

IETA Submission to Ecology: Washington Cap-and-Invest Program Updates and Linkage

Submitted via ECY's [Public Comment Form](#)
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The [International Emissions Trading Association](#) (IETA) welcomes this opportunity to provide guidance as requested by Washington's Department of Ecology (ECY) on its draft rule language to facilitate cap-and-invest linkage with California and Quebec. IETA has long supported linkage and fungibility across compliance carbon markets. Linkage plays a central role in cap-and-invest (hereafter referred to as C&I) programs by showcasing climate leadership, minimizing compliance costs, improving market functionality, and enhancing mitigation potential. **As such, IETA strongly supports Washington to establish formal program linkage with California and Quebec.**

IETA's comments are structured around two main sections:

1. **Specific Rule Language Proposed by ECY:** Comments on specific proposed rule language raised by ECY in the July 2025 draft rule.
2. **Additional Considerations Outside of ECY's Rule Language:** Additional comments on amendments not raised in ECY's July 2025 draft rule language.

Section 1: Specific Comments on Draft Rule Language

We appreciate ECY's recognition of necessary adjustments as a result of HB1975 coming into law with an October 2026 effective date. IETA supports ECY's proposed approach to wait for program updates from California and Quebec before adjusting the price ceiling as required under HB1975. However, IETA requests that ECY move forward with how it plans to implement section 4(6)(c). HB 1975 directed ECY to place no less than 2 percent and no more than 5 percent of the total number of allowances from the allowance budgets from 2027 to 2040 in the APCR. The determination on how many allowances will be rolled forward into the APCR and in which years they will be available for sale must be made urgently, as it impacts supply and demand forecasts for the program. Compliance entities need certainty well in advance of changes taking place. This clarity provides stakeholders with greater regulatory certainty and demonstrates alignment with anticipated statutory direction, while also recognizing the significant uncertainty resulting from California's delayed rulemaking.

IETA's Position on Specific Linkage-Related Amendments to Chapter 173-446 WAC (Climate Commitment Act Program Rule) :

- **Provide Guidelines for Exchange Clearinghouses to Participate in the Program:** IETA supports these amendments, as exchange clearinghouses promote market liquidity, facilitate efficient price discovery, and enhance transaction transparency. The proposed provisions align closely with California's rules and, in some cases, offer additional procedural clarity. This alignment will help ensure consistent treatment of clearinghouses across linked jurisdictions, supporting smooth market operation and reinforcing confidence in a joint, multi-jurisdictional carbon market.
- **Extend Exemption for Agricultural Products Transporting to 2029:** IETA supports extending the exemption for emissions associated with the transportation of agricultural products. This measure aligns similarly with California and supports economic competitiveness and cost-containment for farmers. We recommend that ECY coordinate with California and Québec on long-term treatment of agricultural fuel use to ensure alignment and prevent cost discrepancies for agricultural stakeholders once linkage is in effect.
- **Provisions Related to Federal Power Marketing Administrations:** We support Ecology's consultation with the Federal Power Marketing Administration to inform the development of registration requirements.
- **Allow Opt-In Entities to Voluntarily Exit With Six (6) Months' Notice While Fulfilling Current Compliance Obligations:** IETA supports this amendment, as it provides a clear and orderly process for Opt-In Entities to exit the program while ensuring they meet all compliance obligations for the current period. This approach balances market flexibility with program integrity and aligns with best practices in other linked jurisdictions, supporting a predictable and stable compliance market.
- **EITE True-Up Allocation Rule Change: Remove Vintage Limit, Allow Use of Up-to-Two-Years-Post-Emissions Allocated Allowances:** IETA supports the proposed clarification of EITE true-up rules. Allowing facilities to use allowances dated up to two years after the emissions year when those units were allocated to the facility through production-data reconciliation provides a clear, auditable pathway that preserves environmental integrity and aligns with the intent of production-based updating.
- **Partial and Full Compliance Instrument Retirement Rules:** We support this amendment to help maintain consistency with California's program.
- **Strengthening Market Integrity, Transparency, and Oversight:** IETA supports the suite of amendments requiring registered entities to disclose ongoing investigations, opt-in entities to report emissions, and general market participants

to provide offset project information. We also support clarifying consultant/advisor disclosure requirements, extending prohibited auction disclosures to all market participants, and prohibiting compliance instrument transfers with terms substantially similar to auction bids. Collectively, these measures will align Washington's rules with California and Québec, enhance program transparency, support accurate emissions accounting, and prevent market manipulation. We recommend ECY coordinate with linked jurisdictions on scope, timing, and implementation to avoid duplicative, conflicting, or unnecessarily burdensome obligations for entities active across multiple programs.

- **Expand Eligibility for Participation In Price Ceiling Unit Sales to Opt-In Entities:** IETA supports this amendment, as expanding eligibility for participation in price ceiling unit sales to opt-in entities increases market accessibility, provides an additional cost-containment mechanism for a broader range of participants, and aligns with California and Québec's treatment of similar entities. This change is straightforward, enhances market resilience, and supports harmonization ahead of linkage.
- **Define A Penalty Obligation as the Combination of a Shortfall Obligation And An Untimely Surrender Obligation:** IETA supports this amendment, as clearly defining a penalty obligation as the combination of a shortfall obligation and an untimely surrender obligation improves regulatory clarity and transparency. This approach is consistent with the practical application of California's Cap-and-Trade enforcement framework and will help ensure a common understanding of compliance consequences across linked jurisdictions.
- **Clarify That Penalty Obligation Violations Continue Until Fully Satisfied:** IETA supports this amendment, as explicitly stating that a covered entity remains in violation until the full penalty obligation is met reinforces compliance certainty and market integrity. This approach is consistent with California's enforcement framework and will help ensure consistent treatment of ongoing violations across linked jurisdictions.
- **Require Additional Tribal Offsets Above General Limit to Provide Direct Environmental Benefits to Washington:** Washington already imposes more stringent limits on offset usage than other linked jurisdictions. Further narrowing eligibility by requiring that additional tribal offsets above the general limit also provide Direct Environmental Benefits (DEBs) to Washington will reduce the cost-containment benefits of linkage. Offsets are a critical compliance flexibility tool, and limiting their availability risks increasing compliance costs without materially improving program integrity. See section 2 below for additional feedback on ECY's proposed treatment of offsets.

Section 2: Additional Considerations Outside of Draft Rule Language:

Additional Offset Considerations: While IETA continues to favour the offset approach employed in California and Québec — as it enables a wider range of abatement opportunities, thereby driving down compliance costs — we recognize Washington’s need to design its C&I Program to meet the state’s statutory and policy objectives. We remain confident that differences in offset design do not necessarily preclude linkage.

That said, Washington’s July 2025 proposed offset provisions add complexity and further narrow eligibility in ways that could reduce the cost-containment and liquidity benefits linkage is intended to deliver. The state’s Climate Commitment Act already imposes tight constraints on offset use — including in-state generation requirements, Direct Environmental Benefit sub-limits, and restrictions on offsets from linked jurisdictions. The July draft (and proposed changes in the forestry protocol proceeding) further narrows eligibility by:

- Requiring **additional tribal offsets above the general offset limit** to provide DEBs to Washington.
- Maintaining a rule that **offsets from linked jurisdictions must be located within that jurisdiction**, even if the project demonstrably provides DEBs to Washington.
- Requiring **Washington-based projects to be issued under Washington’s own protocols**, rendering Washington-located projects developed under approved California protocols (and issued as CCOs) as ineligible for a DEBs designation in Washington.
- Proposing to issue forestry offset credits on an assumed slope line over the course of a 10-year crediting period.

We understand that several of these restrictions — particularly jurisdictional generation requirements for linked offsets and the requirement that Washington projects use Washington protocols — are set in statute and cannot be modified through this rulemaking. Nonetheless, these constraints limit the pool of offsets eligible for compliance in Washington, even after linkage, which in turn reduces liquidity and increases compliance costs.

Within the scope of this rulemaking, IETA recommends ECY to **avoid over-narrowing tribal offset eligibility**. The proposed DEB requirement for additional tribal offsets above the general limit could further constrain supply without materially improving environmental integrity. We recommend retaining flexibility here to preserve cost-containment benefits.

Regarding recent proposed amendments to the forestry protocol, IETA supports Ecology’s objective to deter front-loading incentives but recommends adjustments to avoid unintended impacts on small and tribal projects. We request a published technical and cost-supply analysis and propose flexible implementation options (elective issuance

schedules within guardrails, size/tribal carve-outs, performance-based early issuance, and a transitional phase-in).

Additionally, we recommend ECY **encourage legislative dialogue on the role and benefits of offsets**¹. Ecology should engage with legislators to highlight how offsets, particularly those providing DEBs to Washington, can lower compliance costs, broaden abatement opportunities, and support local environmental and economic co-benefits. This dialogue could help inform future statutory adjustments that better balance environmental integrity with market efficiency in a linked system.

APCR Methodology: As part of the formal linkage process, IETA encourages ECY to align their APCR distribution methodology with California's. A firm methodology like California's would provide market participants with a greater sense of program stability and could boost confidence in Washington's program to other program regulators.

Conclusion:

Once again, IETA appreciates this opportunity to provide feedback. Our community continues to dedicate significant effort to best leverage IETA's deep global and domestic carbon market expertise to provide ECY with constructive, solutions-oriented thinking. We aim to inform a pragmatic linkage pathway to support robust program development that drive both climate outcomes and broad socio-economic benefits.

¹ For future legislative consideration, IETA recommends the following:

- a) Review jurisdictional location restrictions for linked offsets.** Consider allowing offsets from linked jurisdictions that provide DEBs to Washington, regardless of project location
- b) Enable protocol flexibility for Washington-based projects.** Consider allowing Washington-located projects developed under approved California protocols — where they meet DEB and verification requirements — to be eligible for compliance use