

Climate Solutions



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