



Cap-and-Invest Linkage Agreement

Public Meetings

February 27 and March 5, 2025

Agenda

- 1 Overview of Climate Commitment Act
- 2 Overview of Cap-and-Invest linkage agreement
- 3 Comments and questions on linkage agreement
- 4 Next steps and CCA updates

Climate Commitment Act

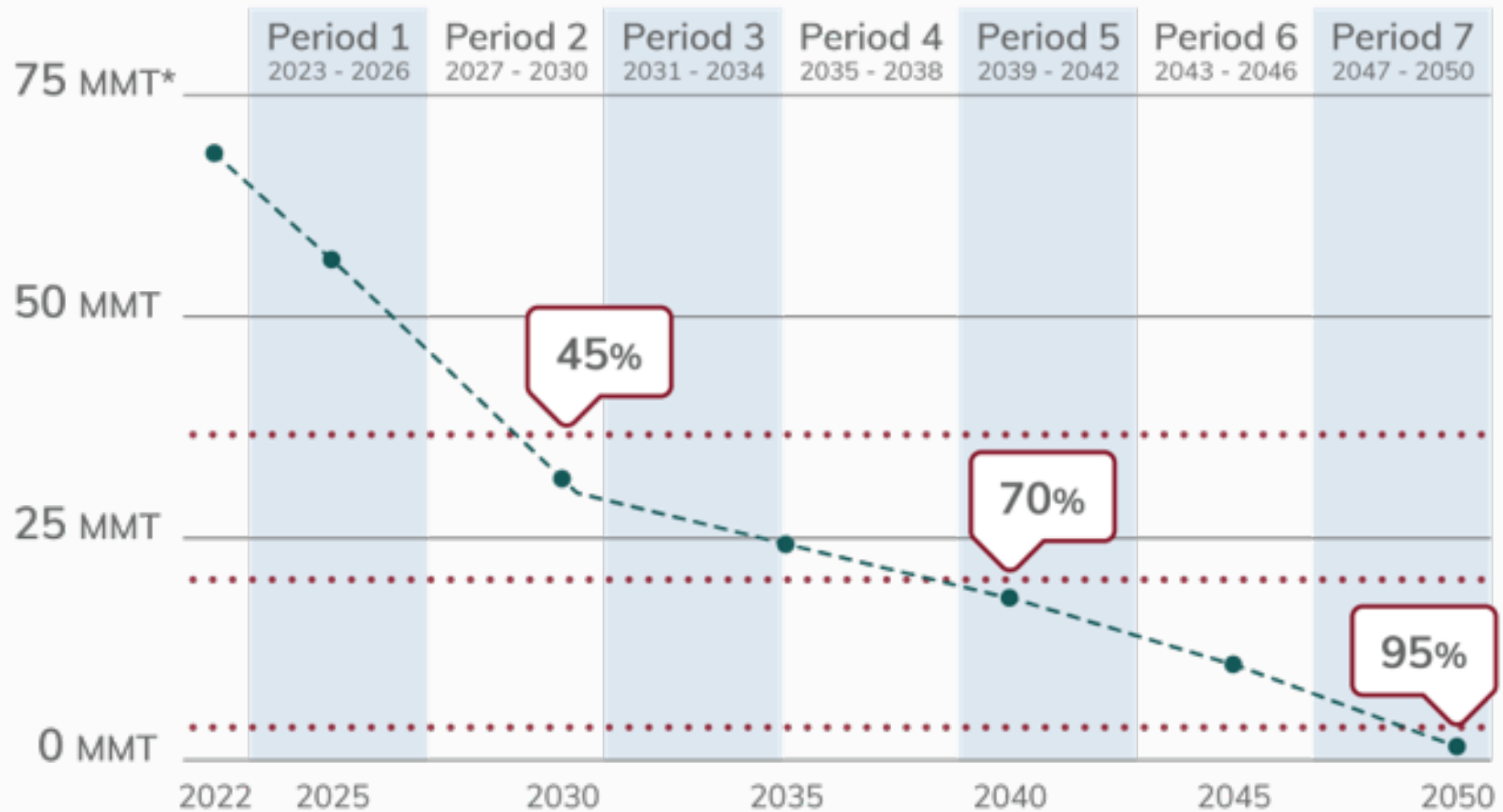


Cap-and-Invest Program



Initiative to improve air quality

Cap-and-Invest Program



*MMT = million metric tons of CO₂ equivalent

Which emissions are covered?

Covered emissions (~70%)

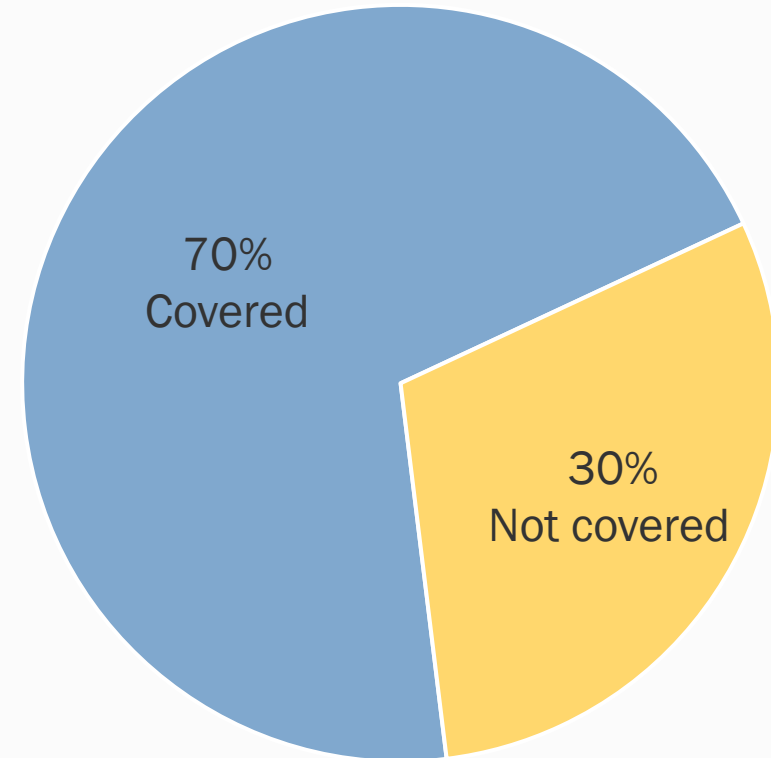
- Facilities emitting 25,000+ metric tons of carbon dioxide equivalent annually
- Fuels (e.g. gasoline, diesel)
- Electricity consumed in the state
- Natural gas

Added later:

- Waste-to-energy facilities
- Railroads

Not covered (~30%)

- Facilities emitting less than 25,000 metric tons of carbon dioxide equivalent
- Fuels used for agricultural operations, maritime and aviation.



Ways to comply



Emissions allowances



Offset credits



Reduce greenhouse gas emissions

Emissions allowances

To obtain allowances, businesses may:

- Purchase allowances at Ecology auctions
- Purchase from other businesses
- Obtain allowances at no cost (determined by the Legislature)



Offset credits

- Limits on offset credit usage
 - Up to 8% of emissions through 2026
 - Up to 6% of emission from 2027-2050
- ‘Under the cap’ – one allowance retired for every offset credit used
- Bought and sold between program participants



Invest in communities

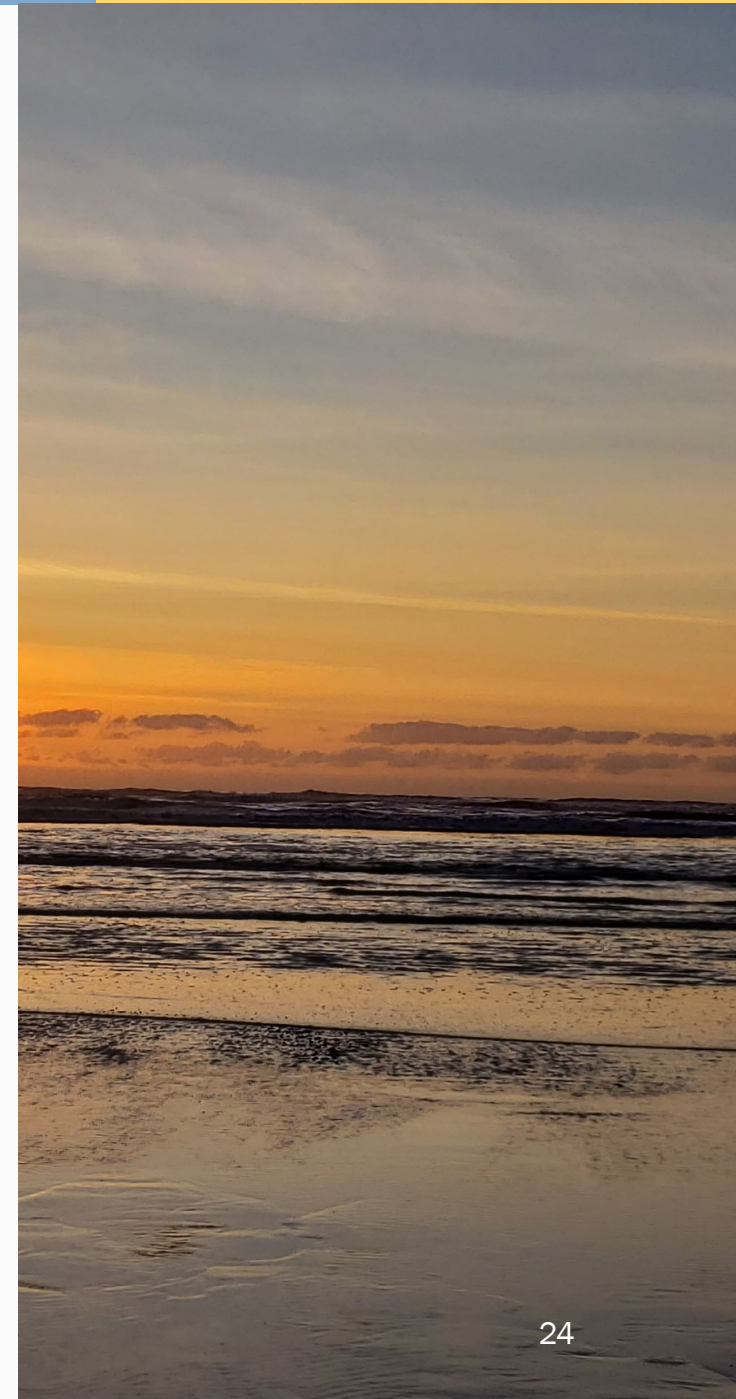


Initiative to Improve Air Quality

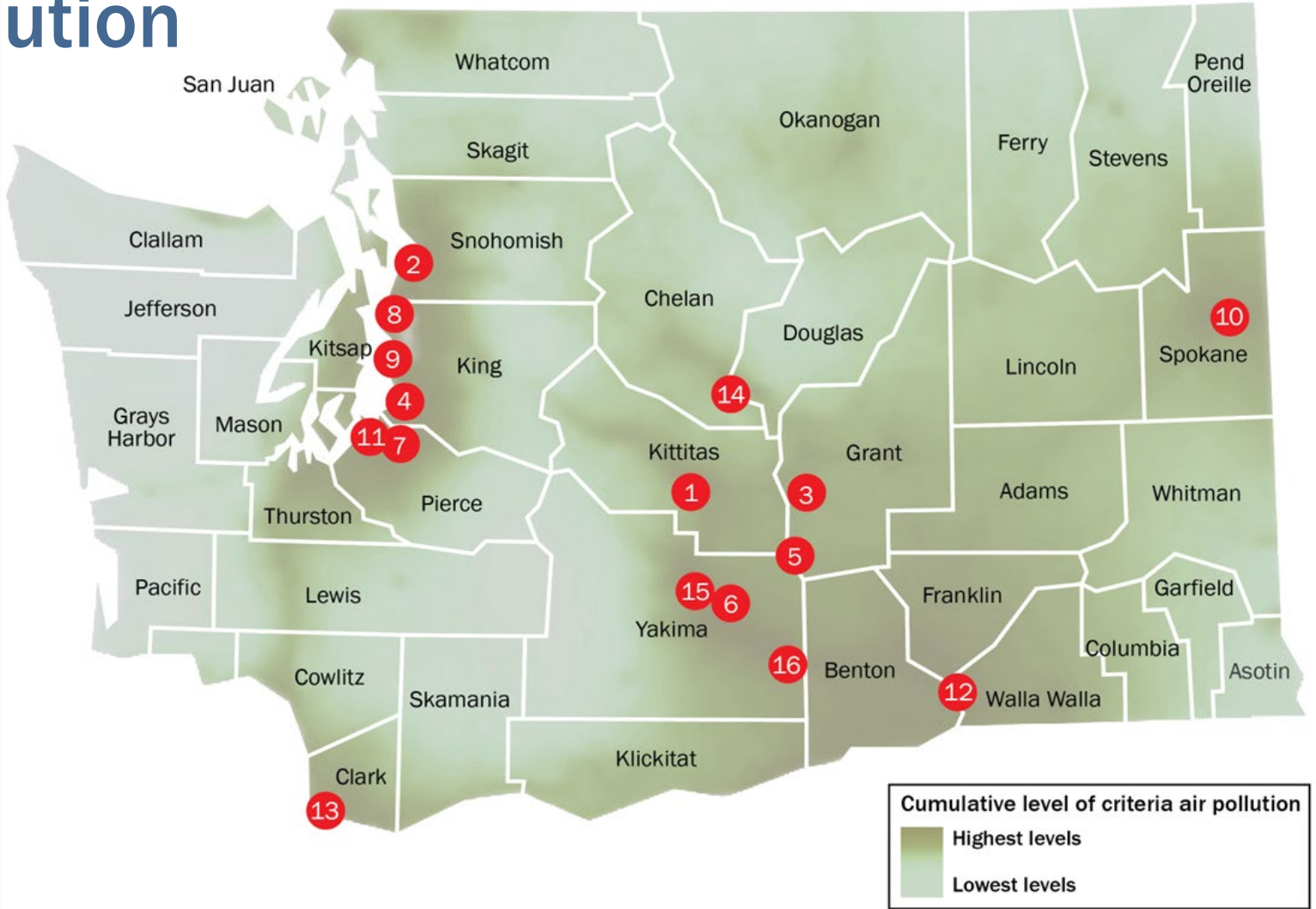
Engaging with 16 overburdened communities and Tribes to improve air quality.

This air quality and environmental justice initiative includes:

- **Expand air monitoring**
- **Adopt strategies to reduce air pollution**
 - \$10M community grant program in 2024
 - Rulemaking on more protective air quality standards (2024-2026)
- **Evaluate and report air pollution, greenhouse gas, and health data every two years**
 - First report released in December 2023



Overburdened communities highly impacted by air pollution



This list is intended for the purposes outlined in the [environmental justice review](#) section of the Climate Commitment Act. We are in consultation with Tribes most highly impacted by criteria air pollution.



Questions about the Cap-and-Invest Program?



A linked carbon market



Linked jurisdictions

Linked market

Allowances purchased

Criteria for linking



Communities: what are the potential impacts of linking on communities?



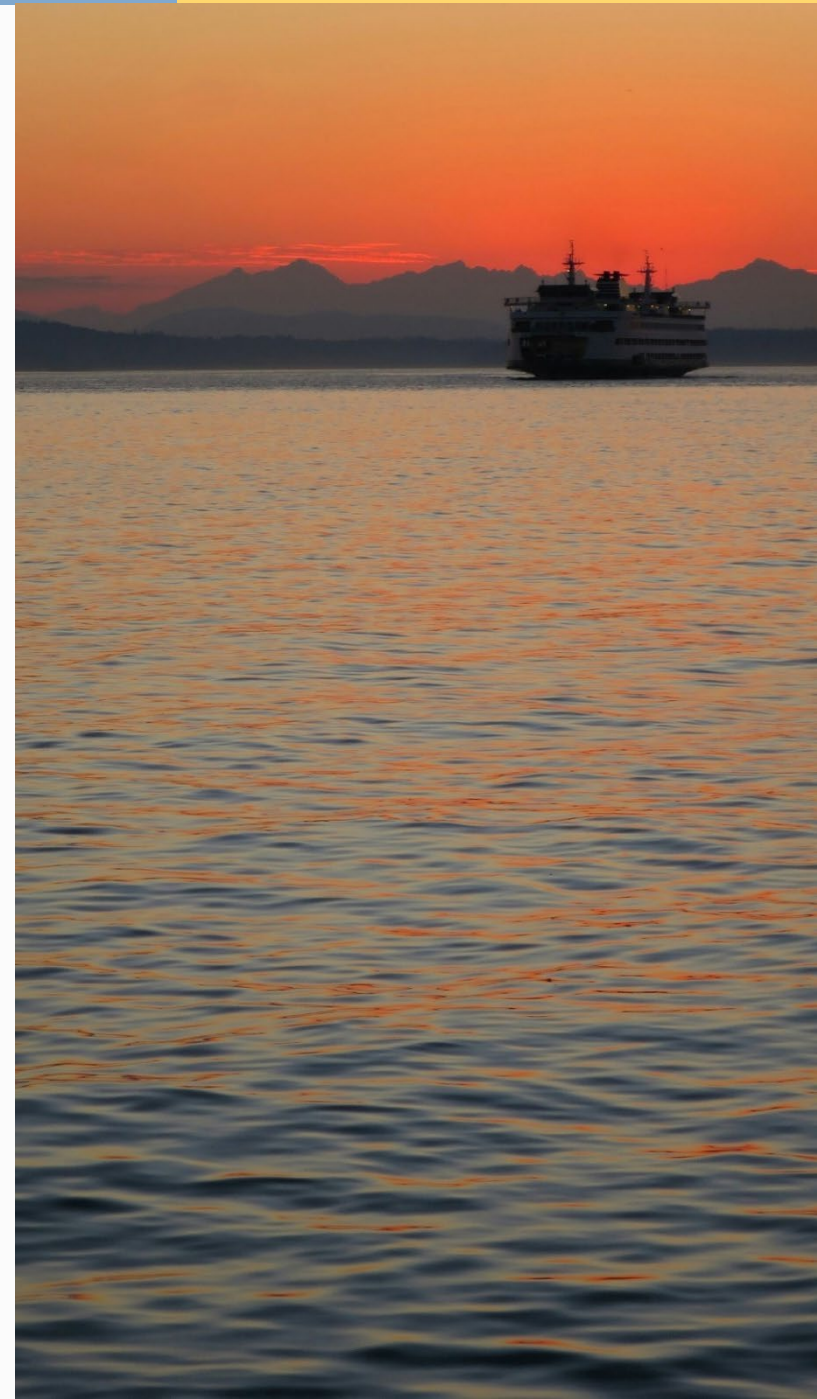
Costs: would linking reduce the cost of compliance?



Climate goals: will joining markets impact WA's ability to meet greenhouse gas emission limits?

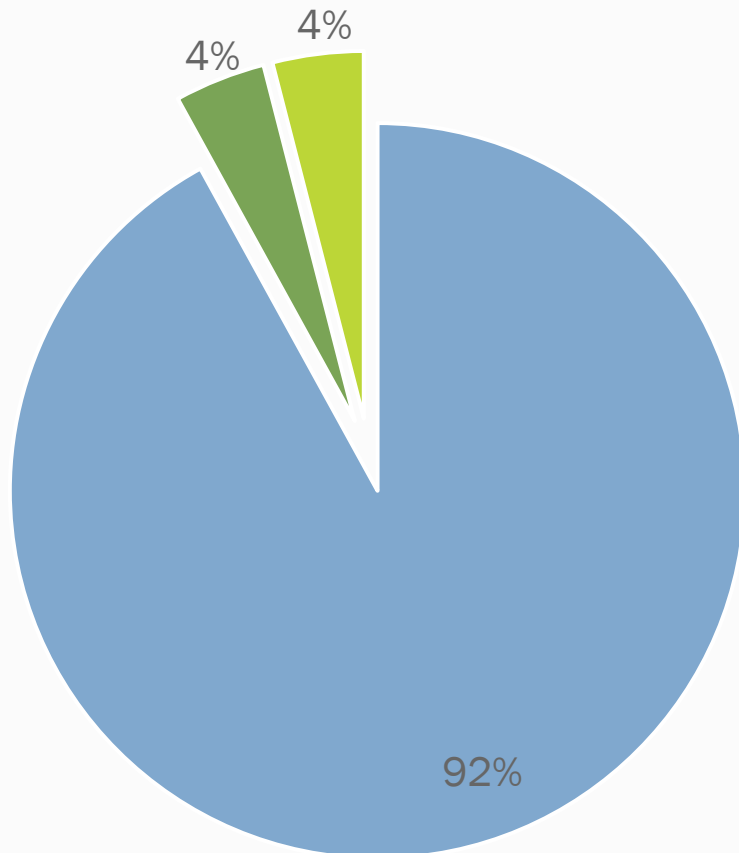
How will linkage impact Washington?

- More consistent allowance prices, which allow businesses to better plan emissions reductions
- Don't need to have identical programs to link, still have the same:
 - Greenhouse gas emissions limits
 - Offset credits limits and offsets under the cap
 - Policies to address air quality
 - Same authority to change our laws and rules
 - WA Legislature determines how CCA revenue is spent
- See [preliminary analysis report](#)

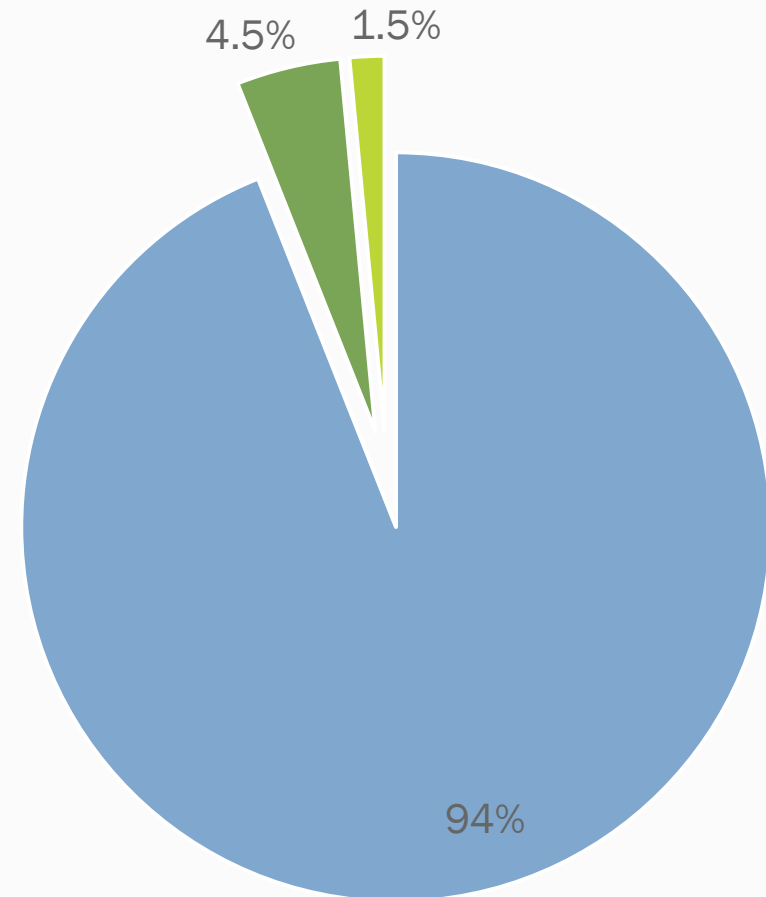


Offset credits in a linked market

First compliance period – 2023-2026



Later compliance periods – 2027-2050



- Allowances
- Offsets - DEBs to WA
- Offsets - in CA and QC

Linkage process & timeline

First half of 2023

Linkage exploratory process



Fall 2023

Decision to pursue linkage



Started in 2024

Align market policies
Environmental Justice Assessment



Likely in 2026

Linkage agreement



2026 or 2027

Link markets



**tentative dates, timing still to be determined based on conversations with California and Québec*

Aligning market policies: Scope of linkage rulemaking

- Rulemaking facilitates option of linking. Does not require linkage or result in linkage.
- Climate Commitment Act Program Rule (WAC 173-446) and the Reporting of Emissions of Greenhouse Gas rule (WAC 173-441)
- Implement Senate Bill 6058 – changes to statute
- Align certain carbon market policies with California and Québec, including:
 - Rules for auctions and trading
 - Program registration requirements
 - Electricity sector coverage
 - Compliance period lengths

What is a linkage agreement?

- One of several steps to link
- Sets expectations for information sharing, cooperation, and accounting for greenhouse gas reductions
- Non-binding, does *not* create or change regulations

For more info, read this [2-page overview](#).



What's in the California-Québec linkage agreement?

- Agreement does not modify existing laws and regulations, nor obligate jurisdictions to create new ones
- Expectations and a process for regularly communicating, consulting, and coordinating
- A process for resolving differences
- Confidentiality obligations and information sharing
- Processes for amending the agreement, adding new jurisdictions, and withdrawing

Continued on next slide...

What's in the California-Québec linkage agreement?

- A commitment to holding joint auctions, accepting allowances and offset credits from linked jurisdictions, and using a common registry and auction platform
- An expectation that offset protocols lead to emissions reductions that are real, additional, quantifiable, permanent, verifiable, and enforceable
- An agreed upon and transparent accounting mechanism that attributes greenhouse gas reductions to each jurisdiction and avoids double-counting

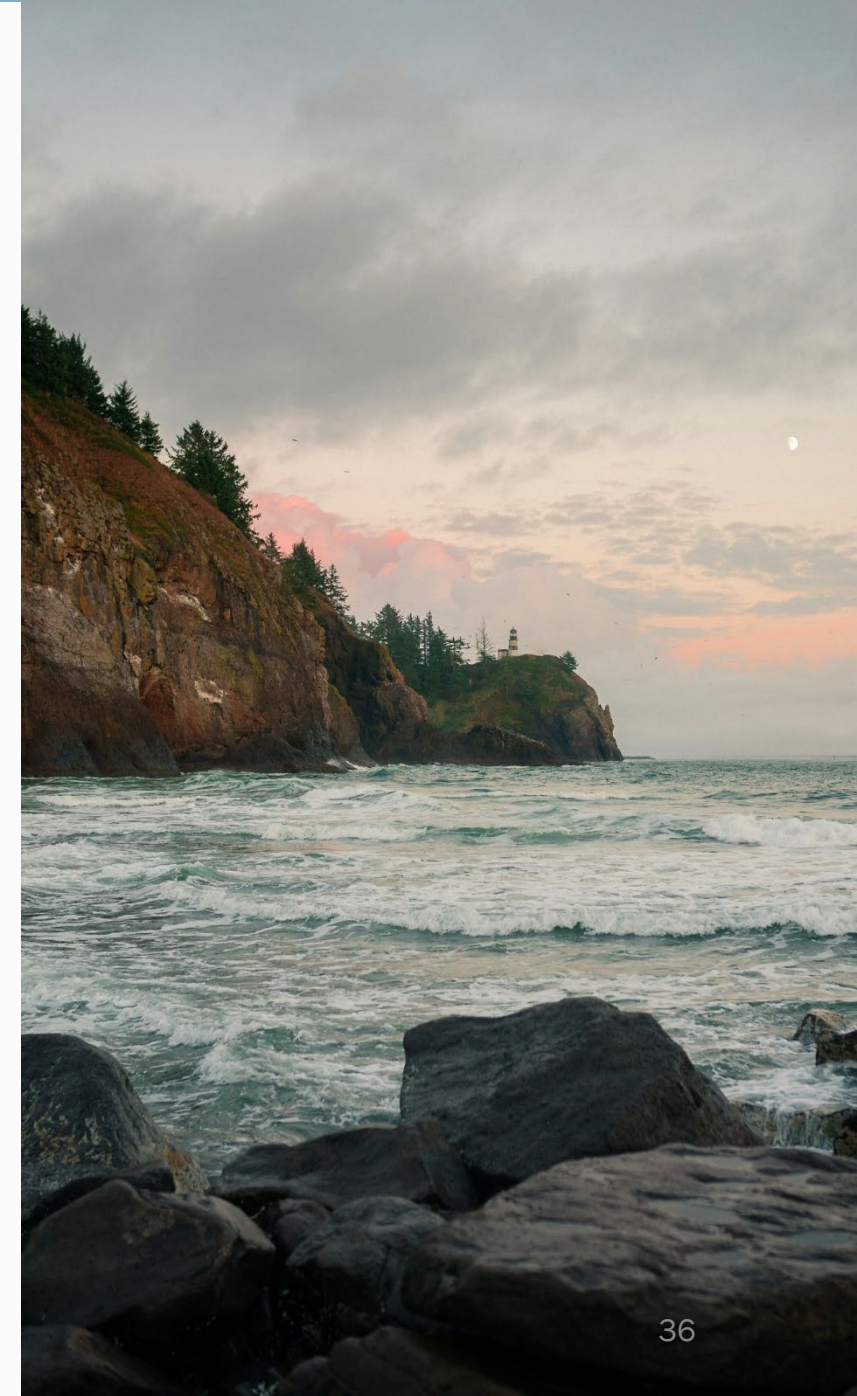
Environmental Justice Assessment



Comment opportunities for linkage

- Linkage agreement
 - *Comment period: Nov. 21, 2024- March 31, 2025*
 - See current [California-Québec linkage agreement](#)
 - Draft WA-CA-QC agreement: Anticipated in 2025*
- Rulemaking process
- Environmental Justice Assessment on linkage

**tentative dates, timing still to be determined based on conversations with California and Québec*



Linkage agreement feedback

- What do you think of the California-Québec agreement? Which parts do you support? Which parts concern you?
- What's missing in the California-Québec agreement that should be included in an agreement with Washington?
- How should we address environmental justice concerns in an agreement?
- What should we consider in our analysis of the linkage criteria? See the [preliminary analysis](#) we shared last year.

Comments will inform:

- Environmental Justice Assessment
- Linkage agreement negotiations

Other CCA updates

Public meetings

- Air quality in overburdened communities rulemaking:
[March 6 at 9:00 a.m. or 6:00 p.m.](#)

Comment opportunities

- Report to legislature on no-cost allowance allocation to industrial facilities
- Input on proposed revisions to Ozone Depleting Substances Offsets Protocol

Climate Commitment Act: Ways to engage

We value your input and want to hear from you as we continue to implement the Climate Commitment Act (CCA) across Washington state. Check out our current and upcoming opportunities to give your input, including on our CCA rulemakings through comment periods and public hearings. Learn more about CCA-funded grants offered through Ecology, too.

Public comment opportunities & rulemakings



Public events



Events for Tribal governments



Improving air quality in overburdened communities



More details at ecology.wa.gov/CCA-engage.



Thank you

Comment period closes March 31, 2025

<https://ecology.commentinput.com/?id=SCVtpWR6s>

Please reach out if you have questions after the meeting or would like to meet with Ecology to talk more about linkage.

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cca.wa.gov/linkage