



Joint Comments of Avista Corporation, Cascade Natural Gas Corporation, NW Natural, and Puget Sound Energy Regarding Cap-and-Invest Linkage

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Washington State Department of Ecology
Air Quality Program
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Avista Corporation, Cascade Natural Gas Corporation, Northwest Natural Gas Company d/b/a NW Natural, and Puget Sound Energy, Inc. (collectively, the “Utilities”) submit these comments to the Washington Department of Ecology (“Ecology”) on the current draft Washington-California-Québec linkage agreement (“Draft Agreement”), as well as on Ecology’s Draft Findings report, Environmental Justice Assessment, and its Determination of NonSignificance under the State Environmental Policy Act.

The Utilities strongly support Washington linking with California and Québec to cost-effectively meet state emission reduction targets through the Climate Commitment Act (“CCA”) program. To assist in this effort, the Utilities provide comments stressing the need for greater transparency, while also highlighting issues for the Consultation Committee to address promptly and recommending amendments to certain sections of the Draft Agreement. These recommendations would help define what the Draft Agreement covers and align the three market-based programs more closely. This, in turn, would boost Washington’s effectiveness at lowering greenhouse gas emissions while balancing the pervasive need for affordable and reliable energy and ultimately strengthen Washington’s ability to achieve enduring emission reductions. Finally, the Utilities concur with Ecology’s core conclusions regarding the benefits linkage will bring to Washington State.

I. The Utilities support the use of the California-Québec linkage agreement as an initial framework for Washington linkage but ask for greater transparency.

The Utilities support the Draft Agreement’s reliance on the California-Québec linkage agreement as a starting framework for Washington linkage. However, the Utilities believe that greater transparency is needed throughout the Draft Agreement.

Regarding the current framework, the Draft Agreement’s provisions regarding holding joint auctions, accepting allowances and offset credits from linked jurisdictions, using the Western Climate Initiative’s common registry and auction platform, implementing a transparent and data-driven greenhouse gas emissions accounting mechanism, resolving differences, regular communication, confidentiality obligations, amending the agreement, adding new jurisdictions, and withdrawing from the agreement are crucial to effective harmonization, and the Utilities appreciate their incorporation.

Nevertheless, the language in the Draft Agreement as currently written is often vague and lacking sufficient detail regarding exactly how different aspects of each program will be harmonized. It is crucial that regulated entities and other stakeholders know what changes are being contemplated, and that these proposed changes are identified publicly with an opportunity to comment before an agreement is formalized. To this end, the linkage agreement should commit to an open process regarding how the Consultation Committee will operate, including public comment opportunities and deliberation in open meetings. Such a process would result in better outcomes, as the general public, regulated entities, and agency officials would benefit from increased dialogue with each other about the potential impacts of any proposed changes.

II. The Consultation Committee should promptly address setting uniform allowance prices, auction timing, four-year compliance periods, and administrative costs.

The Draft Agreement does not explicitly provide for uniform allowance prices between jurisdictions. The Utilities understand that uniform allowance prices may be implicit in holding joint auctions. However, the Utilities wish to emphasize the importance of setting uniform floor prices, ceiling prices, and allowance price containment reserve tier prices across jurisdictions and suggest that the Consultation Committee specifically consider how these essential price containment mechanisms will be set to create certainty and promote market integrity. Likewise, the Consultation Committee will need to address when auctions across jurisdictions should occur.

Similarly, the Draft Agreement does not explicitly provide for harmonizing compliance periods between jurisdictions. The Utilities understand that California and Québec are currently considering changes to compliance period lengths and suggest that the Consultation Committee and Ecology advocate for four-year compliance periods across jurisdictions. Shortening the length of the first compliance period for linkage purposes would upend near-term compliance planning to the detriment of the Utilities and their customers. Moreover, a longer compliance period will account for variability in energy demand and supply from year to year and help smooth out compliance costs for consumers over time.

Relatedly, it will be essential for broader market reliance and stability for Ecology to establish clear and concise direction regarding the true-up of allowance allocations for entities who experience annual unpredictable fluctuations in renewable energy production such as hydroelectric and extreme weather (i.e., peak demand).

Finally, the administrative costs of auction participation should also be transparently addressed in a prompt manner.

III. The Draft Agreement provisions regarding the accounting mechanism and confidentiality obligations should be amended for clarity and to more effectively carry out their intent.

Section 13: Accounting Mechanism And Treatment Of Emissions Reductions

The term “Participant” in the second line of the second paragraph of Section 13 is ambiguous and could lead to confusion, as it is not explicitly defined. This reference appears to be intended for the jurisdictions themselves rather than individual market participants, so the Utilities

suggest replacing “Participant” with “Québec, California, and Washington State,” consistent with the rest of the Draft Agreement and the California-Québec linkage agreement.

Section 15: Confidentiality of Information

Section 15 of the Draft Agreement should provide for the anonymization of all information collected by Québec, California, and Washington State under the agreement and posted publicly to protect the integrity of the allowance market. The Utilities suggest the relevant portion of the second paragraph be amended to “. . . each of them will endeavor to protect the information they disclose and collect, *including by anonymizing any information posted publicly . . .*” (Addition emphasized).

The Utilities further suggest that Section 15’s notification provision in paragraph four be extended to include notifying the market participant or participants whose information must be communicated to provide those participants with valuable time to respond appropriately. The Utilities suggest the relevant portion of the fourth paragraph be amended to “. . . will endeavor to notify each other *and the affected covered entities or general market participants* as soon as possible.” (Addition emphasized).

IV. The Utilities support Ecology’s core findings regarding linkage.

The Utilities support Ecology’s core findings regarding linkage in its Draft Findings report, Environmental Justice Assessment, and its Determination of NonSignificance under the State Environmental Policy Act. Specifically, the Utilities agree with Ecology that “a linked market is likely to result in comparable greenhouse gas reductions but at a lower cost for Washington businesses, making linkage a path toward more cost-effectively addressing the global climate crisis, while retaining each jurisdiction’s environmental justice provisions.”¹ The Utilities also agree that more predictable allowance prices resulting from linkage will give regulated entities the certainty needed to make long-term investments in reducing greenhouse gas emissions.²

Additionally, the Utilities concur with Ecology that linkage “could benefit overburdened communities and vulnerable populations by providing consistent funding for climate adaptation and resilience projects and other types of projects in overburdened communities, and by supporting continued greenhouse gas reductions which may also reduce air pollution[,] and that “[l]ower compliance costs from linkage may also reduce energy and fuel costs for low-income households, if energy companies pass on those cost savings to their customers.”³

Finally, the Utilities agree with Ecology’s Determination of NonSignificance regarding linkage, as this action would support reductions in greenhouse gas emissions and therefore is not expected to have significant adverse environmental impacts.⁴

¹ Washington Department of Ecology, *Cap-and-Invest Linkage Criteria: Draft Findings*, 6 (Apr. 2026), <https://apps.ecology.wa.gov/publications/documents/2614020.pdf>.

² *See id.* at 8.

³ Washington Department of Ecology, *Potential linkage of Cap-and-Invest carbon market with joint California-Québec carbon market (Draft): An Environmental Justice Assessment (per RCW 70A.02.060)*, 42 (Apr. 2026), <https://apps.ecology.wa.gov/publications/documents/2614019.pdf>.

⁴ *See* Washington Department of Ecology, *202601519 – WA Department of Ecology*, (Apr. 2026), <https://apps.ecology.wa.gov/separ/Main/SEPA/Record.aspx?SEPANumber=202601519>.

The Utilities appreciate the opportunity to engage with Ecology on linkage between Washington's CCA program and other jurisdictions. If you would like to further discuss this letter or have any questions, please reach out to Jillian Caires (jillian.caires@avistacorp.com), Abbie Krebsbach (abbie.krebsbach@mdu.com), Mary Moerlins (mary.moerlins@nwnatural.com), and Lorna Luebbe (lorna.luebbe@pse.com).

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