Cap-and-Invest Linkage

Draft analysis of environmental justice related impacts

July 27, 2023
Presentation Overview

• Background
• Process and timeline
• Draft analysis of environmental justice related impacts
• Next steps
What is Linkage?

Linked jurisdictions: WA, CA, QC

Linked market: Allowances for auction

Allowances purchased: $
Climate goals: will joining markets impact WA’s ability to meet greenhouse gas goals?

Communities: what are the potential impacts of linking on communities?

Costs: would linking reduce the cost of compliance?
Linkage Process and Timeline

**Linkage exploratory process:**
- **January:** Contacted Tribal governments and Environmental Justice Council
- **February – mid May:** Public engagement
- **May through August:** Analysis of linkage criteria
- **September:** Report on preliminary analysis of linkage criteria
- **October:** Preliminary decision whether to pursue linkage

**If Washington, California, and Québec decide to pursue linkage:**
- **Fall 2023:** Prepare agency request legislation to address statutory language that impedes linkage, if needed
- **Winter 2023 through 2024:** Rulemaking process to address regulations that impede linkage
- **2024 or later:**
  - Linkage agreement discussions with California and Québec
  - Environmental justice assessment
  - Public hearing on draft linkage agreement
  - Findings on whether linkage agreement meets criteria
- **2025 or later:** Link markets
• Relative size of markets.
• Uncertain how much linkage would lower allowance prices in Washington.
• California and Québec cap-and-trade program review underway.

### Allowance budgets

<table>
<thead>
<tr>
<th>Emissions year</th>
<th>Washington</th>
<th>California</th>
<th>Québec</th>
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<tr>
<td>2023</td>
<td>63,288,565</td>
<td>294,100,000</td>
<td>52,790,000</td>
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<td>2024</td>
<td>58,524,909</td>
<td>280,700,000</td>
<td>51,550,000</td>
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<td>2025</td>
<td>53,761,254</td>
<td>267,400,000</td>
<td>50,310,000</td>
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<td>2026</td>
<td>48,997,598</td>
<td>254,000,000</td>
<td>49,080,000</td>
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Overarching Considerations

- Would not impact key aspects of Washington’s program, including:
  - Minimum 35% and target of 40% of funding for vulnerable populations within overburdened communities.
  - Work to address air pollution through the Improving Air Quality in Overburdened Communities Initiative and state and local regulation under the Clean Air Act.
  - Offset credits “under the cap” in Washington.
  - Restrictions on use of offset credits by certain facilities.
  - Role of Environmental Justice Council to advise on program implementation.
- “The state retains all legal and policymaking authority over its program design and enforcement” RCW 70A.65.210(4).
Potential Positive Impacts

- Cap-and-invest program stability and durability
  - More resilient to economic conditions
  - Increasing support for the program
- Lower household costs for energy, gas, and consumer goods
- Reduce emissions leakage

Source: Final Regulatory Analysis for the Chapter 173-446 WAC Climate Commitment Act Program
Potential Negative Impacts

- Less funding available for projects in the near-term
- Possible lower financial incentive for companies to decarbonize in the near-term

Source: Final Regulatory Analysis for the Chapter 173-446 WAC Climate Commitment Act Program
Uncertain Impacts – analysis ongoing

• Rate of greenhouse gas emissions reduction
• Rate of air pollution reduction
• Jobs
Next Steps

• Continue analysis of linkage criteria
• Share results with EJ Council and the public
• Preliminary decision in October
Thank you!

For more information on linkage, visit [cca.wa.gov/linkage](http://cca.wa.gov/linkage)