Climate Reality Project: Silicon Valley Chapter (Ken Johnson)

Please find herewith my comment letter on Cap-and-Invest: Draft Washington-California-Québec linkage agreement

The Climate Reality Project
SILICON VALLEY CHAPTER

April 2, 2026

To the Washington State Department of Ecology

Subject: Public Comments on Cap-and-Invest Linkage with California

Linkage with California could cause carbon prices in Washington to plummet and could decimate the Climate Investment Account's revenue base as billions of dollars are siphoned out of Washington and diverted to subsidize California's Greenhouse Gas Reduction Fund. (Quebec has paid California about $2 billion over the last decade[1] for allowances and offsets.) Washington's compliance costs would be reduced, but the same result could be achieved without the massive revenue transfer to California by reducing the stringency of Washington's regulations to bring them more in line with California's. California, for its part, could provide incentives for emission reductions beyond bare minimum statutory requirements, and could fully fund its GGRF, without relying on subsidization from Washington.

California could create such incentives by raising its Cap-and-Invest price floor beyond the paltry $28 level at which allowances are currently selling, to a level commensurate with near-term GGRF revenue requirements. Washington should not link to California's Cap-and-Invest program unless California is willing to establish a joint price floor at least sufficient to finance the WCI partners' climate programs.

I addressed these issues more substantively in my recent comment letter[2] on the 2025 Annual Report of the Independent Emissions Market Advisory Committee (IEMAC)[3], which is tasked with advising the California Air Resources Board and Legislature on the environmental and economic performance of the state's Cap-and-Invest program. An excerpt from my comment letter follows.

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[1] https://ww2.arb.ca.gov/sites/default/files/2022-12/nc-Article_8_Net_Flow_Report.pdf
[2] March 14, 2026 comment letter to the IEMAC https://calepa.ca.gov/wp-content/uploads/2026/03/Climate-Reality-Project-Comments-on-2025-IEMAC-Annual-Report.pdf
[3] IEMAC https://calepa.ca.gov/independent-emissions-market-advisory-committee/

Excerpt from my comment letter to the IEMAC:

California and Washington should not link their programs unless the price floor is increased for the reason stated in the draft report on page 28: "California should link to a broader market only if partners have similar emissions targets, strong standards, similar co-benefit objectives, and governance provisions that provide for smooth exits while protecting the broader market." The same condition should similarly apply to Washington.

There is an enormous disparity in the stringency of California's and Washington's programs as evidenced by allowance prices, which are currently selling at the floor ($28) in California and at $65 in Washington. California's market is five times larger than Washington's[4], so linkage could cause carbon prices in Washington to plummet, and Washington's in-state emissions would increase as the net flow of compliance instruments is directed from Washington to California. The GGRF could get an influx of revenue, at the expense of Washington's Climate Investment Account (CIA), which would lose much of its funding support due to the lower allowance price and revenue transfers to California.

A characteristic of linked carbon trading markets in which jurisdictional caps are determined by political will and ambition is that the jurisdiction with the weakest and least ambitious emission caps is rewarded with a positive revenue influx from trading and offsets as other jurisdictions effectively pay the laggard to increase its ambition, allowing the others to reduce their ambition. If California is serious about climate action, it would encourage Washington to invest its resources in reducing its own emissions pursuant to the state's net-zero goal for 2050, and California would not rely on subsidization from Washington to incentivize in-state emissions reductions beyond minimal statutory requirements.

The environmental integrity of Washington's Cap-and-Invest program in a linked system would depend on California enforcing its GHG caps. But if California is unwilling to raise its price floor at least to a level sufficient to fully fund the GGRF, the state probably won't have the political will to enforce caps at significantly higher price levels. The markets have clearly signalled their lack of confidence in the state's ability to keep its climate commitments, and Washington would have no reason to put any more trust in the environmental integrity of California's program if California is unwilling to establish a joint price floor at least sufficient to finance the WCI partners' climate programs.

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4 https://www.rff.org/publications/reports/considerations-for-washingtons-linkage-negotiations-with-california-and-quebec/