

Natural Resources Defense Council (NRDC) (Jo Gardias)

NRDC Comments on Ecology Linkage Draft Washington-California-Québec Cap-and-Invest linkage agreement



Natural Resources Defense Council Comments on Proposed Washington Draft Linkage Agreement

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Summary of Comments

The Natural Resources Defense Council (NRDC) appreciates the opportunity to provide comments on the Department of Ecology (Ecology) draft Washington-California-Québec linkage agreement. NRDC is a national environmental organization working to safeguard people and natural systems from the climate crisis and safeguard the right of clean air, water and healthy communities, with over 550,000 members.

The March 2026 draft agreement¹ would increase the price stability of Washington's cap-and-invest program (C&I), as established by the Climate Commitment Act, while maintaining the role of the market in reducing emissions 45 percent by 2030 and net-zero by 2050, relative to 1990 levels. Linkage may reduce long-term industry leakage risk and increase long-term market emissions reductions.

NRDC asks Ecology staff to consider one modification within the draft agreement and provides comments recommending opportunities for Washington State to improve the equity of the C&I program while mitigating uncertainties associated with linkage.

- Within the draft agreement, Ecology should include guardrails requiring any proposed offset protocol changes to be consulted among linked jurisdictions.

¹ Department of Ecology, "[Agreement on the Harmonization of Market-Based Programs for Reducing Greenhouse Gas Emissions between the Gouvernement du Québec, the State of California and the State of Washington.](#)" March 2026 draft, (2026)

- Washington State should prioritize opportunities to maximize cost-effective investments of C&I funds that support an equitable transition, alongside increasing investments and regulatory tools to reduce criteria pollutants in overburdened communities.

The draft agreement includes important accounting and process clauses that will maintain linkage integrity but offset language should be strengthened.

Washington-California-Québec linkage would increase efficiency of allowance trading, resulting in more stable prices and reduced likelihood of economic leakage between jurisdictions. This added price stability could improve the predictability and durability of the program by mitigating price shocks resulting from internal market factors or exogenous factors. In the long run, this is predicted to support greater market ambition and deepen emissions reductions, which is particularly important as the cost of remaining abatement projects becomes more expensive with time, barring additional technology or policy innovation.²

The draft agreement proposes an appropriate framework to achieve these benefits. As compared to the past linkage agreement between California and Québec, draft amendments newly incorporate a requirement for jurisdictions to use and maintain similar treatment of the California-Québec emissions accounting mechanism to avoid double-counting and timely allowance adjustments. Additionally, definition of ‘offset protocol’ is relatively strengthened to exclude ‘avoided’ emissions reductions.

To better strengthen the intended integrity of offset protocols between jurisdictions, **Ecology should align offset protocol language with the 2013 California-Québec agreement.** This past agreement included an additional requirement for jurisdictions to require discussion and harmonization of offsets between programs, prior to changing their protocols.³

“Either Party, or the Parties together, may consider making changes to their respective offset protocols, adding additional offset protocols, or changing procedures for issuing offset credits. To support the objective of maintaining the harmonization and integration of the

² Nicholas Roy et al., “Considerations for Washington’s Linkage Negotiations with California and Québec,” (2025). <https://www.rff.org/publications/reports/considerations-for-washingtons-linkage-negotiations-with-california-and-quebec/>

³ CARB & Gouvernement du Québec, “[Between the California Air Resources Board and the Gouvernement du Québec Concerning the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions](#),” (2014)

programs, any proposed changes or additions shall be discussed between the Parties. The Parties acknowledge that sufficient time is required to enable effective public review and comment prior to adoption. The Parties shall consult regarding changes or additions that may affect the harmonization and integration process or have other impacts on either Party. Each Party's public process for making program changes must be respected.”

Beyond this draft framework, it is important that Ecology maintain vigilant monitoring of the market’s trajectory and price performance relative to the state’s targets, after adoption. Allowing cross-market allowance trading can interact with jurisdiction’s existing market design features, which may create market uncertainty that cannot be addressed within the scope of this rulemaking. While these uncertainties are sometimes unavoidable or baked in with past program decisions, Ecology’s continued monitoring of market performance in future proceedings will be crucial to avoiding any unintended impacts of linkage and maintaining the ambition and equity of the C&I program. Potential future uncertainties to monitor with linkage include at minimum two issues.

- **Uncertainty with stored/banked allowance impacts.** Stored/banked allowances within C&I programs in California, Washington, and Québec create a risk to future market trajectories in line with jurisdictions climate targets.⁴ Continued monitoring and potential future reassessment by Ecology and other regulators of the trans-jurisdictional impacts of the usage and scale of stored allowances will be important for the C&I programs to deliver the intended price signal, particularly as economies have more limited emissions reduction options and the value of stored allowances rises.
- **Industrial Assistance and Leakage.** California, Washington, and Québec all currently provide different levels of industrial assistance to facilities. Washington provides more allowances to emissions-intensive trade-exposed industries (EITEs), fully covering their proportional emissions compliance costs, as compared to 60 percent coverage in California and 99 percent coverage in Québec.⁵ While the amount of industrial assistance and its treatment is being updated currently within California’s rulemaking and within Washington, recently proposed changes may create uncertainties about the relative impacts of industrial assistance between the three jurisdictions. After linkage is enacted,

⁴ Nicholas Roy, Suzanne Russo & Dallas Burtraw (2025)

⁵ CARB, “[Cap-and-Invest Program Workshop](#),” (October 2025), slide 38

Ecology should continue to monitor price impacts on EITEs to ensure an appropriate price signal and consider joint tools to mitigate linked market leakage risks, such as a carbon boarder adjustment mechanism.

Opportunities remain to support an equitable, cost-effective transition, while supporting environmental justice.

Washington statute directs Ecology to prioritize opportunities for environmental health and equity when implementing linkage. The CCA requires that, prior to linkage, Ecology must find that the draft agreement will not “yield net adverse impact to either jurisdictions’ highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions,” and ensure the distributional benefits are directed for vulnerable and overburdened communities.”⁶ Similarly, the Healthy Environment for All (HEAL) Act requires Ecology to complete an environmental justice assessment to consider and incorporate impacts on overburdened and vulnerable communities, including opportunities to reduce or mitigate environmental health impacts on these communities.⁷

Although the Ecology analysis doesn’t find explicit adverse impacts to overburdened communities, uncertainties and tradeoffs with linkage remain — but this risk can likely be preempted. Ecology’s Environmental Justice Assessment finds that linkage will result in lower near-term market compliance requirements, also resulting in lower near-term proceeds.⁸ While the report doesn’t find additional air pollution from linkage resulting in burdens on overburdened populations, there remains uncertainty on how individual facilities, and the consumer of their products, may choose to respond to the near-term price impacts. Take for example, the impact of near-term refinery price compliance on criteria air pollutants and GHG emissions resulting from vehicles. Lower gas prices are related to lower rates of electric vehicle sales. Estimates from California find that for every one cent decrease in the price of a gallon of gas, electric vehicles sales would decrease by 0.5%.⁹ This isn’t a guaranteed outcome; gasoline prices vary greatly

⁶ [RCW 70A.65.210](#)

⁷ [RCW 70A.02.020](#)

⁸ Department of Ecology, “[Potential linkage of Cap-and-Invest carbon market with the joint California-Québec carbon market \(Draft\): An Environmental Justice Assessment \(per RCW 70A.02.060\)](#),” (2026)

⁹ James Bushnell, Erich Muehlegger, David Rapson, “[Energy Prices and Electric Vehicle Adoption](#)” (2022).

from factors beyond compliance pass through costs, and electric vehicle uptake is also influenced by many other factors, such as electricity prices. Yet, on the margins, there remains uncertainty and tradeoffs on the price impacts on markets and sectors throughout the state. Even though the assessment identifies that covered facilities may not be the leading contributor to air pollution in certain local communities, many of the covered facilities by the market still exist within disadvantaged areas. The assessment finds that, as of March 2026, 59 covered facilities exist within 3 miles of census tracts that are ranked among the lowest for poverty in the state, and 62 facilities within three miles of census tracts that are over 80 percent people of color.¹⁰ These uncertainties can be managed through continuing air quality and toxics monitoring and complementary regulations, and improving revenue distribution equity.

Ecology has taken steps to recognize and offset these potential uncertain outcomes to strengthen the program's equitable outcomes. The agency has proposed to increase the benefits from offset projects to Tribes and communities in Washington State.¹¹ Within the draft agreement, Ecology has also included language that requires linking jurisdictions to use their program proceeds "particularly for disadvantaged and overburdened communities and vulnerable populations." These inclusions, in addition to the state's ongoing air quality monitoring programs, provide a foundation for preempting and monitoring these challenges.

The other major opportunity to preempt any equity risks is through the distribution of revenues and complementary regulations. Although Ecology largely lacks authority over revenue distribution, it is important to underscore that Washington State could more equitably distribute program revenue in the legislative appropriations process that could minimize uncertainties of impacts with linkage.¹² Even though carbon market policies send an important critical greenhouse gas decarbonization signal that is highly likely to also reduce co-pollutants in the long run, these programs do not innately result in progressive distributional impacts, nor can they guarantee specific facility-level behavioral outcomes. However, jurisdictions can more certainly ensure an equitable transition to zero-emissions by more effectively targeting expenditures and directing efforts to increase regulatory enforcement of state Clean Air Act and complementary

¹⁰ Ibid

¹¹ Ibid

¹² Department of Ecology, "Potential linkage of Cap-and-Invest carbon market with the joint California-Québec carbon market (Draft): Environmental Justice Assessment (per RCW 70A.02.060)," (2026)

regulations. For example, Washington State should consider enhancing existing air pollution efforts (i.e., formalizing the air quality rulemaking), continuing community engagement on these efforts, increasing transparency of publicly available data on facility level emissions, and providing timely updates on data to the Environmental Justice Council.

While the state has taken substantial steps to improve the equity of distributing C&I revenues, **more should be done to increase the state's progress toward an equitable transition to net-zero emissions goals 2050, while also identifying opportunities to improve the state's air pollution.** Unfortunately, Washington recently passed a budget which diverts \$545 million from Climate Commitment Act revenues toward non-environmental or health-related spending. We hope that in the future, Washington will correct course by increasing guardrails around the revenues from the program, redoubling on its efforts to target funding for climate emissions and within overburdened areas (e.g., increase the dedicated percentage toward vulnerable populations, invest in programs that support investments for low-income households to participate in the GHG transition, and invest in more programs that result in cost-effective emissions reductions to scale market access).

Conclusion

NRDC appreciates Ecology's efforts to develop a draft agreement to link Washington's cap-and-invest program with California and Québec, which would improve future market price stability, while maintaining the state's trajectory of achieving net-zero emissions by 2050. The state should also pursue additional opportunities, such as improving revenue distribution and complementary air quality regulations, to more equitably reduce climate change and air pollution.