

Environmental Defense Fund



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