wasted on transportation biofuels (biodiesel, and ethanol) which are not an effective climate solution at large scale. Existing state laws in WA (and CA?) give biofuels special status that is not necessarily aligned with their actual climate emissions and land use impacts. I am concerned that linkage will make it even more difficult to correct that problem.

Jeanne Poirier

Thanks for your continued work on the CCA - I really hope it continues past November election!! Watched video of linkage with CA and Quebec. Honestly, the most important thing is to protect communities harmed by fossil fuel/GHG emissions and NOT the corporations. Too often "offsets" actually harm the environment instead of healing it. By all means I would pay close attention to the awesome group here in Washington, FRONT & CENTERED. They are all over this and certainly understand it better than I do.



September 25, 2024
 Washington Department of Ecology
 300 Desmond Drive SE
 Lacey, WA 98503

RE: Draft Rulemaking Amendments to Chapter 173-446 WAC and Chapter 173-441 WAC to enable linkage between Washington Market and the linked California-Quebec Market

Environmental Defense Fund (EDF) appreciates the opportunity to provide input as the Department of Ecology (ECY) continues to make progress in this important rulemaking process to facilitate linkage with the joint California-Quebec market. EDF is a non-profit, non-governmental, and non-partisan organization that links science, economics, and law to create innovative, equitable, and cost-effective solutions to urgent environmental problems. EDF has over three million members and activists across the country, including over 100,000 in Washington state. EDF brings deep expertise to climate policy design, particularly the design of enforceable, declining, economy-wide limits on climate pollution. EDF has long pursued initiatives at the state, national, and international levels designed to reduce emissions of climate-altering and health-harming air pollutants. EDF has been deeply involved in the design and implementation of California's cap-and-trade program since the program's launch in 2012. We continue to provide technical and policy expertise to make the program as strong as possible going forward, and provide quarterly analysis of the program's auction results - as we also now do in Washington.

EDF actively engages with both the California-Quebec and Washington emissions markets to push for significant emissions reductions, essential for addressing the pressing climate crisis and fostering a more sustainable and equitable future. Washington's Climate Commitment Act (CCA) positions the state as a national leader in climate action, with the most ambitious enforceable limits on climate pollution in the country.¹ By taking decisive steps to cut greenhouse gas emissions, Washington is proving that climate action can go hand-in-hand with sustainability and economic prosperity.²

Over the past year, Washington has progressed towards linkage with the joint California-Quebec emissions market. As outlined in previous comments, EDF strongly supported the decision by

¹ EDF, 2023, States With Binding Economy-Wide Targets: <https://blogs.edf.org/climate411/wp-content/blogs.dir/7/files/2023/02/US-States-with-Binding-Economy-Wide-Targets.pdf>

² Greenline Insights, 2024, Climate Commitment Act: Jobs and Economic Benefits in Washington State: <https://static1.squarespace.com/static/65bfcbe2a8a54819d4edc27c/t/66e9886c653e761075afd15e/1726580846681/Greenline+Insights+-+Climate+Commitment+Act+%28Full+Report%29.pdf>

Director Watson of the Department of Ecology to pursue linkage between these markets, and we similarly supported the passage of SB6058 this spring to further facilitate necessary changes. EDF celebrates the announcement this week that the governments of Washington, California, and Quebec have begun linkage agreement discussions, with a finalized linkage agreement possible by late 2025. While there are many steps left to take for all three jurisdictions, this is very encouraging progress and further serves as an example of the power of sub-national climate policy. These steps, along with the current linkage rulemaking, are significant moves toward the kind of robust, cross-jurisdictional collaboration that is required to address the climate crisis.

At the July 10 public workshop held by ECY staff, we learned in greater detail about some of the proposed tweaks to the CCA that ECY is considering for any potential linkage process to be as smooth as possible, while ensuring that the CCA's strong standards are maintained if not strengthened. EDF supports the changes proposed by Ecology in pursuit of program alignment, including ECY's intent to align Washington's compliance periods with those in Quebec and Canada in the event of linkage. Aligning compliance periods would reduce administrative burden in a linked market, and improve market stability and predictability. Ecology also laid out a proposed timeline for the current rulemaking, with a goal of adopting a linkage rulemaking in the fall of 2025. EDF encourages the Department to continue its thorough and timely progression towards this important decision, and will continue to advocate for Washington's potential linkage partners to undertake similar rulemakings on comparable timelines.

As ECY takes its next steps with the Environmental Justice Assessment, it is critical that ECY prioritizes meaningful engagement with communities overburdened by pollution and works to address the concerns of environmental justice advocates. This includes using the tools at Ecology's disposal, such as adopting standards and regulations to improve air quality in communities with high cumulative pollution burdens and eliminate disparities between overburdened communities and neighboring communities that are not overburdened. Ecology should make clear their intent to utilize these tools and should ensure that any potential changes to the CCA to better facilitate linkage maintain or strengthen Washington's existing program.

As we confront more and more damaging impacts from climate change, it becomes more important than ever that state and sub-national leaders pick up the pace on bold policies and work together. Collaboration through linked carbon markets is a proven way to scale up climate action.

EDF sees an expanded linked market as crucial for enhancing program ambition, ensuring long-term market stability, and making the system more cost-effective. A larger market would be more efficient and stable, which serves to both insulate the market from price shocks and to facilitate greater confidence in the longevity of the program. This in turn creates greater certainty in the program's ability to achieve essential emission reduction targets. Climate pollution is not constrained by state or even national boundaries. By linking markets, Washington, California, and Quebec can leverage the strengths and opportunities of their respective jurisdictions to achieve the common goal of greater and faster emissions reductions.

Linkage is the natural next step in Washington's leadership on climate, which is being closely followed by other potential climate leaders across the country. Linkage was also intended in the CCA from the beginning. This intent to expand its carbon market is one of several features of the

CCA that make it the gold standard for state-level climate policy - another is the ambition of its emission reduction targets in the near- and long-term. The integrity of these targets, which lay out the binding emissions reductions Washington will achieve on its progress towards decarbonization, must be maintained as Washington seeks to expand its leadership beyond its borders. This decade is a critical time for Washington, and the world, to dramatically reduce GHG emissions. The path Washington takes on the way to net-zero is crucial: greater near-term ambition means greater reductions in cumulative climate pollution. Long-lived greenhouse gasses, like carbon dioxide, can last for centuries in the atmosphere. This means that the pollution emitted today will continue contributing to climate impacts for generations to come. Preserving the pace of reductions laid out in the Climate Commitment Act, not just the long-term net-zero deadlines, is essential.

In summary, EDF supports ECY's effort to pursue program alignment and facilitate linkage through these proposed changes. EDF encourages ECY to consider any changes recommended by California and Quebec, so long as those changes do not compromise the environmental integrity of the program or result in adverse effects to overburdened communities. We appreciate the opportunity to engage in this process and look forward to following ECY's next steps towards linkage.

Sincerely,

Caroline Jones
Senior Analyst, U.S. Climate Policy
Environmental Defense Fund

TIMOTHY LEADINGHAM

Any rule concerning linkage of Washington's Cap and Invest market must preserve the direct environmental benefits to Washington citizens, especially those directed by law to overburdened and underserved communities and Washington tribal communities.



September 27, 2024

Stephanie Potts
Cap-and-Invest Program Linkage Planner
Washington Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

Re: Washington's Proposed Linkage Plans

Dear Ms. Potts:

The Friends of Toppenish Creek send this message to Ecology and citizens of Washington who do not live with the immediate adverse impacts of factory farms. FOTC detects an unwarranted emphasis on manure-based biofuels as green energy in California's efforts to address climate change.¹ We remind the citizens of Washington that concentrated animal feeding operations (CAFOs) cost taxpayers millions of dollars every year due to poorly regulated air and water pollution.²

FOTC specifically asks the State of Washington to delay linkage with California and Quebec until all facts are on the table regarding the impact of offsets and carbon intensity scores that unfairly advantage biofuels produced from animal manure.

It is obvious from reading Ecology's written, spoken, and on-line statements that the agency has dedicated significant resources to analyzing economic impacts of linkage. One would almost conclude that the Department of Ecology is a subsidiary of the Department of Commerce. FOTC and others would welcome an equally in-depth analysis of how we in Washington use the land, how California uses the land, and specifically how concentrated animal feeding operations (CAFOs) change the landscape in both states. In line with

¹ Testimony of Dan Chandler from Climate Action California, and Brent Newell from Public Justice at Short-Lived Climate Pollutants Program – Dairy Sector Workshop, on August 22, 2024. Recording available at [Short-Lived Climate Pollutants Program: Meetings & Workshops | California Air Resources Board](#)

² WA State Dept. of Ecology. Nitrate in Ground Water, Data & Assessment. Available at [Nitrate data & assessment - Washington State Department of Ecology](#)

Washington's State Environmental Policy Act (SEPA) such an analysis and comparison should be completed before Washington considers linkage.

To our reading linkage would modify Washington public policy in ways that give factory farms and monocropping significant economic advantages over smaller farms and agricultural diversity. By adapting our policies to make them compatible with the larger state we would become more like the larger state. At this stage major choices and alternatives are still available.

Before Washington takes the leap to join the California model, our agencies should study the issues below in more depth:

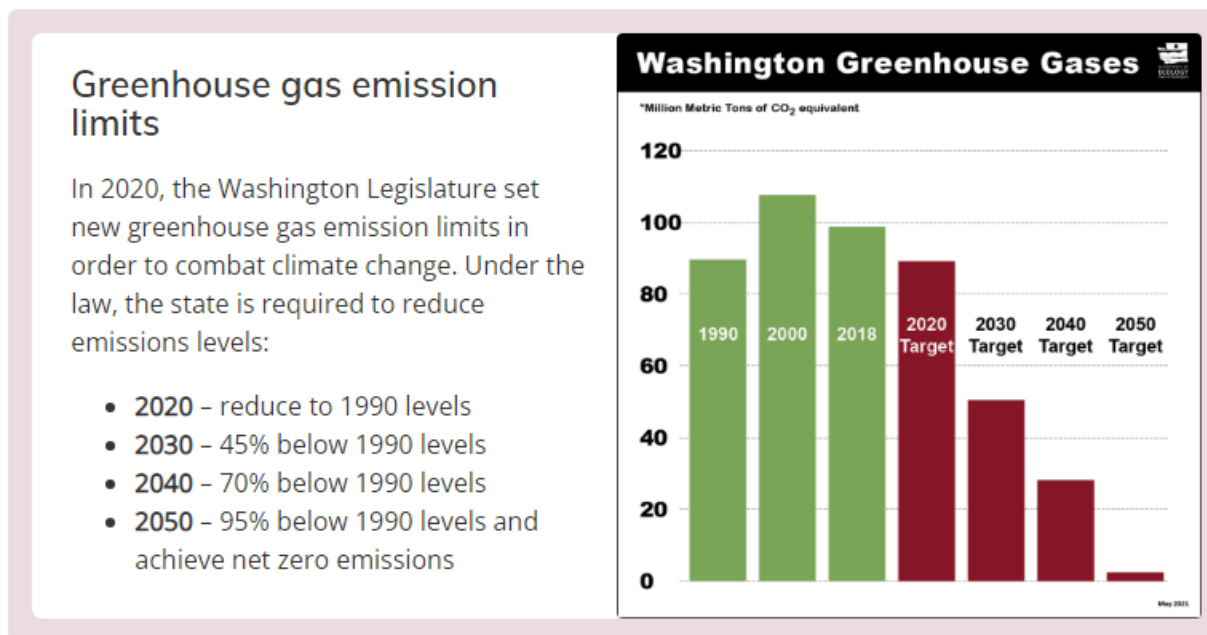
- What are the short-term and long-term benefits and costs when farmland is devoted to producing biofuels rather than food?
- How does linkage favor large factory farms?
- Who benefits from California Air Resources Board (CARB) livestock protocols and low carbon intensity scores?
- Who is impacted by CARB livestock protocols and low carbon intensity scores, and how are they harmed?
- What are the benefits of agricultural diversity? Does the California model support agricultural diversity?
- What are the benefits of biological diversity? Does the California model support biological diversity?
- How does monocropping impact the environment and the economy?
- Which crops require more water? Does the California model address water usage?
- How do CAFOs impact the environment in California compared to Washington?
 - Soil
 - Air
 - Water
 - Communities
- What are the cumulative costs of producing biofuels from animal manure?
- Why doesn't California account for cumulative costs of producing biofuels from animal manure in their calculation of carbon intensity scores and offsets?
- When will California resolve the debate over biomethane in their low carbon fuel standard?
- Would linkage commit Washington permanently to liquid manure management that produces much more methane than dry manure management?
- How would the agricultural policies that accompany linkage impact rivers, streams, aquatic life and endangered species?

When FOTC is optimistic, we anticipate that Ecology will follow up on some of these recommendations. When we are pessimistic, we fear that Ecology has been politicized to the point that corporate investors make decisions, and the agency is only a tool to promote those special interests. Let us elaborate.

The scientific process involves trial and error. We make a hypothesis, test it, and accept it or reject it. Good scientists make certain they have gathered sufficient and accurate data to make informed decisions.

At times Ecology does this well. At other times Ecology seems unable to accept test results that do not support outcomes that influential leaders desire.

For example, here is a screenshot of GHG Emission Limits from Ecology's web page entitled "Greenhouse Gasses" at [Tracking greenhouse gases - Washington State Department of Ecology](#)



The agency displays the data as though the 2020 reduction levels had been achieved. They were not. Greenhouse gas emissions for Washington were 102 MMCO₂e in 2020. We did not achieve our goals. But Ecology does not admit this, at least in this chart. If we do not admit a problem exists, it is difficult to make necessary changes to fix the problem.

Here is a second example. The Environmental Protection Agency has researched water quality in the Lower Valley and proved that CAFOs make well water unsafe to drink for

people who live down gradient.³ Ecology has countered with research to establish a baseline for LYV groundwater quality that excludes the EPA data from the analysis and pretends that groundwater in the area is safe to drink.⁴

Ever hopeful, FOTC asks Ecology to take a leadership role in characterizing climate change for our state and conducting an in-depth and scientific analysis of all major consequences of linkage, not just those consequences that impact the stock market.

On a separate but important note:

We can learn from the mistakes of others. We do not have to repeat them. Among other problems, land in some parts of California is sinking due to groundwater depletion.⁵ This exacerbates geological instability and increases the frequency and severity of tremors and earthquakes. This is especially relevant for Washington because we have a feature unknown in the south. We have the largest depository of nuclear waste in the nation right next to the Columbia River. Washington cannot afford an earthquake that releases nuclear waste into the river that is the lifeblood for the eastern part of the state. Too many loose connections? Too many “what ifs”? Not for something this important.

Sincerely,

Friends of Toppenish Creek

3142 Signal Peak Road
White Swan, WA 98952

³ U.S. Environmental Protection Agency. Lower Yakima Valley Groundwater. [Lower Yakima Valley Groundwater | US EPA](#)

⁴ Lower Yakima Valley Groundwater Management Area. Tetra Tech Nitrate Mapping. Available at [Tetra Tech Nitrate Mapping | Yakima County, WA](#)
WA Ecology. Eyes Underground. Available at [Eyes Underground: Lower Yakima Valley \(arcgis.com\)](#)

⁵ Los Angeles Times. Land is sinking as groundwater levels drop. [Will California's Central Valley stop sinking? - Los Angeles Times \(latimes.com\)](#)

Cap and Invest Linkage Rulemaking
 Comments submitted by Donna Albert
 Sept. 27, 2024

Rather than overwhelm you with reading material. I have used articles, audio and video, but you will find that those include references if you need them.

California and Washington are not counting all the climate emissions of biofuels

Please verify that diesel biofuels and ethanol are not counted as zero or low climate emissions by the Washington State Department of Ecology when calculating Statewide climate emissions. These biofuels are not low climate emissions.

When linking the Washington Cap and Trade system and Washington Low Carbon Fuel Standard to California, Oregon and Canada, provide for accounting for all climate emissions as described in the articles and my comments below. I have chosen this article about corn ethanol because it clearly demonstrates unaccounted for emissions in tools and models used by EPA and California:

1. The Sobering Truth About Corn Ethanol, by Jason Hill, University of Minnesota (Proceedings of the National Academies of Sciences of the United States of America, a scientific journal)

<https://www.pnas.org/doi/10.1073/pnas.2200997119>

The above “PNAS Commentary” article pulls together several studies, with links to references included.

The failure to account for all emissions of biofuels is not limited to corn ethanol (see the sentence I underlined in the excerpt below). It is probable that the failure to account for all climate emissions as described in this article applies to all biofuels made from purpose-grown agricultural or forestry biomass, because when burned all these biofuels have stack/tailpipe emissions comparable to those of fossil fuels, and all biofuels from agricultural or woody biomass use more land than fossil fuels.

Note the following excerpt from the article above: “The findings of Lark et al. (4) also suggest that greater scrutiny should be given to the models that are used in a regulatory context to evaluate the GHG emissions associated with fuels of all types. The authors compare their results with those from three other modeling efforts—1) the US Environmental Protection Agency’s Regulatory Impact Assessment for RFS2; 2) the Greenhouse Gases, Regulated Emissions, and

Energy Use in Technologies (GREET) model from Argonne National Laboratory, and 3) the Global Trade Analysis Project (GTAP) model as used by California Air Resources Board—all of which show considerably lower GHG emissions from domestic land use change caused by recent production of corn ethanol. This difference supports other recent concerns that these commonly used models underestimate the emissions consequences of land use change (11–13), which in turn leads to their overestimating the climate change benefits of corn ethanol (e.g., refs. 14–16).”

2. Growing Crops Is Not An Energy Solution (EarthJustice article covers research by Timothy Searchinger of Princeton)

<https://earthjustice.org/experts/ashley-ingram/growing-crops-for-fuel-is-not-a-climate-solution-sustainable-agricultural-practices-arent-going-to-change-that>

The above article, which references the work of Timothy Searchinger of Princeton, explains the lost Carbon Opportunity Cost of biofuels due to its massive land use, and explains lost biodiversity (could have rewilded) and food security (could have grown food). It explains that when all the land use emissions and lost opportunity emissions associated with land use are accounted for, the climate emissions of agricultural biofuels are worse than using fossil fuels. This would also apply to ethanol, biodiesel, other drop-in fuels for internal combustion engines, and renewable natural gas to replace fossil natural gas. Because they also have high emissions at the stack or tailpipe and require massive land use, the same logic applies to fuels made from woody biomass (for example, pellets to generate electricity, and fuels like RNG or aviation fuel from woody biomass).

As far as I can tell, most drop-in substitutes for gasoline, diesel, boiler, or jet fuel share the same two inherent flaws:

- When burned, the tailpipe climate emissions and health effects are comparable to fossil fuels.
- The feedstock for making the fuel requires large amounts of agricultural land or forest land.

If the two inherent flaws above apply, none of the methods that could be used to create these fuels could absorb enough CO₂ from the atmosphere to make up for those tailpipe/stack and land use emissions. It is difficult to imagine how advanced “drop-in” biofuels such as cellulosic-, synth-, methanol-, and electro-fuels could overcome tailpipe or stack emissions similar to fossil fuels (in health and climate impacts), AND the climate emissions and other environmental harms caused by massive land use (whenever biomass is used in making the fuel).

Drop-in Fuels Made from Captured Carbon - Not a Climate Solution

Fuels made from captured carbon release the once-captured CO₂ to the atmosphere after a delay of only months. I don't see how this is a climate solution. This short delay would look approximately the same to the atmosphere as just burning fossil fuels.

Renewable Natural Gas (RNG) - Not a Climate Solution

Regarding renewable natural gas (RNG), it has climate emissions and health impacts comparable to fossil natural gas when burned, and is an agricultural biofuel with all the same land use climate emissions problems as other agricultural biofuels.

Low Emissions Waste Methane - cannot replace more than a few percent of current natural gas use

Unavoidable waste methane from wastewater treatment plants, landfills and dairies exist in exceedingly small quantities that are best used onsite or nearby. Burning unavoidable methane emissions usually results in lower climate emissions than releasing them to the atmosphere. However, blending this unavoidable methane with fossil methane results on higher long term emissions if this practice is used to extend the life of fossil fuel infrastructure or greenwash the use of fossil fuels. The total potential amount of unavoidable waste methane nationally is in the neighborhood of 3% of current natural gas use, and better management should reduce these sources over time. For this reason, waste methane from wastewater treatment plants, landfills and dairies can never replace more than a few percent of current fossil methane (aka natural gas) use.

Intentionally Creating MORE Methane - Not a Climate Solution

It makes no sense to intentionally create methane from agricultural or forest biomass, because methane is a powerful greenhouse gas that inevitably leaks, when burned creates levels of CO₂ emissions comparable to those of fossil methane (aka natural gas), and produces similar indoor and outdoor air pollution to fossil methane, producing comparable diseases and early deaths. In addition to having climate emissions and health disadvantages comparable to fossil methane, renewable methane intentionally created using agricultural land or forest land results in substantial land use emissions.

In addition to climate emissions, large scale growing of purpose-made biofuels causes serious environmental impacts such as high water use and chemical use, causes water pollution and eutrophication, and results in biodiversity loss. As

climate change makes it more difficult to grow food, committing large amounts of agricultural land to grow biomass for fuel and creating large scale dependence on that biofuel may result in higher food prices and even food shortages. Water use is also a factor to consider.

Mixing Hydrogen with Fossil Methane (aka Natural Gas) Has Limited Uses

Only a small percentage of hydrogen can be mixed with natural gas in existing distribution infrastructure, resulting in continued use of large amounts of natural gas. Mixing hydrogen with natural gas could not reduce climate emissions 70% by 2040 or 95% by 2050. Hydrogen can be mixed with fossil natural gas for incremental climate emissions reductions in industrial uses during the transition off natural gas, under conditions where hydrogen leaks (climate impact) can be eliminated; however, hydrogen must not be mixed into the fossil natural gas distribution for home and commercial heating because hydrogen in even small amounts is very dangerous at the point of appliances - people would inevitably die in accidents. Continuing to burn fossil gas indoors causes diseases and early deaths - adding small amounts of hydrogen would make little difference in health impacts.

The Wood Pellet Controversy Illustrates the Basic Problems with Most (or All) Biofuels

Like agricultural biofuels, biofuels from forest biomass have stack/tailpipe emissions similar to fossil fuels PLUS emissions associated with land use. Please listen to this podcast. This is a good introduction to the climate emissions of biofuels in general.

3. Podcast by David Roberts, [What's the deal with burning wood pellets for energy?](https://www.volts.wtf/p/whats-the-deal-with-burning-wood?r=281f1&utm_medium=ios&triedRedirect=true) A conversation with Rita Frost of NRDC and Brenna Bell of 350 PDX - explains burning wood pellets for electricity has greater climate emissions at the stack than burning coal (and toxic air pollution), creates substantial climate emissions when the wood is harvested, and creates climate emissions and toxic pollution for the community during manufacture of the pellets. The pellet industry has been devastating to naturally regenerated forests and wetland habitat in the SE USA, and is causing health problems in communities there.
https://www.volts.wtf/p/whats-the-deal-with-burning-wood?r=281f1&utm_medium=ios&triedRedirect=true

Non-Climate Impacts - Counting Climate Emissions is Not Enough

How will you account for the health impacts and early deaths caused by indoor and outdoor air pollution in LCFS and Linkage decisions? No child should be sick, and no one should die early — not one person — because we choose to continue to burn stuff for energy. We have better alternatives. Make the health of people a minimum requirement in every decision you make, not an afterthought.

How will you account for water use, and impacts to food? No one should be denied plentiful and affordable food and water.

How will you account for biodiversity losses in LCFS and Linkage decisions? We cannot afford further biodiversity losses.

Although Planetary Boundaries may seem to be outside the scope of the Cap and Invest Linkage Rulemaking, it is not. We cannot draw down climate emissions in the atmosphere without a functioning biosphere. When considering the Lost Opportunity Cost of land use, remember that we must restore land and oceans to a healthy natural state. Current land use practices have converted naturally regenerated forests to plantation forests and converted farmland to urban sprawl. Using agricultural land and forest land to grow biomass for fuel exacerbates our careless abuse of the natural systems which support life on earth. Please listen to this presentation by Johann Rockström, and see references at the link below.

4. Introduction to Planetary Boundaries (You Tube presentation): <https://www.youtube.com/watch?v=QCFGS6z9CxM>

Link to papers on this topic:

<https://www.stockholmresilience.org/research/planetary-boundaries.html>

Thanks for considering all this.

Donna Albert, PE (retired), MCE, LEED-AP



September 27, 2024

Nikki Harris
Environmental Planner
Washington Department of Ecology
300 Desmond Dr SE, Lacey, WA 98503

Re: Cap-and-Invest Linkage Rulemaking and Environmental Justice Assessment Informal Comment Period

Dear Nikki Harris,

Climate Solutions appreciates the opportunity to provide informal comments on the Department of Ecology's ("Ecology" or "the Department") cap-and-invest linkage rulemaking. We are grateful for the continued opportunity to engage on the topic of merging markets and appreciate Ecology's efforts to seek input. Climate Solutions is a clean energy nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest has emerged as a hub of climate action, and Climate Solutions is central to the movement as a catalyst, advocate, and campaign hub.

Linkage with California and Quebec's joint market has the potential to stabilize prices, strengthen our carbon market, relieve administrative burden, and provide Washington with a unique opportunity to influence and improve all three programs' stringency and commitment to environmental justice. But in order to facilitate linkage and achieve those benefits, the Department must ensure any linkage agreement meets the linkage criteria laid out in statute (RCW 70a.65.210(3))—namely, ensuring that linkage does not harm our ability to meet our climate mandates and ensuring that linkage not only avoids harm to overburdened communities, but also brings benefits to these communities.

This rulemaking opportunity builds directly from E2SSB 6058, which aims to facilitate linkage through technical changes that support alignment with California and Quebec's cap-and-invest programs. Overall, we do not have significant concerns with the changes being proposed in this current draft rule. However, we want to encourage Ecology to use this rulemaking as an opportunity to ensure that the state meets RCW 70a.65.210(3) and consider additional mechanisms that will safeguard the integrity of Washington's program and bolster environmental justice, such as through instating the Emissions Containment Reserve per RCW 70a.65.140

As indicated by Ecology's materials, this informal public comment is also an opportunity to inform the environmental justice assessments related both to the rulemaking and actual linking of Washington's carbon market to California-Quebec's market. To this end, we urge Ecology to uphold existing protections in statute and to strengthen those protections for overburdened communities.

I. Activate the Emissions Containment Reserve and Establish a Trigger Price.

The Legislature created an Emissions Containment Reserve (“ECR”) per RCW 70A.65.140 to “help ensure that the price of allowances remains sufficient to incentivize reductions in greenhouse gas emissions.” Effectively working as a foil to the allowance price containment reserve, the Legislature intended for the ECR to be a simple but effective mechanism for maintaining the ability of the program to carry out its intended goal to reduce emissions when allowance prices fall and the market signal to reduce emissions weakens. One of the leading concerns with linkage is that California’s large bank of allowances will flood the market and bring prices down and result in fewer investments that help drawdown emissions, reduce air pollution, and benefit communities. Establishing the ECR is one of the simplest responses to this concern, as it will remove allowances from the pool—and it is a mechanism that is *already in statute*.

In its [concise explanatory statement during the 2022 Climate Commitment Act rulemaking](#) process, Ecology stated that the reason the Department did not instate the ECR trigger price is because allowance prices will rise faster than the auction floor price based on modeling, and thus an ECR is not needed. Should the situation change, “Ecology will...explore the possibility of reinstating the ECR trigger price.” As expected, prices have now leveled off after the first year, with allowances settling at \$29.88 at the most recent auction—nearly half the average price of the first year of the program and nearing the price floor of \$24.02. These prices still bring in hundreds of millions of dollars for state climate investments. But if the three jurisdictions link, Washington communities will need additional assurance that revenues will continue to flow to them—particularly for overburdened communities. Thus, given that allowance prices have fallen, we urge Ecology to use this opportunity to reinstate the ECR.

This mechanism would be most effective if both California and Quebec’s programs also had ECRs. We recognize that Ecology does not have any jurisdiction over the California-Quebec joint market. However, we encourage Ecology to use the official negotiation process with these two jurisdictions as an opportunity for dialogue around mechanisms such as the ECR that will strengthen all programs and help reduce emissions to meet our respective targets while investing in communities.

II. Implement, uphold, and bolster the environmental justice provisions and programs of the CCA alongside Ecology’s pursuit of linkage through holding the state accountable to investment requirements, prioritizing improvement of criteria air pollution in overburdened communities, and maintaining the integrity of offsets.

Investments: As Washington continues to pursue linkage, it is critical that, at a minimum, Ecology implements, upholds, and bolsters the environmental justice provisions already in statute to protect and provide benefits to overburdened communities in Washington. This includes ensuring that the Legislature and the agencies administering CCA funds meet the 35 percent (40 percent goal) and 10 percent investment minimums that must directly benefit overburdened communities and Tribes, respectively. Although the CCA Funds Rulemaking is now complete, we urge Ecology to be thorough in its assessment of funds, to offer mid-year



reporting, and to track not just greenhouse gas emissions, but also air quality impacts for all investments.

Criteria Air Pollution Rulemaking: Ecology should prioritize initiating the rulemaking process required under RCW 70a.65.020(2) to reduce criteria pollution from highly polluting sources in overburdened communities. This portion of the law is fundamental to the success of the CCA and becomes even more critical under a linked system, as it was designed to ensure that Washington communities will not only see statewide greenhouse gas reductions, but also localized pollution reduction within areas where vulnerable populations reside.

Air Quality Grant Program: We also encourage Ecology to work to expand its improving air pollution in overburdened communities grant program to support community-led solutions to air pollution impacts. We recognize that the Legislature ultimately determines funding levels. However, this grant program serves as yet another tool for improving air quality, and if the Department decides to pursue linkage, it should not only advocate for the extension of this program but also for the expansion of this program—both in funding amount and staffing.

Offsets: Lastly, we applaud Ecology for maintaining the integrity of Washington’s offset provisions through this rulemaking and negotiation process by ensuring that offsets remain a part of the cap. Washington’s offset program is anticipated to become even more rigorous as the state is working to update its U.S. Forests Offsets protocol, which may begin to substantially diverge from California’s version. We are concerned that this could incentivize Washington-based carbon projects to pursue the less rigorous protocol. Again, we recognize that Ecology does not have the ability to change other state’s programs, but Ecology should consider using the formal negotiation process to encourage California to adopt a similar protocol.

In closing, the potential for linkage with California and Quebec’s joint market poses a unique opportunity for cross-state—and cross-country—collaboration to address the climate crisis. To achieve these benefits, we urge Ecology to maintain the strengths of Washington’s program and its prioritization of overburdened communities through establishing the ECR and preserving and bolstering its environmental justice provisions. We look forward to continuing to partner with the Department on this process.

Sincerely,

Altinay Karasapan
Washington Regulatory Policy Manager
Climate Solutions

Section 5: Draft Washington-California- Québec linkage agreement

(May 3 – May 6, 2026)

Stephen Hall

The proposed linkage with the California–Québec carbon market raises serious concerns about market fairness and transparency. In a large linked market, excess allowances created when major emitters reduce operations or leave Washington can be absorbed by the broader system, preventing prices from falling naturally. This risks insulating the program from normal market signals and may effectively maintain higher carbon prices despite reduced in-state emissions. Proponents argue linkage protects the program from leakage and promotes market stability. However, it may instead sustain pricing levels and revenues rather than reflect Washington's actual emissions conditions. Policymakers should ensure carbon markets respond transparently to real economic and emissions changes.

Susan Lyneis

I think all of this cap and trade should be canceled! Our fuel and electricity prices are too high that seniors like me on a fixed SSA income can't afford to live in Washington and the CCA is driving us deeper into poverty! Do not do this agreement or all of Washington residents will pay for it!!

Jan Wachholz

Please continue to move forward with this agreement! We (Washington) want to be a leader in building momentum to cut greenhouse gases & commit to preserving our climate!

Amber Hu

As a lifelong Washingtonian, I have been very invested in our government's climate action for many years. I personally wrote most of the Wikipedia articles "Climate change policy of Washington (state)", "Climate Commitment Act", and "Cap-and-Invest (Washington state)". My career has nothing to do with climate directly, but it is the number one government policy issue for me.

I believe this linkage agreement is the best way to make durable progress towards limiting emissions. As we saw with I-2117, if the program is unstable or under threat, it is less likely to get buy-in from compliance entities. By linking our market with two of the biggest regional governments in North America: California and Quebec, we signal to compliance entities that this is a responsibility that they are not alone in, and they join a community of businesses doing their legal duty to limit emissions.

Thank you,
Amber Hu

Steven Keeler

As a resident of WA state for decades, I do NOT support linking WA state in ANY manner to ANY program associated with CA or Quebec !

This carbon "market", like the WA state climate commitment act will do NOTHING to reduce CO2 emissions - either at the local or state or national level. Ecology seems to think that CO2 emissions are fixed, rather than distributed by low level or mid atmosphere winds.

Further, CO2 levels are increasing and projected to continue to increase in the coming decades. That ecology uses a "model", derived from a CA developed model to estimate and publish WA state CO2 levels only further exposes the level of fraud ongoing by a state agency.

It is difficult to get an agency to understand and reflect truthfully on a topic when employee's salaries depend upon them NOT understand facts or data (or truth). This then is the current state of those associated with the CO2 agenda !

Steven Keeler
Edmonds, WA

Steven McCombs

I am against Washington State Department of Ecology entering into the proposed California-Quebec-Washington State Linkage Agreement.

Expecting the citizens of Washington State, who make up less than 0.01 percent of the world's population, to significantly impact global temperature and carbon dioxide levels is an unrealistic and costly idea that they shouldn't be burdened with.

The Earth's temperature is largely influenced by its distance from the Sun and the tilt of its axis as it rotates. This distance isn't constant and can vary over tens, hundreds or even thousands of years.

Net Zero Carbon programs are generating millions of tons of worn-out wind turbines and solar panels that are almost impossible to recycle and shouldn't just be dumped in the ground. Yet, these same programs still label these items as Green Energy.

The current Carbon Reduction programs will unfairly affect many citizens of Washington State, without giving any benefits to them. Only a few groups will benefit, the ones that are guaranteed a defined per cent of the proceeds from the Climate Commitment Acts revenue.

- Steven McCombs

Friends of Toppenish Creek

May 5, 2026

Attn: Stephanie Potts
Dept. of Ecology, CPRP Program
300 Desmond Dr. SE
Lacey, WA 98503

Subject: Cap-and-Invest Linkage with California and Quebec

Dear WA Ecology,

Friends of Toppenish Creek is a 501 C(3) nonprofit group in Yakima County with a mission to address the adverse impacts of industrial agriculture. Some have accused us of being anti-farming. This is not true. FOTC actively works to promote agricultural methods that protect the environment.

Friends of Toppenish Creek is pleased to share our thoughts regarding potential impacts of linkage with California and Quebec on the people and environment of Yakima County. Specifically we will address the impact of alignment with California's policies for addressing methane emissions from animal agriculture.

Recent History: In the 1980's Yakima County experienced an economic downturn. At the same time a number of dairymen from California decided to move north to escape tightening environmental regulations in that state. They sold their land for huge profits and came to Washington dripping money. Our officials welcomed them with open arms and promises of little regulatory oversight.

Today over a third of Washington dairy cows are housed in the Lower Yakima Valley. The number of cows per square mile equals the concentration in California's Central Valley. In Yakima fields of asparagus and potatoes for people have been replaced by fields of corn and alfalfa for cows.

In Yakima County farmers can set up dairies right next to each other. There are no requirements to measure and report air emissions. There are no requirements for synthetic manure lagoon liners. Dairies can pump as much groundwater as they like for free while neighboring farmers pull out orchards due to drought and cutbacks on expensive irrigation water.

There is a nice country home on the hills overlooking the town of Outlook. There is a concrete slab of unused patio next to the house. The slab covers a swimming pool that the owners built for their grandchildren years ago. After their dairy neighbor placed a manure lagoon next to the property the grandchildren no longer wanted to visit. Dairy men have advised people in Yakima, “If you don’t like dairies, then move.”

Of course, not all dairy people are so rude. In any group there are bad actors. There are enough bad actors in Yakima to give dairying a bad name. And there are too many cows in too small an area.

Yakima and the CCA: The Climate Commitment Act exempts agriculture from requirements to report greenhouse gas emissions and requirements to participate in cap and invest auctions. If concentrated animal feeding operations (CAFOs) were treated like factories, most would have to participate because they emit over 25,000 tons of CO₂ equivalents per year.

Based on EPA modules for greenhouse gas emissions and data from the National Air Emissions Monitoring Study (NAEMS) we estimate that 100,000 milk cows in the LYV emit over 30,000 metric tons of methane (over 800,000 MTCO₂e) and over 2,000 metric tons of ammonia and over 4,000 metric tons of volatile organic compounds every year.

Pollutant	Metric Tons/yr	Tons/yr
Methane*	30,651	33,716
Ammonia **	2,062	2,270
Hydrogen Sulfide **	41	45
VOCs**	4,241	4,665
PM 2.5**	131	144
PM 10**	309	340
* Environmental Protection Agency Models for Washington State available at State Inventory and Projection Tool US EPA		
** Emissions Data from Two Dairy Freestall Barns in Washington – National Air Emissions Monitoring Study available at ASAE Journal US EPA ARCHIVE DOCUMENT		

Washington State gives the dairy industry special favors.¹ Over 90% of WA dairies do not have National Pollutant Discharge Elimination System (NPDES) permits. WA dairies are

¹ Friends of Toppenish Creek. WA gives dairy special favors. [Dairy Washington State gives the dairy industry special favors.pdf](#)

required to have Nutrient Management Plans but they are not required to follow them.² The WA Dairy Federation has the same status as a state agency when the Lower Yakima Valley Groundwater Management Area Implementation Team meets.³

Washington's Environmental Health Disparities Map does not address agricultural impacts. Ecology does not address the impact of industrial dairies on the environment and health in overburdened and underserved communities.⁴ Ecology has actually gerrymandered maps of the LYV overburdened community so that many large CAFOs are outside the borders. This means that these CAFOs are not included as sources within the LYV overburdened community.

Despite these deficiencies, Washington dedicates an outsized percentage of CCA monies to support manure methane biodigesters. By funding biodigesters Washington encourages the production of more manure as feedstock, while knowing the significant adverse impacts of too much manure on air and water. Let us explain.

The dairy industry in the United States does not operate on a system of supply and demand. The dairy industry in the United States has overproduced for years^{5,6} and has relied on the government to purchase excess dairy products and provide low cost insurance to cover times when costs exceed sales. The U.S. dairy industry survives and thrives on taxpayer subsidies.⁷

Because profit margins are low, individual farmers feel obliged to increase the number of milk cows to stay in business. When the opportunity arrives to make money by harvesting methane from manure using biodigestion, dairies see dollar signs. The more manure they produce, the more money they can make from digester subsidies.

Alignment with California: According to FOTC understanding of RCW 70A.65.210(1), alignment leads to mutual use and recognition of compliance instruments issued by

² WSDA (2017) Implementation of Nutrient Management Training for Farmers and Nutrient Management Program Review: Report to the Governor and Legislature. Available at [GetPDF](#)

³ Yakima County. Lower Yakima Valley Groundwater Management Area Meetings and Summaries. [Meetings & Summaries | Yakima County, WA](#)

⁴ WA Ecology. Improving Air Quality in Overburdened Communities Highly Impacted by Air Pollution. [Improving Air Quality in Overburdened Communities Highly Impacted by Air Pollution: 2023 Report](#)

⁵ Dairy Herd Management. The Great Rebalancing: Why 2026 Milk Prices are Defying the Supply Tsunami. [The Great Rebalancing: Why 2026 Milk Prices are Defying the Supply Tsunami - Dairy Herd](#)

⁶ Financial Content. Dairy Deluge: Soaring Milk Production Threatens Price Collapse as Supply Outpaces Demand. [Dairy Deluge: Soaring Milk Production Threatens Price Collapse as Supply Outpaces Demand | FinancialContent](#)

⁷ U.S. dairy subsidies equal 73 percent of producer returns, says new report. [U.S. dairy subsidies equal 73 percent of producer returns, says new report - RealAgriculture](#)

California, Quebec and Washington. This means that our rules and regulations must be similar to California's. We must agree to California offset protocols and carbon intensities.

California has struggled with emissions from animal agriculture for decades. Agricultural air and water pollution in the Central Valley threaten public health as well as environmental sustainability.⁸ According to the California Air Resources Board the California dairy and livestock sectors produce more than half of California's methane emissions.⁹ While dairy biogas makes up about 1% of the fuel volume supported by California's Low Carbon Fuel program, it is the most lucrative fuel to produce, generating about a 20% of the credits in the program.⁹

By law, California must find a way to regulate emissions from animal agriculture and have a rule in place by 2030. At that time California is required to reduce animal ag emissions by 9 million CO₂ equivalents. The cost may reach \$3.9 billion with the highest percentage of monies spent on biodigesters.⁹

It is unclear how Washington can align with a policy that has not yet been written.

Is the California model what we want for Washington? Do we want to produce more and more manure so we can spend millions or billions on manure methane biodigesters?

There are better options:

- Washington can develop our own rules for manure management and manure methane.
- Regulations and incentives to promote alternative manure management practices are equally effective and less costly.
- Spending public monies on solar and wind energy instead of biomethane results in energy that does not involve combustion and does not produce CO₂.
- Returning the dairy business to supply and demand restores sanity to the market place.

FOTC recommends a more cautious approach to linking with California and Quebec. Let's keep emissions from agriculture off the table for now so Washington has time to craft rules that are more beneficial for our state.

⁸ Union of Concerned Scientists. Climate Change Threatens Already Poor Air Quality in California's Central Valley. [Climate Change Threatens Already Poor Air Quality in California's Central Valley - Union of Concerned Scientists](#)

⁹ Inside Climate News. California Explores First-Time Regulation on Dairy Methane Emissions. [California Explores First-Time Regulation on Dairy Methane Emissions - Inside Climate News](#)

Sincerely,

A handwritten signature in blue ink that reads "Jean Mendoza". The signature is written in a cursive style with a large, stylized "J" and "M".

Executive Director, Friends of Toppenish Creek

3142 Signal Peak Road

White Swan, WA 98952



Re: Front and Centered's Comments on Ecology's Draft Agreement to Link Washington's Carbon Market with California and Québec and Related Draft Assessments

Stephanie Potts
Dept. of Ecology, CPRP Program
300 Desmond Dr. SE
Lacey, WA 98503

May 6, 2026

Dear Ms. Potts:

Thank you for the opportunity to provide comments on the draft agreement to link Washington's cap-and-invest program under the Climate Commitment Act (CCA) with the California-Québec carbon market, as well as the associated Cap-and-Invest Linkage Criteria: Draft Findings, and draft Environmental Justice Assessment.

Front and Centered is a climate justice coalition led by and serving communities of color across Washington. We advocate for frontline communities that are first and worst impacted by environmental harms and the climate crisis. We have consistently raised concerns about linkage, and that position has not changed. The CCA allows covered entities to comply through the purchase of allowances rather than requiring emissions reductions at the source. Expanding this system through linkage increases the likelihood that emissions reductions occur elsewhere while pollution—including harmful co-pollutants—continues in frontline¹ communities.

In prior comments, we noted that linkage would reduce incentives to cut emissions, allow pollution hotspots to persist, and reduce funding available for frontline communities. The materials released to date do not resolve these concerns. The agreement focuses on market coordination and the supporting documents do not demonstrate how statutory requirements—including the reduction of environmental health disparities and the delivery of meaningful benefits to frontline communities—will be met in practice. Instead, these critical issues are deferred to implementation.

While our previous position remains, the release of the draft agreement, Cap-and-Invest Linkage Criteria: Draft Findings, and draft Environmental Justice Assessment requires engagement to ensure that, if linkage proceeds, it does not further harm frontline communities. For these reasons, we offer the following comments to clarify what must be addressed if linkage is pursued.

¹ At Front and Centered, we favor "frontline communities" as a descriptor for communities of color, Indigenous peoples, and people with lower incomes who are hit first and worst by environmental damage and climate change. However, terms like Overburdened Communities and Vulnerable Populations are used in the law and therefore affect how policies impact our communities.

1. The current analysis does not show how statutory obligations will be met

The draft agreement focuses on market coordination, but does not address how linkage will impact communities. The Criteria Findings and Environmental Justice Assessment do not clearly show how Ecology will meet its obligations under the CCA and the HEAL Act, particularly with respect to reducing environmental health disparities.

Key questions remain unanswered:

- What are the localized and distributional impacts of linkage?
- How will linkage affect localized pollution and existing hotspots?
- How will Ecology ensure that frontline communities do not experience increased harm?
- How will benefits be measured and verified, not just assumed?

Without clear, evidence-based answers, Ecology has not provided a sufficient basis for moving forward with linkage.

2. The draft Environmental Justice Assessment is not sufficient

Under the HEAL Act, Ecology must evaluate how agency actions impact Overburdened Communities and Vulnerable Populations. For a decision of this scale, that analysis must be rigorous, transparent, and directly inform the outcome.

The current Environmental Justice Assessment does not adequately:

- Analyze localized air quality impacts or co-pollutants
- Address how costs and benefits will be distributed across communities
- Show how its findings are informing the Criteria Findings or decision-making

An Environmental Justice Assessment should function as a tool to prevent harm. As written, it does not yet meet that purpose.

3. Linkage risks worsening pollution hotspots

A market-based system allows facilities to continue emitting by purchasing allowances. Linkage expands that system and increases the likelihood that emissions reductions occur outside Washington while pollution remains concentrated locally. Evidence from California's program shows that pollution burdens have remained concentrated in frontline communities, and in some cases worsened, even as the market operates.² Linkage risks replicating these outcomes in Washington.

Statewide emissions reductions are not sufficient if frontline communities continue to experience high levels of pollution.

² Jonah Valdez, *Is California's Cap-and-Trade Program Hurting the Environment More Than Helping It?*, Los Angeles Times (March 22, 2022), <https://www.latimes.com/california/story/2022-03-22/what-has-california-cap-and-trade-accomplished>.

Ecology should:

- Reevaluate establishing facility-level or site-specific limits where needed with priority given to reducing environmental health disparities
- Implement robust monitoring and reduction requirements for criteria air pollutants in frontline communities
- Define and operationalize a clear process to identify, track, and mitigate pollution hotspots

4. Linkage may reduce funding for overburdened communities

As previously raised, linkage is expected to put downward pressure on allowance prices. While this may reduce costs for emitters, it also reduces revenue generated through the program. This directly affects funding for investments required under the CCA, including the statutory requirement that at least 35% of funds provide direct and meaningful benefits to Overburdened Communities.³

Reduced revenue means fewer resources for the very communities the program is intended to support.

5. “Direct and meaningful benefits” must be clearly defined and enforced

The CCA requires that investments provide direct and meaningful benefits to Overburdened Communities. This requirement must be measurable and enforceable.

Ecology must:

- Establish a clear, enforceable definition of “direct and meaningful benefits”
- Require agencies to document how projects meet this standard
- Ensure consistency across agencies so that benefits are verifiable, not self-determined

Without clear standards, there is no meaningful accountability.

6. Transparency and community oversight are essential

A linked market increases complexity and makes it harder to track where emissions reductions occur. Transparency is critical to maintaining accountability.

Ecology must:

- Require public, facility-level reporting of emissions, allowance use, and allowance origin
- Track the geographic distribution of emissions reductions
- Provide accessible, regular reporting to the public and the Environmental Justice Council

³ RCW 70A.65.230

Without transparent, disaggregated data, neither the public nor the Environmental Justice Council can meaningfully assess compliance. Community oversight is essential to accountability and cannot be treated as procedural.

7. Maintain Washington's environmental justice standards in a linked market

Washington's environmental justice requirements are stronger than those of other jurisdictions. Linkage must not be used to dilute these standards.

Ecology must:

- Affirm that Washington statutory requirements continue to apply in full under linkage
- Prevent any mechanisms that would allow weaker out-of-state allowances to undermine Washington's program integrity
- Clearly articulate how Washington will uphold its HEAL Act obligations within a multi-jurisdictional system

Compliance with a linked market does not supersede compliance with Washington law.

8. Linkage is being evaluated before key air quality protections are finalized

Ecology is currently developing rulemaking to address Air Quality in Overburdened Communities (173-448 WAC), including requirements intended to reduce localized pollution and address hotspots. However, linkage is being evaluated before those protections are finalized. Without a completed rule, it is not possible to fully assess how linkage will impact local air quality or whether sufficient safeguards will be in place.

Ecology should finalize and implement this rulemaking before proceeding with linkage to ensure that any expansion of the market does not outpace or undermine core environmental justice protections.

Linkage does not resolve the underlying concerns with the cap-and-trade system and risks exacerbating them. The draft agreement and supporting materials do not yet show how Ecology will meet its obligations to frontline communities. As written, they establish a market framework without ensuring that environmental justice requirements will be achieved.

Our position remains that linkage is not appropriate. However, if the State continues to pursue it, it must address the gaps identified above to avoid further harm to frontline communities and to meet the requirements of Washington law.

Respectfully,



Christina Estela Brown
Environmental Justice & Climate Policy Integration Lead



350 Seattle
 600 1st Ave, Suite 200C
 Seattle, WA 98104
info@350seattle.org

May 6, 2026

Stephanie Potts
 Cap-and-Invest Program Linkage Planner
 Department of Ecology
 Submitted via public comment form: <https://ecology.commentinput.com/?id=dh3NgpHmA>

Re: Draft Washington-California-Québec linkage agreement

Dear Ms. Potts,

Thank you for extending the public comment period on the Draft Washington-California-Québec linkage agreement related to the Climate Commitment Act (CCA).

By all accounts linkage will bring lower allowance prices and less money for climate and resiliency investments:

Lower revenues may affect the state's timeline for achieving the CCA emissions targets by reducing investments and delay benefits for overburdened communities. (1)

Given the 2026 legislature's unprecedented use of CCA funding to meet budget shortfalls (2), the prospect of lower CCA investment revenues is especially concerning. State climate goals may not be met, and there will be less revenue available to mitigate impacts to overburdened communities.

Research on California's cap-and-trade program (3) shows that market-based systems have not consistently delivered air quality improvements in disadvantaged communities without additional safeguards.

Ecology's own Environmental Justice Assessment (4) acknowledges that impacts to overburdened communities are uncertain, largely because polluting industries can choose where to reduce emissions. This uncertainty means that pollution reductions may happen elsewhere while pollutants affecting particular communities persist.

And if facility-specific emission reductions proposed by the Environmental Justice Council into the CCA are not feasible at this time (5), then clearly overburdened communities will be worse off as a result of linkage.

Here is one example. In the case of Concentrated Animal Feeding Operations (CAFOs), it is very possible that pollution reductions will *not* occur given the perverse incentive to increase manure output to monetize avoided methane credits in California's cap and invest system (6).

CAFOs in rural communities can lead to serious health effects due to CAFOs' effects on the air, land and water (7). In fact, CAFO waste emits as many as 168 gases, including hazardous chemicals such as ammonia, hydrogen sulfide and methane. In the lower Yakima Valley, monitoring well testing indicates that much of the water is tainted with high levels of nitrogen (8).

To the extent that the proposed linkage between Washington's carbon market and that of Quebec would encourage the use of digesters to manage methane emissions, we would argue the following:

While digesters capture some methane, they can actually increase the amount of ammonia (9) and nitrate in the manure (10). In addition, the resulting digestate contains concentrated ammonia and other forms of nitrogen, which when sprayed on neighboring fields, leads to algae blooms in waterways (11). The concentrated ammonia that comes from digestate is also a serious health risk according to a study by the National Academy of Sciences (12), which links thousands of premature deaths to particle pollution generated by ammonia emissions from agriculture. And a more recent study by researchers from the University of California and the University of Michigan (13) confirms that counties with large CAFO operations experience higher particulate matter, and notes that Washington has 408 cattle CAFOs and is one of the top 10 states with the highest number of cattle CAFOs. Finally, digesters can enhance the ability of the waste to pollute water sources with nutrients like phosphorus and nitrogen (14).

Given that these serious health concerns are associated with CAFOs in rural communities, including in Yakima County where a large portion of the community is Hispanic (15), the Department of Commerce is obligated to comply with the HEAL Act, which requires the agency to identify and address environmental health disparities in overburdened and vulnerable communities. One example of a likely violation of the HEAL Act is the civil rights complaint that Friends of Toppenish Creek filed with the EPA in 2024 (16), alleging that the Yakima Clean Air Agency has failed to adequately respond to complaints of poor air quality by residents of southern Yakima County. For our state to continue to fund digesters – which can lead to increased CAFO pollution – would be a likely violation of the HEAL Act.

California has failed to adequately manage CAFO emissions for decades and contemplated measures will be extremely expensive (17). Washington's CAFOs are under-regulated and over-subsidized (18). Stronger and more effective regulation for manure management in Washington is needed *before* linkage with California reduces CCA revenues.

Finally, as we noted in our comment three years ago (19), a baseline report on the effectiveness of the Climate Commitment Act's investments, and those by covered entities, in reducing greenhouse gas emissions should precede linkage. We strongly recommend that the legislature have adequate time to review the 2027 effectiveness report before linkage is implemented.

Sincerely,

Selden Prentice
David Perk
350 Seattle
c/o davidperk@350seattle.org

350 Seattle works toward climate justice by organizing people to make deep system change: resisting fossil fuels; building momentum for healthy alternatives; and fostering resilient, just, and welcoming communities.

References

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May 6, 2026

Stephanie Potts, Cap-and-Invest Program Linkage Planner
 Department of Ecology
 300 Desmond Dr SE, Lacey, WA 98503

Re: Climate Solutions' Comments on the Linkage Agreement, Draft Linkage Criteria Analysis, and Environmental Justice Assessment

Dear Stephanie Potts,

Climate Solutions appreciates the Department of Ecology's ("Ecology") continued opportunities to engage and comment on potential carbon market linkage with California and Québec's joint market. Climate Solutions is a nonprofit organization working to accelerate clean energy solutions to the climate crisis. We have been a strong advocate for the Climate Commitment Act since its inception and are deeply invested in its success. We have been engaged in the topic and process of linking since it was first introduced by Ecology.

Although prices are now leveling off, allowance prices were variable in the first two years of CCA implementation due to the uncertainty that comes with a new program and pressure from Initiative-2117. Linkage with the California-Québec market has the potential to stabilize prices. This predictability can help ensure the longevity of the program and help covered entities plan for their decarbonization investments, while also relieving administrative burdens, and, most critically, leading to greater reductions in greenhouse gas emissions across the region. This is an incredible opportunity for the participating states and provinces - and those that are considering similar cap-and-invest programs - to collectively improve their climate outcomes.

But in order to facilitate linkage and achieve those benefits, Ecology must ensure (per RCW 70a.65.210(3)) that linkage (1) does not impact Washington's ability to meet its climate mandates, (2) does not harm overburdened communities, and (3) provides benefits to overburdened communities. Below, we offer recommendations to support meeting each of these criteria through the process of linkage, the linkage agreement, and through additional policy mechanisms.

I. Linkage Agreement: Maintain language that facilitates ongoing review of programs and conversations.

According to Ecology, a linkage agreement can help facilitate a more successful merging of markets by establishing expectations – e.g., agreeing to hold auctions jointly using the same platform – and a process for regularly communicating, consulting, and coordinating. Ecology states that a linkage agreement cannot “modify existing laws and regulations, nor obligate jurisdictions to create new ones” so it appears that the draft linkage agreement generally serves its intended purpose.

We appreciate the inclusion of the following provisions:

- “The Parties shall continue to examine their respective regulations for the reporting of greenhouse gas emissions and for the cap-and-trade program in order to promote continued harmonization and integration of the Parties' programs.”
- “To support the objective of harmonization and integration of the programs, any proposed changes or additions to those programs shall be discussed between the Parties.”

Applied together, these two agreements indicate (1) the importance of revisiting policies as new information comes to light around different needs for harmonization and (2) the need to communicate, coordinate, and collaborate to facilitate successful linkage. This suggests that while the agreement itself cannot obligate a jurisdiction to create new laws or regulations, it can facilitate important conversations for the need for changes and safeguards to be put in place.

II. Consider adding additional recognition of commitments to improving outcomes in overburdened communities.

We appreciate that the linkage agreement includes, in its preamble, each jurisdiction's shared commitment to using the proceeds from their programs to improve public health, quality of life, and economic opportunity in disadvantaged and overburdened communities. We recommend building on this statement to include an additional reference to each jurisdiction's obligations to improve air quality in overburdened communities beyond investments. As part of the Consultation Committee's charge in Section 12 to monitor program implementation, we also suggest explicitly stating that the committee will monitor the impact of linkage and each program's design on overburdened communities and harmonize across programs to improve outcomes if gaps are identified.

III. Leverage existing policy mechanisms and processes already established to (1) ensure air quality improvements in overburdened communities and (2) maintain Washington's program stringency in a linked market.

It is critical that Ecology leverages existing safeguards in the Washington program to meet the linkage criteria.

- 1. Air Quality Rulemaking:** The rulemaking process required under RCW 70a.65.020(2) to reduce criteria pollution from highly polluting sources in overburdened communities is fundamental to the success of the CCA. We encourage the Department to work to formalize rule language expediently and to strive to identify high-priority emitters and issue reduction orders for criteria air pollution as soon as possible. If implemented effectively and expediently, the new air quality rule would be complementary to linkage, improving local air pollution while reducing regional greenhouse gas emissions.
- 2. EITE Compliance:** Ecology's process to provide recommendations to the Legislature for emissions intensive trade-exposed industry (EITE) compliance under the law is another opportunity to address local pollution and protect Washington's GHG laws. Until 2035, Washington EITEs will receive most of their allowances at no cost per statute. If EITEs continue to receive a majority of their allowances at no-cost beyond this point, there is a high risk that EITE allowances exceed the cap. We encourage Ecology to develop recommendations for Washington to pursue a strong and effective EITE compliance pathway, taking lessons learned from Québec, which requires consignment of a percentage of allowances to be invested into

decarbonization, and California, which includes a cap adjustment and leakage risk factor. Not only will this reduce emissions in the state, it also helps to further align Washington with California and Québec's program.

3. **The Emissions Containment Reserve:** As noted above, the linkage agreement sets the stage for continued collaboration and iteration on each jurisdiction's cap-and-invest program to ensure that linkage is successful. We encourage Ecology to hold discussions with other jurisdictions about the value of an Emissions Containment Reserve ("ECR"). Per RCW 70A.65.140, the intent of the ECR is to "help ensure that the price of allowances remains sufficient to incentivize reductions in greenhouse gas emissions." It is a simple, but effective tool that could ultimately help to address concerns with the potential impact of the large volume of California's banked allowances.

IV. Include impact of recent California updates to the Draft Linkage Criteria Analysis.

In its analysis of the impact of linkage, Ecology examines the near-term challenge of California's large bank of allowances and the ways that California is seeking to mitigate its surplus of allowances. This includes (1) removing 118 million allowances to adjust the cap and (2) placing offsets under the cap. We recommend that Ecology consider the potential impact of California's newest proposed update to its program, which would create an additional allowance reserve equal to the 118 million allowances that were removed specifically for industrial emitters. This is concerning, particularly at a time when California's most recent auction settled at the price floor and did not sell out of compliance instruments. For the integrity and effectiveness of the market, it is critical that this is addressed. Conversely, it would also be useful to understand the impact of California improving its treatment of offsets to mirror Washington and how that might help to *address* the stored allowance issue in the long run.

Overall, linkage provides a unique opportunity to work with other states and provinces to address climate change. We urge Ecology to leverage this connection to encourage linked jurisdictions to maximize the ambition, equity, and integrity of their respective programs, and to serve as a model for other states that are seeking to cap statewide emissions. Thank you for the opportunity to comment and we look forward to continuing to work with Ecology as it explores different pathways to linking with California and Québec.

Sincerely,



Altinay Karasapan
Washington Regulatory Policy Manager
Climate Solutions



Natural Resources Defense Council Comments on Proposed Washington Draft Linkage Agreement

May 6, 2026

Jo Gardias
Climate Solutions Fellow

Summary of Comments

The Natural Resources Defense Council (NRDC) appreciates the opportunity to provide comments on the Department of Ecology (Ecology) draft Washington-California-Québec linkage agreement. NRDC is a national environmental organization working to safeguard people and natural systems from the climate crisis and safeguard the right of clean air, water and healthy communities, with over 550,000 members.

The March 2026 draft agreement¹ would increase the price stability of Washington's cap-and-invest program (C&I), as established by the Climate Commitment Act, while maintaining the role of the market in reducing emissions 45 percent by 2030 and net-zero by 2050, relative to 1990 levels. Linkage may reduce long-term industry leakage risk and increase long-term market emissions reductions.

NRDC asks Ecology staff to consider one modification within the draft agreement and provides comments recommending opportunities for Washington State to improve the equity of the C&I program while mitigating uncertainties associated with linkage.

- Within the draft agreement, Ecology should include guardrails requiring any proposed offset protocol changes to be consulted among linked jurisdictions.

¹ Department of Ecology, "[Agreement on the Harmonization of Market-Based Programs for Reducing Greenhouse Gas Emissions between the Gouvernement du Québec, the State of California and the State of Washington.](#)" March 2026 draft, (2026)

- Washington State should prioritize opportunities to maximize cost-effective investments of C&I funds that support an equitable transition, alongside increasing investments and regulatory tools to reduce criteria pollutants in overburdened communities.

The draft agreement includes important accounting and process clauses that will maintain linkage integrity but offset language should be strengthened.

Washington-California-Québec linkage would increase efficiency of allowance trading, resulting in more stable prices and reduced likelihood of economic leakage between jurisdictions. This added price stability could improve the predictability and durability of the program by mitigating price shocks resulting from internal market factors or exogenous factors. In the long run, this is predicted to support greater market ambition and deepen emissions reductions, which is particularly important as the cost of remaining abatement projects becomes more expensive with time, barring additional technology or policy innovation.²

The draft agreement proposes an appropriate framework to achieve these benefits. As compared to the past linkage agreement between California and Québec, draft amendments newly incorporate a requirement for jurisdictions to use and maintain similar treatment of the California-Québec emissions accounting mechanism to avoid double-counting and timely allowance adjustments. Additionally, definition of ‘offset protocol’ is relatively strengthened to exclude ‘avoided’ emissions reductions.

To better strengthen the intended integrity of offset protocols between jurisdictions, **Ecology should align offset protocol language with the 2013 California-Québec agreement.** This past agreement included an additional requirement for jurisdictions to require discussion and harmonization of offsets between programs, prior to changing their protocols.³

“Either Party, or the Parties together, may consider making changes to their respective offset protocols, adding additional offset protocols, or changing procedures for issuing offset credits. To support the objective of maintaining the harmonization and integration of the

² Nicholas Roy et al., “Considerations for Washington’s Linkage Negotiations with California and Québec,” (2025). <https://www.rff.org/publications/reports/considerations-for-washingtons-linkage-negotiations-with-california-and-quebec/>

³ CARB & Gouvernement du Québec, “[Between the California Air Resources Board and the Gouvernement du Québec Concerning the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions](#),” (2014)

programs, any proposed changes or additions shall be discussed between the Parties. The Parties acknowledge that sufficient time is required to enable effective public review and comment prior to adoption. The Parties shall consult regarding changes or additions that may affect the harmonization and integration process or have other impacts on either Party. Each Party's public process for making program changes must be respected."

Beyond this draft framework, it is important that Ecology maintain vigilant monitoring of the market's trajectory and price performance relative to the state's targets, after adoption. Allowing cross-market allowance trading can interact with jurisdiction's existing market design features, which may create market uncertainty that cannot be addressed within the scope of this rulemaking. While these uncertainties are sometimes unavoidable or baked in with past program decisions, Ecology's continued monitoring of market performance in future proceedings will be crucial to avoiding any unintended impacts of linkage and maintaining the ambition and equity of the C&I program. Potential future uncertainties to monitor with linkage include at minimum two issues.

- **Uncertainty with stored/banked allowance impacts.** Stored/banked allowances within C&I programs in California, Washington, and Québec create a risk to future market trajectories in line with jurisdictions climate targets.⁴ Continued monitoring and potential future reassessment by Ecology and other regulators of the trans-jurisdictional impacts of the usage and scale of stored allowances will be important for the C&I programs to deliver the intended price signal, particularly as economies have more limited emissions reduction options and the value of stored allowances rises.
- **Industrial Assistance and Leakage.** California, Washington, and Québec all currently provide different levels of industrial assistance to facilities. Washington provides more allowances to emissions-intensive trade-exposed industries (EITEs), fully covering their proportional emissions compliance costs, as compared to 60 percent coverage in California and 99 percent coverage in Québec.⁵ While the amount of industrial assistance and its treatment is being updated currently within California's rulemaking and within Washington, recently proposed changes may create uncertainties about the relative impacts of industrial assistance between the three jurisdictions. After linkage is enacted,

⁴ Nicholas Roy, Suzanne Russo & Dallas Burtraw (2025)

⁵ CARB, "[Cap-and-Invest Program Workshop](#)," (October 2025), slide 38

Ecology should continue to monitor price impacts on EITEs to ensure an appropriate price signal and consider joint tools to mitigate linked market leakage risks, such as a carbon border adjustment mechanism.

Opportunities remain to support an equitable, cost-effective transition, while supporting environmental justice.

Washington statute directs Ecology to prioritize opportunities for environmental health and equity when implementing linkage. The CCA requires that, prior to linkage, Ecology must find that the draft agreement will not “yield net adverse impact to either jurisdictions’ highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions,” and ensure the distributional benefits are directed for vulnerable and overburdened communities.”⁶ Similarly, the Healthy Environment for All (HEAL) Act requires Ecology to complete an environmental justice assessment to consider and incorporate impacts on overburdened and vulnerable communities, including opportunities to reduce or mitigate environmental health impacts on these communities.⁷

Although the Ecology analysis doesn’t find explicit adverse impacts to overburdened communities, uncertainties and tradeoffs with linkage remain — but this risk can likely be preempted. Ecology’s Environmental Justice Assessment finds that linkage will result in lower near-term market compliance requirements, also resulting in lower near-term proceeds.⁸ While the report doesn’t find additional air pollution from linkage resulting in burdens on overburdened populations, there remains uncertainty on how individual facilities, and the consumer of their products, may choose to respond to the near-term price impacts. Take for example, the impact of near-term refinery price compliance on criteria air pollutants and GHG emissions resulting from vehicles. Lower gas prices are related to lower rates of electric vehicle sales. Estimates from California find that for every one cent decrease in the price of a gallon of gas, electric vehicles sales would decrease by 0.5%.⁹ This isn’t a guaranteed outcome; gasoline prices vary greatly

⁶ [RCW 70A.65.210](#)

⁷ [RCW 70A.02.020](#)

⁸ Department of Ecology, “[Potential linkage of Cap-and-Invest carbon market with the joint California-Québec carbon market \(Draft\): An Environmental Justice Assessment \(per RCW 70A.02.060\)](#),” (2026)

⁹ James Bushnell, Erich Muehlegger, David Rapson, “[Energy Prices and Electric Vehicle Adoption](#)” (2022).

from factors beyond compliance pass through costs, and electric vehicle uptake is also influenced by many other factors, such as electricity prices. Yet, on the margins, there remains uncertainty and tradeoffs on the price impacts on markets and sectors throughout the state. Even though the assessment identifies that covered facilities may not be the leading contributor to air pollution in certain local communities, many of the covered facilities by the market still exist within disadvantaged areas. The assessment finds that, as of March 2026, 59 covered facilities exist within 3 miles of census tracts that are ranked among the lowest for poverty in the state, and 62 facilities within three miles of census tracts that are over 80 percent people of color.¹⁰ These uncertainties can be managed through continuing air quality and toxics monitoring and complementary regulations, and improving revenue distribution equity.

Ecology has taken steps to recognize and offset these potential uncertain outcomes to strengthen the program's equitable outcomes. The agency has proposed to increase the benefits from offset projects to Tribes and communities in Washington State.¹¹ Within the draft agreement, Ecology has also included language that requires linking jurisdictions to use their program proceeds "particularly for disadvantaged and overburdened communities and vulnerable populations." These inclusions, in addition to the state's ongoing air quality monitoring programs, provide a foundation for preempting and monitoring these challenges.

The other major opportunity to preempt any equity risks is through the distribution of revenues and complementary regulations. Although Ecology largely lacks authority over revenue distribution, it is important to underscore that Washington State could more equitably distribute program revenue in the legislative appropriations process that could minimize uncertainties of impacts with linkage.¹² Even though carbon market policies send an important critical greenhouse gas decarbonization signal that is highly likely to also reduce co-pollutants in the long run, these programs do not innately result in progressive distributional impacts, nor can they guarantee specific facility-level behavioral outcomes. However, jurisdictions can more certainly ensure an equitable transition to zero-emissions by more effectively targeting expenditures and directing efforts to increase regulatory enforcement of state Clean Air Act and complementary

¹⁰ Ibid

¹¹ Ibid

¹² Department of Ecology, "Potential linkage of Cap-and-Invest carbon market with the joint California-Québec carbon market (Draft): Environmental Justice Assessment (per RCW 70A.02.060)," (2026)

regulations. For example, Washington State should consider enhancing existing air pollution efforts (i.e., formalizing the air quality rulemaking), continuing community engagement on these efforts, increasing transparency of publicly available data on facility level emissions, and providing timely updates on data to the Environmental Justice Council.

While the state has taken substantial steps to improve the equity of distributing C&I revenues, **more should be done to increase the state's progress toward an equitable transition to net-zero emissions goals 2050, while also identifying opportunities to improve the state's air pollution.** Unfortunately, Washington recently passed a budget which diverts \$545 million from Climate Commitment Act revenues toward non-environmental or health-related spending. We hope that in the future, Washington will correct course by increasing guardrails around the revenues from the program, redoubling on its efforts to target funding for climate emissions and within overburdened areas (e.g., increase the dedicated percentage toward vulnerable populations, invest in programs that support investments for low-income households to participate in the GHG transition, and invest in more programs that result in cost-effective emissions reductions to scale market access).

Conclusion

NRDC appreciates Ecology's efforts to develop a draft agreement to link Washington's cap-and-invest program with California and Québec, which would improve future market price stability, while maintaining the state's trajectory of achieving net-zero emissions by 2050. The state should also pursue additional opportunities, such as improving revenue distribution and complementary air quality regulations, to more equitably reduce climate change and air pollution.



May 6, 2026

Washington Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

Dear Director Sixkiller,

On behalf of Environmental Defense Fund (EDF), we appreciate the opportunity to provide comments responding to the Draft Linkage Agreement put forward by Washington, California, and Québec on March 3, 2026, as well as on the Draft Linkage Criteria Findings and Draft Environmental Justice Assessment released by Ecology in April. EDF appreciates the work of all three jurisdictions in advancing this important step in sub-national climate leadership, and we look forward to continued engagement through the finalization of this agreement and the implementation of the steps required by each jurisdiction to operationalize linkage.

Executive Summary

This draft agreement is a significant milestone in sub-national climate action. Linking the Cap-and-Invest and Cap-and-Trade programs of Washington, California, and Québec will create a combined market that is larger than Washington's standalone program, further enhancing stability by expanding the pool of cost-effective abatement opportunities available across all three jurisdictions and demonstrating that collaborative, cross-border climate leadership can be durable, transparent, and effective. Ecology's Draft Linkage Findings conclude that linking with California and Québec would meet the criteria set out in the Climate Commitment Act (CCA), and achieve the CCA's directive for the department to "seek to enter into linkage agreements with other jurisdictions with external greenhouse gas emissions trading programs"¹. EDF strongly supports linkage, and we encourage the timely finalization of this linkage agreement as well as the timely completion of the steps required by each jurisdiction for linkage to be operational by November, 2027.

In this letter, we:

- I. Affirm strong support for linkage, reinforced by Ecology's Draft Findings and Environmental Justice Assessment, as a necessary next step for the growth and impact of Cap-and-Invest programs that deliver affordability and climate benefits to communities in participating jurisdictions.
- II. Support the draft agreement's inclusion of language on revenue use for investments in overburdened communities, as well as the greater specificity with regard to accounting mechanisms to prevent double counting.
- III. Suggest two areas for improvement:

¹ RCW 70A.65.210 – Linkage with other jurisdictions. <https://app.leg.wa.gov/RCW/default.aspx?cite=70A.65.210&pdf=true>

- The Parties should provide greater clarity on the threshold for termination of the linkage agreement.
 - Parties should strengthen alignment on offset protocols consistent with language and precedent established in the 2013 California-Québec agreement.
- IV. Urge prompt finalization of the agreement and timely completion of all steps required by each jurisdiction to begin operating a linked market by November 2027.

I. Linking Washington, California, and Québec’s Cap-and-Invest programs will strengthen the market, deliver durable benefits, and expand sub-national climate leadership.

Linking the carbon markets of California, Québec, and Washington will produce a stronger, even more effective program than any of the three jurisdictions could sustain independently. The benefits of linkage are well-documented and mutually reinforcing.

Improved market efficiency: Linkage will lower costs for Washington businesses and consumers

A larger, more liquid carbon market is inherently more efficient and predictable. By pooling the allowance supply of three jurisdictions, a linked market expands access to lower cost abatement opportunities and can further reduce price volatility compared to a standalone program. This additional stability is important for covered entities in the program that need to make long-term decisions about emissions reductions; when businesses can plan around a predictable and durable price signal, they are better positioned to make investments in energy efficiency and decarbonization technologies that Cap-and-Invest programs are designed to incentivize. Linkage builds additional confidence in the program’s ability to deliver on the emissions reductions required to avoid the worst impacts of climate change.

For Washington covered entities, linkage is likely to result in lower compliance costs. Modeling in Ecology’s Draft Linkage Findings estimates that allowance prices in a linked market “would be significantly lower compared to the standalone scenario”², because of the relative size of the standalone Washington program compared to the California-Québec program, including banked allowances. This is especially important for Washington, where consistently strong demand at quarterly auctions has driven prices higher since the program’s launch in 2023, including four auctions at which prices triggered the Allowance Price Containment Reserve³. While these higher prices have generated substantial revenue for community reinvestment⁴, the opportunity to secure greater ambition at lower cost will be important over time. Linkage would give Washington covered entities access to a larger, more stable market with even more predictable prices, enabling the long-term investment planning that effective decarbonization requires.

Greenhouse gas emissions: Linkage will deliver greater long-term emissions reductions more cost-effectively.

² Washington State Department of Ecology Cap-and-Invest Linkage Criteria: Draft Findings, April 2026. <https://apps.ecology.wa.gov/publications/documents/2614020.pdf>

³ [September 2023](#), [September 2025](#), [December 2025](#), and [March 2026](#) auctions triggered the Allowance Price Containment Reserve.

⁴ Washington state agencies have invested over \$1.5 billion in CCA revenue thus far. Department of Ecology, Cap-and-Invest auction revenue. <https://ecology.wa.gov/air-climate/climate-commitment-act/auction-revenue>

Linkage expands the pool of available emissions abatement opportunities, allowing emissions reductions to occur wherever they are most cost-effective across the linked jurisdictions. This improves the overall efficiency of the market and, combined with greater price predictability in a linked market, can empower policymakers and covered entities alike to pursue more ambitious emissions reductions targets knowing that compliance costs will remain manageable.

Modeling of linkage between Washington and California by Resources for the Future (RFF) projects that through 2045, net reductions of greenhouse gases in a linked market would exceed 50 million tons, compared to a standalone scenario⁵. These results translate directly into benefits for local air quality and public health, as well as for the climate. While the emissions modeling in Ecology’s Draft Linkage Findings extends only through 2030, it estimates comparable near-term greenhouse gas emissions in Washington in linked and un-linked scenarios. Further, the Draft Findings emphasize that Ecology “expects that linking will lead to greater total emissions reductions over the long term across the linked jurisdictions,”⁶ a conclusion that RFF’s modeling substantiates. The Draft Findings also affirm Ecology’s authority to adjust annual allowance budgets as necessary to ensure that Washington’s emissions limits are met and that covered entities achieve their proportionate share of reductions in 2030, 2040, and 2050. Linkage should catalyze greater mutual ambition among linked partners, unlocking greater cost-effective emissions abatement opportunities and allowing for more rapid emissions reductions.

Linkage builds on a proven model, scaling popular programs that deliver climate & affordability benefits.

Linking Washington with California and Québec is a deliberate and well-grounded expansion of a model that has been operating successfully for more than a decade. California and Québec have operated a linked Cap-and-Invest market since 2014, and have demonstrated that harmonized programs can achieve emissions reductions, generate substantial public revenue, and maintain political durability across multiple election cycles and changing political contexts. Washington’s program was designed from the outset to be compatible with linkage to California and Québec; operationalizing a joint auction is the critical and natural next step for all three jurisdictions.

In addition to cutting greenhouse gas emissions, Cap-and-Invest programs deliver tangible economic benefits to the jurisdictions where they operate. Modeling from Greenline Insights finds that between 2031 and 2045, California’s Cap-and-Invest program is expected to generate 287,000 jobs, \$55 billion in economic growth, and \$232 million in net savings for California households.⁷ Washington’s program is similarly projected to deliver meaningful affordability benefits and statewide economic growth; between 2024 and 2032, the program is expected to create 45,000 jobs and generate \$9.1 billion in economic output across the state.⁸ With investments from these programs already delivering concrete benefits to people across both states, and projections showing that these benefits will continue to grow, making California and Washington’s Cap-and-Invest programs as durable and stable as possible is essential. Linkage

⁵ Roy, Russo, and Burtraw, 2025, “Considerations for Washington’s Linkage Negotiations with California and Québec” (pg. 19). https://media.rff.org/documents/Report_25-05_Bu5rhlh.pdf

⁶ Washington State Department of Ecology Cap-and-Invest Linkage Criteria: Draft Findings, April 2026. <https://apps.ecology.wa.gov/publications/documents/2614020.pdf>

⁷ Greenline Insights, Investments for California’s Future; Job and Economic Benefits of Cap-and-Trade Beyond 2030, May 2025, <https://www.greenlineinsights.com/investments-for-californias-future>.

⁸ Greenline Insights, Climate Commitment Act; Jobs and Economic Benefits in Washington State, September 2024, <https://www.greenlineinsights.com/climate-commitment-act>

would help provide additional durability by strengthening market stability, supporting long-term investment certainty, and helping ensure that these programs continue to deliver jobs, affordability benefits, and broader economic gains for residents across participating jurisdictions.

The benefits these programs deliver have also made them demonstrably popular. In Washington, voters rejected Initiative 2117 – which would have repealed the Cap-and-Invest program – by a margin of 23 points in November 2024⁹, affirming broad public support for the program’s goals and the benefits it delivers. In California, Cap-and-Invest also enjoys strong support, with polls showing that voters support the program by a two-to-one margin¹⁰.

Ecology’s draft findings and Environmental Justice Assessment also recognize that, by further improving market stability and strengthening the long-term durability of each program, linkage can help Washington communities realize greater benefits over time than they would under unlinked programs. A more predictable and durable market supports greater certainty for sustained investments in resilience, pollution reduction, and underserved communities. Importantly, under this agreement, linkage does not diminish Washington’s authority to maintain its own air quality protections or other safeguards designed to protect overburdened communities. Rather, by reinforcing program durability while preserving state-level protections, linkage can help ensure that communities continue to receive long-term climate, health, and economic benefits.

Ultimately, linkage would strengthen the scalability and durability of Washington, California, and Québec’s Cap-and-Invest programs, helping ensure they remain effective over the long term. By producing an even more stable market, with an even more predictable landscape for investment, linkage can help the participating jurisdictions deliver the greatest possible climate, health, affordability, and economic benefits to the communities they serve.

II. The draft agreement includes meaningful improvements upon the 2013 linkage agreement that EDF supports and urges the parties to retain.

The draft agreement is already strong and reflects meaningful improvements upon the earlier California-Québec linkage agreement. EDF commends the parties for the inclusion of the following provisions and urges their retention in the final agreement.

Revenue use for overburdened communities

The draft agreement articulates shared priorities for the use of revenues generated across the linked jurisdictions. The parties’ shared commitment to managing climate change impacts, investing in clean transportation and the clean energy transition, and improving public health, quality of life, and economic opportunity “particularly for disadvantaged and overburdened

⁹ BallotPedia: Washington Initiative 2117, Prohibit Carbon Tax Credit Trading and Repeal Carbon Cap-and-Invest Program Measure (2024).

[https://ballotpedia.org/Washington_Initiative_2117,_Prohibit_Carbon_Tax_Credit_Trading_and_Repeal_Carbon_Cap-and-Invest_Program_Measure_\(2024\)](https://ballotpedia.org/Washington_Initiative_2117,_Prohibit_Carbon_Tax_Credit_Trading_and_Repeal_Carbon_Cap-and-Invest_Program_Measure_(2024))

¹⁰ Global Strategy Group, New Poll Shows Vast Majority of California Voters Want More Done to Combat Climate Change and Help Address the State’s Affordability Challenges (February 18, 2026). <https://library.edf.org/asset-management/286XC5KXEKJB?&WS=AssetManagement&Flat=FP>

communities and vulnerable populations”¹¹ represents important alignment among the jurisdictions and a noteworthy improvement upon the 2013 California-Québec agreement. This language meaningfully addresses the “Invest” dimension of Cap-and-Invest, clarifying that program revenues are a core mechanism for delivering equitable benefits to the communities most affected by pollution and climate change. Revenue allocation and impactful investment are also critical to the continued public and political support of Cap-and-Invest programs, and making these commitments explicitly in the linkage agreement strengthens the accountability of all three parties to honor them. EDF strongly supports the retention of this language in the final linkage agreement.

Accounting Mechanisms to Prevent Double Counting

EDF also supports the parties’ decision to apply the accounting mechanism adopted by California and Quebec in 2022 to “avoid the double counting or double claiming of emission reductions”¹² between the jurisdictions. The transparency and specificity of these provisions are critical to the integrity of the agreement and of each individual program. The inclusion of a clearly outlined accounting adjustment mechanism underscores the parties’ commitment to data-driven, attributable emissions accounting and gives market participants and the public confidence that reductions are real and verifiable. EDF urges the parties to retain these provisions in the final agreement.

III. EDF recommends two areas where greater clarity in the final agreement would strengthen its integrity and durability.

- a. The threshold for termination of the linkage agreement should be more specifically defined.

The draft agreement acknowledges the purpose and necessity of a termination provision, an important safeguard for market integrity which ensures that the linked market has a clear mechanism to respond if a participating jurisdiction’s behavior jeopardizes the functioning of the combined market. However, further clarification on the threshold for termination of the agreement would strengthen the final agreement.

Currently, this threshold is defined as a standard of behavior that “may adversely impact the integrity and functioning of the market.”¹³ This standard is ambiguous in ways that could themselves become a source of market uncertainty: covered entities and market participants need to understand what kinds of actions or regulatory failures could put the continuity of the linked market at risk. A pre-defined threshold is both fairer to market participants and more likely to function as an effective deterrent against integrity-threatening behavior. The final agreement would be strengthened by the inclusion of specific and defined criteria for what would constitute sufficiently problematic behavior to trigger termination.

- b. Offset protocols should align with the language and precedent of the 2013 California-Québec linkage agreement

¹¹ Agreement on the Harmonization of Market-Based Programs for Reducing Greenhouse Gas Emissions Between the Gouvernement du Québec, the State of California, and the State of Washington, Draft, March 2026 (pg. 3) <https://apps.ecology.wa.gov/publications/documents/2614018.pdf>

¹² Id. (Pg. 12)

¹³ Id. (pg. 16)

Offsets play an important role in all three programs, and in Washington's program in particular, offset eligibility and protocol development have been an important feature of program design. Ensuring the final linkage agreement between the three jurisdictions preserves consistency with established offset protocols would protect the integrity of offset use across the linked market, and provide a clear framework for resolving any questions about offset eligibility that may arise as the three programs operate together.

To the extent the parties prefer to maintain flexibility on offset protocols rather than prescribing specific requirements in the agreement itself, EDF recommends that the final agreement include a commitment to a consultative process for aligning offset standards across the three jurisdictions.

IV. EDF urges prompt finalization of the agreement and timely completion of all required steps.

EDF urges Ecology, CARB, and the Gouvernement du Québec to prioritize the finalization of this agreement and to complete the steps required by each individual jurisdiction as expeditiously as possible. The benefits of linkage – lower compliance costs, greater market stability, and more cost-effective emissions reductions – are available only once the linked market is operational. The jurisdictions should prioritize finalizing all necessary steps so that linkage can be operational by November 2027.

Conclusion

The draft linkage agreement between Washington, California, and Québec represents a significant and well-grounded step forward for sub-national climate action. Ecology's analysis confirms that linkage meets the CCA's statutory criteria, and the extensive engagement process that produced this draft reflects the seriousness with which all three jurisdictions have approached this decision. EDF supports this agreement and the prompt finalization of all steps required to bring a linked market into operation.

At a moment when federal climate leadership has retreated and the urgency of emissions reductions continues to grow, California, Québec, and Washington have an opportunity to demonstrate that ambitious, collaborative, market-based climate policy can endure and expand. We urge the parties to seize that opportunity by finalizing this agreement promptly and moving forward together toward a linked market that delivers for the climate, for households, and for the communities that have borne the greatest burden of pollution across all three jurisdictions. We appreciate the opportunity to provide these comments and look forward to continued engagement through the finalization and implementation of this agreement.

Sincerely,

Caroline Jones
Manager, Energy Transition & Carbon Markets
Environmental Defense Fund

Nora Goodman
High Meadows Fellow, State Climate Policy
Environmental Defense Fund



May 6, 2026

Stephanie Potts
Cap-and-Invest Program Linkage Planner
Department of Ecology
State of Washington
P.O. Box 47600
Olympia, WA 98504-7600

Re: Cap-and-Invest Comments on draft Washington-California-Québec linkage agreement, draft Linkage Criteria Findings, and draft Environmental Justice Assessment

Dear Stephanie Potts:

Washington Conservation Action appreciates the opportunity to provide comments on the linkage documents that have been shared for public review. Washington Conservation Action (WCA), formerly Washington Environmental Council, has been a leading policy voice for the environment in our state for nearly 60 years. We develop, advocate, and defend policies that advance environmental progress and justice.

WCA supported passage of the Climate Commitment Act in 2021; defended the law from repeal in 2024; has engaged in its implementation through ongoing rulemakings and public processes; and has advocated in the legislature for numerous updates to strengthen the program. We are committed to helping build a state policy framework to achieve Washington's greenhouse gas emissions limits, and the cap-and-invest program in an important element of this framework.

Linking Washington's carbon market with California-Québec will likely have significant consequences for the cap-and-invest program's effectiveness, ongoing viability, and revenue generation. It may also have important implications for carbon markets on a national and international scale. Ecology's draft Linkage Criteria Findings and Environmental Justice Assessment consider many factors that will influence the outcomes of linkage. To do this, Ecology relied on the expertise of agency staff and contracted with independent parties, including the University of California, Western Washington University, and Monitoring Analytics.

These numerous efforts have led the agency to the conclusion that, in spite of



considerable uncertainty and inevitable tradeoffs regarding affordability, revenue generation, and near-term emission impacts, linking Washington with the California-Québec market will lead to the most stable program and deliver long-term emission reductions. This conclusion is consistent with the agency's position and efforts over the past five years since passage of the Climate Commitment Act, and the documents shared for public comment outline the Ecology's reasons for this conclusion. The draft linkage agreement is aligned with this determination and outlines a responsible approach to moving toward the identified goals.

At the same time, there are concerns raised in the draft documents that cannot be resolved at this time, such as whether projected short-term emissions increases after linkage will in fact be followed by longer-term emissions decreases attributable to the cap-and-invest program. The impacts of reduced program revenue, particularly for Tribal Nations and in overburdened communities, is also unknown. The draft documents make the case that the anticipated benefits of linkage, particularly lower compliance costs and the likelihood of a more predictable and politically durable program, make linkage worth the risks. However, as Ecology continues to pursue linkage, and likely enters a linked market in the near future, we urge the agency to continue assessing impacts to Tribal Nations and overburdened communities and whether linkage is serving the goal of reducing greenhouse gas emissions, both in Washington and globally. Alongside this assessment, we urge Ecology to continue pursuing the necessary tools and adapting the program to ensure it is in the strongest position to support an equitable and timely clean energy transition.

We respect and share Ecology's commitment to realizing just and effective outcomes from our state's environmental laws, including the Climate Commitment Act, and look forward to continued work to advance climate progress in Washington and beyond.

Sincerely,

Caitlin Krenn
Climate & Clean Energy Director
Washington Conservation Action

Submitted electronically

May 5, 2026

Stephanie Potts
Washington Department of Ecology
Climate Pollution Reduction Program
300 Desmond Drive SE
Lace, WA 98503

Dear Stephanie Potts,

The Nature Conservancy (TNC) appreciates this opportunity to provide comments on the [Draft Washington-California-Québec Linkage Agreement](#) that was released in March 2026. This Draft Agreement reflects a major step forward in the process of linking Washington's carbon market with the markets of California and Québec, which itself is an important step in securing lasting, effective implementation of the Climate Commitment Act. Subsequent to the release of the Draft Agreement, Ecology also released the Draft Linkage Criteria Findings and the Draft Environmental Justice Assessment, and our comments below also touch on these documents.¹

The Nature Conservancy helped shape, and strongly supports, the Climate Commitment Act (CCA) as one of Washington's signature climate policies: a cornerstone of our efforts to reduce greenhouse gas emissions, associated toxic pollution, and invest in creating healthy, thriving, climate-resilient communities. A strong linkage agreement will protect the CCA from being weakened by creating a larger, more secure allowance market and providing greater price stability that allows market participants to plan and implement carbon reduction strategies in order to comply with Cap-and-Invest laws. Securing the CCA, and achieving its goals, aligns strongly with TNC's overall mission to care for the lands and waters upon which all life depends, and specifically with top policy goals in Washington. Therefore, we see linkage as playing an important role in how we realize our mission.

However, merely *achieving* linkage of Washington's market with California and Québec does not, on its own, necessarily guarantee adherence to either the intent of the original law² or the specific criteria for a linkage agreement³, as outlined in statute. Therefore, after reviewing the Draft Linkage Agreement and the related documents we offer the following comments aimed at ensuring that a future, final agreement upholds those commitments.

¹ Given the short timeline we had to review these additional documents, we respectfully note that our comments here may not be comprehensive or represent our final analysis.

² [RCW 70A.65.005: Findings—Intent.](#)

³ [RCW 70A.65.210: Linkage with other jurisdictions.](#)

Additions or changes to the Draft Linkage Agreement

Recommendation 1: Clarify environmental safeguards

While the agreement is consistent in emphasizing market compatibility, it would benefit from minimum environmental integrity safeguards, particularly where program elements differ across jurisdictions - for example with treatment of offsets and air quality. Explicit guardrails can help maintain public confidence and protect against real or perceived “race-to-the-bottom” risks as related policies and programs continue to evolve independently in a linked system.

Specifically, TNC recommends: In Sections 4-6, explicitly state that harmonizations shall not result in a weakening of stringency, ambition, or oversight in any jurisdiction's climate or environmental goals and programs, including air quality, carbon offsets, or GHG emissions reductions.

Recommendation 2: Address equity and environmental justice more explicitly

The Preamble appropriately recognizes the importance of improving public health, quality of life, and economic opportunity, particularly for disadvantaged and overburdened communities through the proceeds of each jurisdiction's cap-and-invest program. However, these commitments are not operationalized as part of the program operation itself. Although the Agreement rightly does not dictate domestic policy choices, elevating equity as a shared consideration strengthens alignment with each jurisdiction's equity objectives, and provides further confidence with safeguards against a weakening of environmental justice outcomes.

Specifically, TNC recommends: Add a statement in Section 1 acknowledging that market linkage efforts should be implemented in ways that support equitable outcomes and do not exacerbate localized pollution burdens. Add an item of the list in section 12 before item ‘c’ that the Consultation committee will monitor how program design impacts community-level climate and environmental impacts, including air quality, across jurisdictions and strive to resolve any inequities that occur from program implementation.

Recommendation 3: Define “overburdened communities” and/or vulnerable populations

Section 2 of the Draft Linkage Agreement provides definitions for ten terms that are central to the linkage process and to upholding the intent of the greenhouse gas reduction targets that Québec, California and Washington have each respectively adopted. However, there is no definition provided for “Overburdened Communities” (OBCs), a term that is defined in Washington statute, or the equivalent terms used by California and Québec.⁴

⁴ California uses the term “Disadvantaged Communities” ([SB 535 Disadvantaged Communities - OEHA](#))

This is important because Washington’s Climate Commitment Act specifically requires that linking our market with other markets will not result in net-negative impacts on OBCs in Washington or in any other jurisdiction, *and* that “the linking jurisdictions have provisions to make sure that their programs provide benefits for vulnerable populations and overburdened communities”.⁵ Therefore, it seems prudent that the Draft Linkage Agreement should provide for some mutually-agreed-upon definition (or different definitions determined to be equivalent) between the three jurisdictions. This will ensure that there are some equivalent criteria for measuring benefits to vulnerable or overburdened communities as required.

Specifically, TNC recommends: in Section 2, add a definition of “disadvantaged and overburdened communities and vulnerable populations” that can be mutually-agreed upon by the three jurisdictions.

Recommendation 4: Add specific criteria for determining whether/when differences in the respective programs need to be resolved

TNC appreciates that the Draft Linkage Agreement is intended to provide a high-level framework for the overall approach to linking the three markets. Therefore, it is appropriate that the Draft Linkage Agreement does not go into detailed analysis of which elements of the respective programs, regulations and markets *may* currently conflict or require harmonization in the future. However, TNC urges that the Draft Linkage Agreement be revised to include some specific methods or criteria that will be used, in the future, to evaluate whether differences require regulatory or legal changes to be adopted by one (or more) of the jurisdictions. Without a mutually-agreed-upon approach, determined in advance, there is a risk of the jurisdictions disagreeing over whether or not differences are significant and/or require harmonization. If there is disagreement, then some (or all) parties to the Draft Linkage Agreement may not have incentive to pursue changes or additions to their programs, which could require significant time, effort and political will.

Specifically, TNC recommends: that the three jurisdictions work together to create criteria, a matrix, a process or some other framework (i.e., criteria, a matrix or some other tool), for evaluating whether or not programmatic differences between the jurisdictions need to be resolved for Québec, California and Washington to each be in compliance with their own laws and regulations. In addition to evaluating compliance and harmonization on procedural, logistical and emissions-reductions measures, the matrix should also evaluate compliance with

⁵ [Linkage - Washington State Department of Ecology](#)

laws, rules and regulations governing air quality and criteria pollution in vulnerable populations and overburdened communities.

Procedural recommendations

Recommendation: Finalize AQ rulemaking before finalizing linkage agreement

Linking Washington's carbon market with California and Québec is a policy choice that is primarily driven by the goal of reducing overall greenhouse gas emissions between our three jurisdictions. Reducing these emissions is one of the central purposes of the CCA; however, the CCA law also mandates important reductions in air pollution and criteria pollutants, especially in overburdened communities.⁶ This is important to consider as linking carbon markets may have spillover effects on air quality in Washington as well as California and Québec. Some analysis⁷ indicates that linkage may lower the cost of carbon credits in Washington to the degree that, in the short term, some emitters end up finding it most cost efficient to buy more credits (at a lower price than currently available) instead of making meaningful reductions in their emissions; this could in turn lead to air pollution levels remaining the same or even increasing for the near term.

In the linkage documents it has published, Ecology states that "linkage would not change or weaken the state's laws and rules regulating local air pollutants. Linkage also does not change the provisions in the CCA aimed at reducing criteria air pollution and improving outcomes in overburdened communities highly impacted by air pollution."⁸ We agree with this general statement, but we also believe that finalizing the air quality rulemaking that is underway would give clarity and stronger assurance to commenters who wrote to Ecology with concern about how linkage would impact air quality in Washington. Without an actual rule to point to, it is more difficult to understand what guardrails and standards are (or will be) in place to mitigate effects of linkage on air quality in overburdened communities in Washington. This in turn may result in higher scrutiny or more pointed criticism of linkage.

The Nature Conservancy appreciates all of the work that has gone into the process of developing the Draft Linkage Agreement and hopes that these recommendations can strengthen it. It is imperative that a strong final linkage agreement is reached so that Washington, California and Québec can all move forward confidently, knowing that this step

⁶ [WAC 173-448 - Washington State Department of Ecology](#)

⁷ [Considerations for Washington's Linkage Negotiations with California and Québec](#)

⁸ [Potential linkage of Cap-and-Invest carbon market with the joint California-Quebec carbon market \(Draft\): An Environmental Justice Assessment](#), p. 40



will improve climate, health and resilience for all of their communities and in compliance with existing laws.

Respectfully,

David Mendoza
Director of Policy & Government Relations
The Nature Conservancy in Washington

Maya Gillett
Policy Analyst
The Nature Conservancy in Washington

Section 6: Comments from Tribes

(January 2023 – May 2026)



MAKAH TRIBAL COUNCIL

P.O. BOX 115 • NEAH BAY, WA 98357 • 360-645-2201



IN REPLY REFER TO:

Stephanie Potts
Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

September 25, 2023

Re: Makah Tribal Council comments on the Washington Department of Ecology's linkage decision under the Climate Commitment Act (electronically submitted)

Dear Stephanie Potts,

I am writing on behalf of the Makah Tribal Council (MTC) to provide input on whether the Department of Ecology (Ecology) should pursue linkage between Washington's cap-and-invest market and the Quebec and California cap-and-trade markets. The Makah Tribe has been closely engaged in the passing of the Climate Commitment Act (CCA) and its rollout, including a productive consultation meeting with Director Watson (6/30/22) and formal comments on the CCA program rules (7/15/22), advancing climate resilience under the associated consultation and carbon offset grants for Tribes, and tracking and providing input on related rulemakings and decisions. Climate resilience is a priority for the MTC and we appreciate the opportunity to provide input on this decision for the state's cap-and-invest program.

At this time, the Makah Tribal Council cannot support a decision to link markets because there is not sufficient evidence that the benefits outweigh the risks. The CCA directs Ecology to pursue linkage if it is determined to be beneficial to Washington's environment, economy, and communities. However, Ecology has not yet rigorously assessed or demonstrated the benefits to the environment or community. In our review of cap-and-trade systems worldwide, linkage often results in a reduction of allowance cost, which provides clear benefits to polluters but unclear or negative outcomes for the environment and communities relative to not linking. Further, Washington would make up a small portion of a linked market with California and Quebec, limiting the degree to which Washington can influence the future of the market. This is critical for Washington State, given the unique co-management relationship and responsibilities that the State has to treaty Tribes. We are concerned that linkage could constrain the ability of Washington State to address the unique needs and priorities of tribal governments as it relates to market structure. Ultimately, the decision of whether to link markets should not be made until the impacts of such a decision are clear. Below, we provide more details on the Makah Tribe and our specific concerns with linkage.

The Makah Indian Tribe

The Makah Indian Tribe is a federally recognized Tribe indigenous to the northwestern portion of the Olympic Peninsula in Washington State, at the confluence of the Pacific Ocean and the Strait of Juan de Fuca and is the southernmost of the Nuuchah-nulth Tribes. The current reservation is 30,067 acres and our treaty protected area includes Usual and Accustomed Hunting and Fishing Stations (U&A) in waters of the United States that extend off the outer coastline north from 48° 02'15" N latitude and east

From: [Sydney Cook](#)
To: [ECY RE CCA Linkage](#)
Cc: [Heather Spore](#)
Subject: Cap-and-Invest Linkage Rulemaking - Tribal Feedback
Date: Friday, September 27, 2024 2:34:07 PM

External Email

Dear Washington State Department of Ecology,

I am writing on behalf of the Swinomish Indian Tribal Community (Swinomish Tribe) to provide feedback on the draft amendments to the *Reporting of Emissions of Greenhouse Gases Rule* (WAC 173-441) and *Climate Commitment Act (CCA) Linkage Rulemaking* (WAC 173-446). We would like to commend Ecology for its ongoing efforts to address climate change through these regulatory frameworks. However, the Swinomish Tribe has significant concerns regarding the lack of provisions for tribal engagement, capacity-building, and funding mechanisms that would enable tribes to fully and equitably evaluate the state's carbon markets and greenhouse gas reduction initiatives.

The Swinomish Tribe requests that both drafts explicitly include clear processes for engaging and consulting with tribal governments. Tribes are sovereign nations with unique relationships to the state and federal governments, and any regulatory amendments that affect land use, emissions, or energy production have the potential to impact tribal lands and treaty protected resources. The Swinomish Tribe and other tribal nations expect to be meaningfully consulted on decisions that could affect their rights, lands, and resources. Furthermore, consultation processes should reflect a government-to-government relationship, respecting the sovereignty and legal status of tribal nations. Mechanisms for ongoing consultation and collaboration should be formalized in the final versions of these rules.

For tribes to meaningfully engage in review of new carbon markets and comply with new greenhouse gas reporting requirements, capacity-building grants must be available. Many tribes, including the Swinomish, face resource and capacity challenges when navigating complex regulatory frameworks like carbon trading systems and offset programs. Without dedicated funding for capacity-building, tribes may be unable to fully participate in evaluating how these initiatives may impact tribal treaty resources, which risks excluding them from the potential benefits of Washington's climate policies.

We request that the final drafts include provisions for capacity-building grants specifically designed to help tribal nations build the necessary expertise and capacity to evaluate how tribes might be affected by or participate in new carbon markets, GHG reporting, and related restoration projects. These grants should cover technical assistance, training, and long-term support to ensure that tribal governments and businesses can meet reporting requirements.

Additionally, the Tribe is concerned with how these regulatory changes could impact ongoing restoration efforts on tribal and non-tribal lands. Tribes like the Swinomish are actively involved in environmental restoration projects, including habitat

restoration and renewable energy development. These initiatives play a crucial role in the broader fight against climate change, and it is vital that state regulations support and enhance tribal restoration efforts.

However, without clear language in the drafts on how these rules will interact with restoration projects, there is a risk that tribal efforts could be overlooked or underfunded. We request that the final rules include mechanisms that allow tribal restoration projects to qualify for carbon offset credits and other forms of financial support. Furthermore, funds accumulated through carbon markets and the structure of the Climate Commitment Act fund habitat restoration efforts critical to recover ESA-listed species, including Chinook salmon, which are of utmost importance to tribes.

Linked carbon markets and emissions trading systems have the potential to generate significant revenue and environmental benefits. However, there is potential that linkage could reduce the funding available to programs that fund habitat restoration initiatives that tribes support. We urge Ecology to include language in the final rules that provides pathways for tribes to engage in reviewing linkage to new carbon markets. Moreover, revenue generated from these new markets should be structured in a way that supports tribal sovereignty and promotes sustainable economic development and climate resilience efforts in tribal communities.

In conclusion, while the proposed amendments to WAC 173-441 and WAC 173-446 represent important steps forward in addressing climate change, they fall short in addressing the unique needs and rights of Washington's tribal nations. The Swinomish Tribe requests that Ecology revise these drafts to include explicit provisions for:

- Tribal consultation and engagement in all aspects of rulemaking and implementation.
- Capacity-building grants for tribal governments and entities to engage in carbon markets, GHG reporting, and restoration projects.
- Clear funding mechanisms that support tribal and state-wide restoration efforts and provide equitable access to economic opportunities arising from carbon markets.

Thank you for considering our feedback. I have submitted these comments online as well. We look forward to continued collaboration with Ecology to ensure that these important climate policies reflect the needs and contributions of Washington's tribal nations.

Sydney Cook

Climate Policy Analyst
Swinomish Indian Tribal Community
scook@swinomish.nsn.us
mobile: 360-708-1872

To: ECY RE CCA Linkage
Subject: RE: Cap-and-Invest - Tribal Feedback

From: Sydney Cook
Sent: Monday, January 13, 2025 2:43 PM
To: ECY RE CCA Linkage
Cc: Heather Spore
Subject: Cap-and-Invest - Tribal Feedback

External Email

Dear Washington State Department of Ecology,

I am writing on behalf of the Swinomish Indian Tribal Community (Swinomish Tribe) to reiterate and support the Environmental Justice Council's letter regarding the Cap-and-Invest linkage rules. The Swinomish Tribe has previously submitted comments highlighting the importance of equitable tribal access to carbon markets, and we strongly echo the concerns raised by the Council regarding environmental justice and equitable implementation of these markets.

The Environmental Justice Council's letter emphasizes the risk of linked carbon markets disproportionately impacting vulnerable communities without proper safeguards. Specifically, they highlight the need to ensure that marginalized groups, including Tribal nations, are not left out of opportunities to benefit from emissions trading systems. They also stress that these markets must prioritize environmental and economic justice by directing revenue toward communities most affected by climate change and pollution, many of which are Tribal communities.

Aligned with these concerns, the Swinomish Tribe reiterates our position that:

1. Tribal access to carbon markets must be prioritized. The final rules should include specific pathways for Tribes to participate, such as funding mechanisms to support the development of carbon offset projects on Tribal lands.
2. Revenue structures must support Tribal sovereignty. Revenue generated should be allocated in ways that promote sustainable economic development and uphold Tribal self-determination.
3. Equity and environmental justice must guide implementation. Rules must explicitly prevent carbon markets from exacerbating existing inequalities or leaving vulnerable communities behind.

We strongly urge Ecology to incorporate these principles into the final rules to ensure the Cap-and-Invest program fulfills its potential to deliver equitable and sustainable outcomes for all.

The Swinomish Tribe appreciates the Council's leadership in advocating for these essential measures and reiterates our commitment to collaborating with Ecology to ensure equitable access and outcomes for Washington's Tribal nations.

Thank you for your attention to this matter. Please let us know if there are further opportunities for engagement or discussion.

Sydney Cook

Climate Policy Analyst

Swinomish Indian Tribal Community

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mobile: 360-708-1872

Hoh Indian Tribe

Please either fill out this survey or upload your comments using the button below.

What do you think of the California-Québec agreement? Which parts do you support?
Which parts concern you?

I am providing comments on behalf of the Hoh Indian Tribe's Natural Resources Department ("The Department"). The Department is concerned that linking Washington's market with that of California and Quebec will negatively impact overburdened communities and vulnerable populations, including the Hoh Indian Tribe. We are not certain that linking will result in overall economic and health benefits to Tribal communities, many of whom are dealing with the brunt of climate change. It remains uncertain that reductions in allowance price won't produce increased greenhouse gas emissions from unused allowances, or a decline in funding currently direct to Tribes through the CCA.

What's missing in the California-Québec agreement that should be included in an agreement with Washington?

To ensure that linkage will not negatively impact overburdened communities and vulnerable populations, including the Hoh Indian Tribe, the Department asks that the precautionary protections recommended by the Environmental Justice Letter to Ecology be implemented, including: 1) facility specific caps; 2) prohibiting the uses of unused allowances issued prior to WA linking to CA and Quebec; 3) limiting the use of offsets; 4) establishment of expiry dates for stored allowances.

How should we address environmental justice concerns in an agreement? Do you have recommendations for how the agreement can address concerns related to impacts on communities that have experience the greatest environmental and health burdens? (referred to in Washington as 'overburdened communities')

To ensure that linkage will not negatively impact overburdened communities and vulnerable populations, including the Hoh Indian Tribe, the Department asks that the precautionary protections recommended by the Environmental Justice Letter to Ecology be implemented, including: 1) facility specific caps; 2) prohibiting the uses of unused allowances issued prior to WA linking to CA and Quebec; 3) limiting the use of offsets; 4) establishment of expiry dates for stored allowances.

An environmental justice assessment must be completed prior to linkage. We request that Ecology work with the Environmental Justice Council and request input from Tribes while drafting the environmental justice assessment.

What should we consider in our analysis of the linkage criteria? See the [preliminary analysis](#) we shared last year.

Ecology should ensure that meeting criteria related to emission reductions, and vulnerable populations and overburdened communities are considered as equally or more important than criteria focused on providing a cost-effective means for covered entities.

Although linkage may provide a more cost-effective means for covered entities, it should not be pursued if it would "adversely impact Washington's ability to achieve the emission reduction limits established in RCW 70A.45.020" or reduces the "distribution of benefits from the program to vulnerable populations and overburdened communities."

of 125° 44'00" W longitude, and in the western end of the Strait of Juan de Fuca east to 123° 41'56" W (Figure 1). However, the Makah area of interest and traditional use of the ocean, as well as the original boundaries of the U&A, extend far beyond the current boundaries including into what are today Canadian waters.

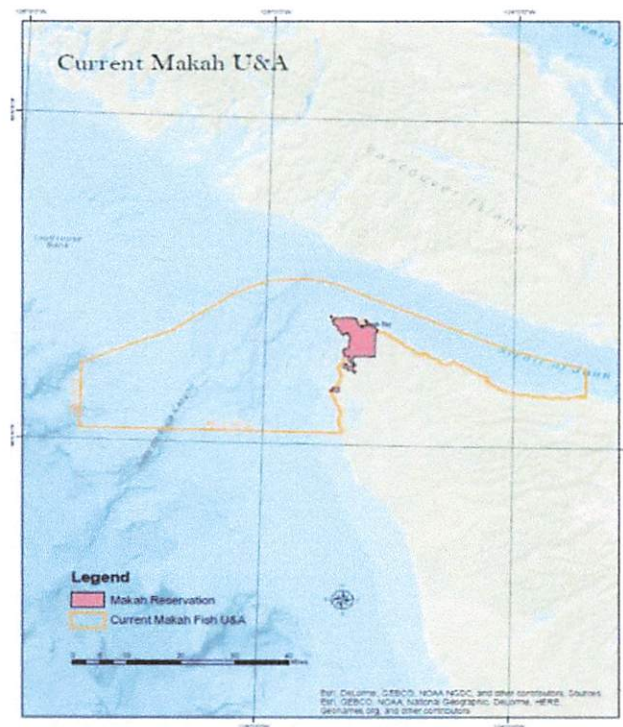


Figure 1: Map of present-day Makah Usual and Accustomed Fishing Area (U&A)

The existence and well-being of the Makah people have always been closely tied to our relationship with the natural environment, especially the ocean. The Makah hold a spiritual reverence and have inexorable ties to the ocean and its bountiful natural resources. This relationship to the ocean continues today, in part through our robust and valuable treaty fisheries, which support our local economy, the food security of our community, and our cultural practices and spiritual traditions. Current tribal members are charged by tradition and training with ensuring the continuation of our culture through the preservation of, and continued access to, our natural resources.

The 1855 Treaty of Neah Bay reserves the Makah's right to retain and exercise inherent sovereign authority over our treaty protected area and ownership of the resources therein. The Treaty of Neah Bay is the legal agreement between the Makah Tribe and the United States that recognizes the Makah Tribe's status as a sovereign nation and therefore a resource trustee. It reserves inherent sovereign rights to natural resources, cultural practices, and other services and benefits in exchange for the cession of approximately 500 square miles of territory to the US Government. Explicitly, the Treaty reserves the Makah Tribe's rights to hunt, fish, whale, seal, and gather within our U&A. These rights

were later confirmed and interpreted through the 1974 federal court decision known as the Boldt Decision¹ and subsequent rulings.²

The Makah Tribe is on the frontlines of climate change impacts. Our recent community surveys indicate that 68% of the population is already seeing the impacts of climate change in their daily lives, which include worsening seasonal flooding and storm surge, sea level rise and erosion, and seasonal water shortages. Despite not contributing substantially to the climate crisis, the Makah Tribe has extensive experience in climate resilience policy and planning locally and at broader scales, including contributing to the Fourth National Climate Assessment and helping to pass legislation like the CCA in 2021.

Concerns with linkage to be evaluated and addressed by Ecology prior to linkage decision-making:

1. **Linkage could undermine Washington's climate mitigation efforts.** Allowance cost is the driver of emissions reduction in our cap-and-invest program. Nearly all of the 8.6 million 2023 allowances sold at a settlement price of \$63.03.³ Linkage is expected to bring the allowance cost closer to that in the California and Quebec market, which sold at approximately \$35 per allowance in the latest auction. This would represent a nearly 50% reduction in allowance cost. Lower allowance prices in Washington will reduce the incentive to limit pollution. Because pollution is elastic and not sensitive to price shifts, it is critical that allowance costs remain high enough to influence polluter behavior.⁴ Additionally, the California cap-and-trade program is not positioned to reach their policy targets for emissions reductions due to more allowances than there are climate emissions.⁵ In fact, their legislature is actively considering changes to the program to address the low allowance cost driven by the flood of allowances.⁶ Thus, we are concerned that the reduced allowance price driven by linkage with California and Quebec will weaken the incentive to curb pollution to a degree that threatens the fundamental success of the program.
2. **Linkage could reduce the program's benefits to Tribes and overburdened communities.** Linkage is expected to reduce the allowance cost, which will weaken the incentive for polluters to curb pollution. This could lead to entities paying to continue to pollute rather than reducing their pollution. We welcome any evidence to the contrary, but have not yet seen evidence from Ecology that linkage would create benefits to Tribes and communities overburdened by air pollution. Further, Washington's cap-and-invest program is distinct from California's in that it

¹ *United States v. Washington*, 384 F. Supp. 312 (W.D. Wash. 1974), aff'd, 520 F.2d 676, 684-687 (9th Cir. 1975).

² E.g., *Washington v. Washington State Commercial Passenger Fishing Vessel Association*, 443 U.S. 658, 685-687 (1979) (salmon); *U.S. v. Washington*, 459 F. Supp. 1020, 1065 (W.D. Wash. 1978) (herring); *U.S. v. Washington*, No. C85-1606R, Subproceeding No. 92-1 (W.D. Wash. Dec. 29, 1993) (halibut); *U.S. v. Washington*, 873 F. Supp. 1422, 1445, n.30 (W.D. Wash. 1994), aff'd in part and rev'd in part, 157 F. 3d 630, 651-652 (9th Cir. 1998) (shellfish); *U.S. v. Washington*, No. 9213, Subproceeding 96-2 (Nov. 4, 1996) (Pacific whiting).

³ Murphy, Katie (ECY). Washington Cap-and-Invest Program Auction #3 August 2023 Summary Report. no. 23.

⁴ Green, Jessica F. "Does Carbon Pricing Reduce Emissions? A Review of Ex-Post Analyses." *Environmental Research Letters*, vol. 16, no. 4, 2021, p. 043004.

⁵ Cullenward, Danny. "It's Time to Fix California's Cap-and-Trade – Again." *CalMatters*, 29 May 2020. [calmatters.org, http://calmatters.org/environment/2020/05/its-time-to-fix-californias-cap-and-trade-again/](http://calmatters.org/environment/2020/05/its-time-to-fix-californias-cap-and-trade-again/).

⁶ Assessing California's Climate Policies—The 2022 Scoping Plan Update. <https://lao.ca.gov/Publications/Report/4656>. Accessed 6 Sept. 2023.

was designed to reflect a responsibility to Tribes and environmental justice at the start. The revenue from allowance auctions must be invested into climate resilience projects, with a set-aside for Tribes and overburdened communities. This investment was intended to address the reality that Tribes and overburdened communities already bear the brunt of climate change impacts without having ever contributed substantially to the climate crisis. Reducing the allowance cost would reduce the overall revenue invested in the Tribes and overburdened communities. Ultimately, this would weaken the environmental justice goals of the program (RCW 70A.65.005(7)) and ultimately the CCA's role in facilitating a just transition to clean energy.

3. **Linkage could impact Washington's ability to develop and adaptively manage a cap-and-invest with Tribal governments.** Because Washington's contribution to a linked market with California and Quebec is about a sixth the size of the potential linked market, linking would significantly reduce Washington's decision-making power in shaping the future of the linked market. Other nations are considering linkage to this same market, which would further reduce Washington's say in market decisions.⁷ Markets managed by single entities are more effective than joint markets managed by multiple entities because joint markets can be impacted by competition among regulatory authorities and unintended outcomes.⁸ As a co-manager, Washington state has a responsibility to the Makah Tribal Council to protect treaty rights and resources at the highest level, and would be better positioned to do so if it were the sole manager of the market.

A decision on linkage should only be made after rigorous assessment of the potential benefits and impacts to the environment, communities, and economy in Washington. Importantly, the decision should reflect the priorities and concerns of Washington Tribes. Until these assessments are complete and Ecology has demonstrated how the benefits outweigh the costs, the MTC cannot support a decision to link markets. Advancing climate resilience is a top priority of the Makah Tribal Council and we look forward to continuing to work with Ecology on successful implementation of the CCA. We would welcome the opportunity to meet with Ecology staff in response to this letter. Please contact the Makah Tribal Council Chief of Staff, Adriene Bowechop (cos@makah.com, 360-645-2080), if you have any questions or need additional information. We look forward to your response.

Sincerely,



Timothy J. Greene Sr.
Chairman
Makah Tribal Council

CC
Director Laura Watson
Tyson Oreiro
Kathy Taylor

⁷ Green, Jessica F. "Don't Link Carbon Markets." *Nature*, vol. 543, no. 7646, 7646, Mar. 2017, pp. 484–86. [www.nature.com, https://doi.org/10.1038/543484a](https://doi.org/10.1038/543484a).

⁸ Green, Jessica F. "Don't Link Carbon Markets." *Nature*, vol. 543, no. 7646, 7646, Mar. 2017, pp. 484–86. [www.nature.com, https://doi.org/10.1038/543484a](https://doi.org/10.1038/543484a).

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