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**To:** Stephanie Potts
Cap-and-Invest Program Linkage Planner

**From:** Clean & Prosperous Washington
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**Subject:** Clean and Prosperous Washington
Comments on Proposed Cap-and-Invest: Linkage Agreement

## General Comments

Clean and Prosperous Washington (CaPWA) strongly supports the formal linkage of Washington's cap-and-invest program with the California-Québec carbon market. Linking these markets offers substantial short- and long-term benefits aligned with the Climate Commitment Act (CCA) goals, notably program durability, market stability, lower compliance costs, reduced leakage risk, increased investment predictability, and enhanced collective ambition across jurisdictions.

## Key Benefits of Linkage

Linkage delivers substantial benefits crucial for meeting Washington's statutory emissions goals:

- **Enhanced Program Durability and Stability:** Reduced price volatility fosters sustained investment and predictable revenue streams.
- **Improved Compliance Opportunities:** Expanded market access lowers compliance costs, reducing economic and emissions leakage risks for EITE industries.
- **Greater Ambition and Collective Action:** Linked jurisdictions benefit from heightened shared ambition, which encourages new jurisdictions to make further market expansion and emission-reduction commitments.
- **Economic Efficiency:** Lowered compliance costs from linkage mitigate consumer price impacts, supporting broader economic resilience.

## Reviewing Linkage Criteria

We wish to highlight an important resource relevant to Linkage Criteria #1 regarding ensuring benefits to vulnerable and overburdened communities:

A February 2024 study by the Greenlining Institute and USC's Equity Research Institute examining a decade of California Climate Investments (CCI) demonstrated substantial benefits to priority populations. Specifically,

- 73% of the implemented funds ($9.2 billion) benefited disadvantaged and low-income communities or households.
- Nearly 47% ($4.2 billion) directly supported disadvantaged communities.
- Most CCI funding is going toward investment types identified as helpful and desired by interviewed environmental justice advocates and leaders, such as clean transportation, affordable housing, urban greening, air quality, solar, and water infrastructure.

The reauthorization of California's program and its details are a crucial milestone for linking our program to California and Québec. This reauthorization will provide another opportunity to work on our program's key components, such as the structure of allowance allocations to Emissions-Intensive, Trade-Exposed parties covered under the CCA. It will also provide an opportunity to fully assess the impact of pre-2020 unused allowances in a linked program (a component of linkage criteria #3).

## Comments on New Linkage Modeling Report

On March 11, 2025, Resources for the Future (RFF) released its report, *Considerations for Washington's Linkage Negotiations with California and Québec*. While the report acknowledges the existential importance of linkage ("linked markets are more stable and less volatile and thus less likely to lead to revenue volatility or program repeal" (pg. 35)) and its net effect on reducing greenhouse gas emissions ("Compared with no linkage, linking Washington's carbon market with the California-Québec market would produce greater overall emissions reductions across the linked jurisdictions and improve the program's affordability" (pg. 34)), we do note some concerns:

- RFF's scenario, in which allowance prices rapidly escalate to the ceiling absent linkage, overstates likely outcomes based on historical data. Actual auction prices in Washington have consistently stayed below prior extreme projections and even moderate forecasts.

- RFF's modeling does not fully consider the realistic political risk of weakening or repealing the program if prices consistently hit the ceiling. Such a scenario underscores linkage's essential role in maintaining political viability and long-term program stability.

RFF's report suggests that linking could temporarily increase Washington's direct emissions by up to 14 million metric tons but would simultaneously achieve a net reduction of 65 million tons in California, equating to a greater than 4-to-1 overall emissions benefit. This must be contextualized against Washington's cumulative emissions cap (approximately 700 million metric tons by 2050), which is significantly threatened if the unlinked scenario leads to backlash against high prices and reliance on price ceiling units (PCUs)—a complicated and suboptimal mechanism for achieving emissions reductions.

CaPWA cautions against relying on extreme cost projections for critical policy decisions. Historical evidence supports more measured expectations:

- Average allowance prices through nine auctions (March 2025) averaged $44, below the moderate scenarios from previous analyses.
- Legislative adjustments, such as HB 1975, aligning emissions limits with California's annual calendar, further moderate allowance price risk by enhancing market liquidity.

## Conclusion

Clean & Prosperous Washington strongly supports linking Washington's cap-and-invest program to the California-Québec market. Doing so enhances the Climate Commitment Act's resilience, affordability, and environmental integrity, ensuring sustained and expanded climate ambition across jurisdictions.

Thank you for considering these comments.

Sincerely,

Isaac Kastama
On Behalf of Clean & Prosperous Washington