

Washington Clean Fuels Program: Proposed Rule Making CR-102

IETA Submission to Washington State Department of Ecology

30 August 2022

The [International Emissions Trading Association \(IETA\)](#) welcomes this opportunity to submit comments on Ecology's Clean Fuels Program (CFP) Rulemaking CR-102.

IETA's comments on Ecology's CFP Rulemaking focus on the following two topics: (1) interactions with the state's upcoming Cap-and-Invest program; and (2) linkages with California's Low Carbon Fuel Standard (LCFS) and other regional clean fuels programs.

1. Interactions with Upcoming Cap-and-Invest Program

A critical component of the state's policy landscape will be the interaction of the CFP with the Cap-and-Invest program. Given that economy-wide carbon pricing is widely regarded as the most cost-effective means for governments to incent emissions reductions, IETA strongly holds that Washington should position the C&I program as the primary "workhorse" to achieve the State's climate targets. In this light, it will be critical for the Clean Fuels Program to be designed in a way that complements and supports the economy-wide C&I to enable a broader set of cost-effective abatement opportunities.

2. Linkage Opportunities

We recommend Ecology explore CFP alignment and future market linkages with other regional clean fuels programs including California, Oregon, and British Columbia. The benefits of cooperative approaches and regional linkage are clear: the bigger and broader the market, the wider the range of abatement opportunities and improved efficiencies, thereby driving down program costs while driving up clean projects, jobs, and market opportunities.

Notably, as North American clean fuel markets continue to expand in number, the markets become increasingly fragmented with differential credit pricing creating a competing marginal revenue arbitrage for fuel traded within the markets. The competing marginal revenue arbitrage can result in market inefficiencies and undesirable outcomes as regulated facilities are incented to shift emission reduction efforts to jurisdictions with the greatest credit price. In addition to the benefits discussed above, market linkages provide a workable solution to help reduce competing marginal revenue opportunities.

We urge Ecology to review IETA's July 2022 [joint publication](#) with the Environmental Defense Fund (EDF) outlining a "Roadmap for Linking" California and Washington's cap-and-trade/invest programs. The seminal report identifies design elements that Washington can further align to facilitate eventual linkage with California to achieve emissions reductions more efficiently. While the joint publication focuses solely on linking the States' cap-and-trade/invest programs, similar arguments could be made in support of CFP alignment and future linkages with other regional clean fuel programs.

Once again, we thank the Washington State Department of Ecology for this opportunity to provide feedback on the Clean Fuels Program Rulemaking. If you have questions or require further information on IETA's observations and recommendations, please contact Joseph Hoekstra at hoekstra@ieta.org.

ABOUT IETA:

For over 20 years, IETA has been the leading global business voice on robust market solutions to tackle climate change while driving clean finance at scale. Our non-profit organization represents over 200 companies, including many with major operations, large-scale investment, and work forces across Washington. IETA's expertise is regularly called-upon to inform carbon market solutions that deliver measurable climate outcomes, address economic competitiveness and carbon leakage concerns, balance efficiencies with social equity, and support a just transition. Our mission is to support broad and functional carbon markets, guided by the principles of efficient, low-cost, measurable climate outcomes while ensuring environmental integrity. More information about IETA's membership and action can be found at www.ieta.org