



Comments on Washington's Cap-and-Invest Program

The International Emissions Trading Association (IETA) is thankful for the opportunity to comment on Washington's cap-and-invest program. IETA is a nonprofit association of over 150 businesses that support cap-and-trade programs generally and specifically supports linkage of cap-and-trade programs. Our comments are focused on potential linkage between California and Washington's programs as well as carbon offset design in Washington's cap-and-invest program.

IETA and the Environmental Defense Fund recently published a [report](#) that outlines a roadmap for linking California and Washington's carbon prices. The motivation for the report is to identify design elements that Washington can further align to facilitate eventual linkage with California. The report makes numerous recommendations, including the following:

- Strengthening enforcement with Washington's cap-and-invest program

IETA recommends that, in the event of a failure to rectify noncompliance after six months, Ecology should commit to issuing both an order and a fine to the offending regulated entity by stating this plainly in regulation. This will bolster the strength of enforcement, thereby improving the overall effectiveness and environmental impact of Washington's program. In addition, during the first compliance period, Ecology should commit to not using its discretion to lower fines or the quantity of excess allowances owed. In IETA's view, use of discretion muddies the waters for regulators and regulated entities, in addition to diminishing smooth program functioning. These alignments would bring Washington's regulations closer to those implemented in California.

- Eliminating discretionary auctions for price containment reserves

IETA recommends that Washington avoid the use of discretionary auction of allowances from the price containment reserve for regulated entities that are behind on their compliance efforts. In IETA's view, this not only introduces uncertainty but also runs the risk of incentivizing greater levels of noncompliance and overreliance on this type of measure. This alignment would bring Washington's regulations closer to those implemented in California.

Separate but related to linkage, IETA recommends improving the definition of high-quality carbon offsets in the regulations. We note that explicit definitions of "conservative" and "business-as-usual scenario" would be helpful in precisely defining high-quality carbon offsets. California provides for such definitions and therefore aligning these definitions would also facilitate linkage. In addition, IETA encourages Washington to adopt a wide number of high-quality protocols, including novel approaches that incentivize removals.

Sincerely,

Clayton Munnings
US Strategic Advisor
munnings@ieta.org