

# Cap-and-Invest Linkage

Draft analysis of environmental justice related impacts

July 27, 2023

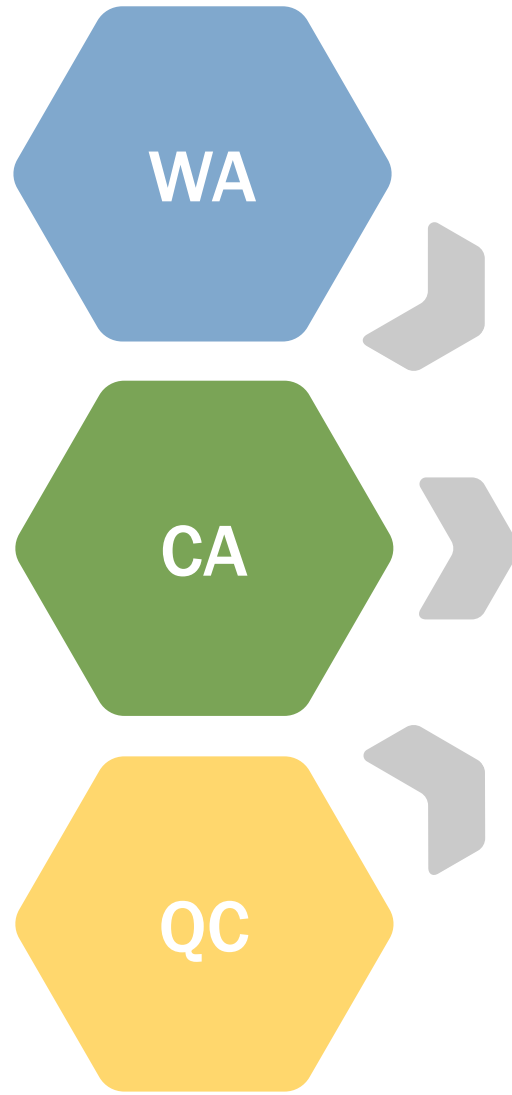


# Presentation Overview

- Background
- Process and timeline
- Draft analysis of environmental justice related impacts
- Next steps



# What is Linkage?



**Linked jurisdictions**



**Linked market**



**Allowances purchased**

# Criteria for Linking



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



**Costs:** would linking reduce the cost of compliance?



**Climate goals:** will joining markets impact WA's ability to meet greenhouse gas goals?

# 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

# Overarching Considerations

- 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

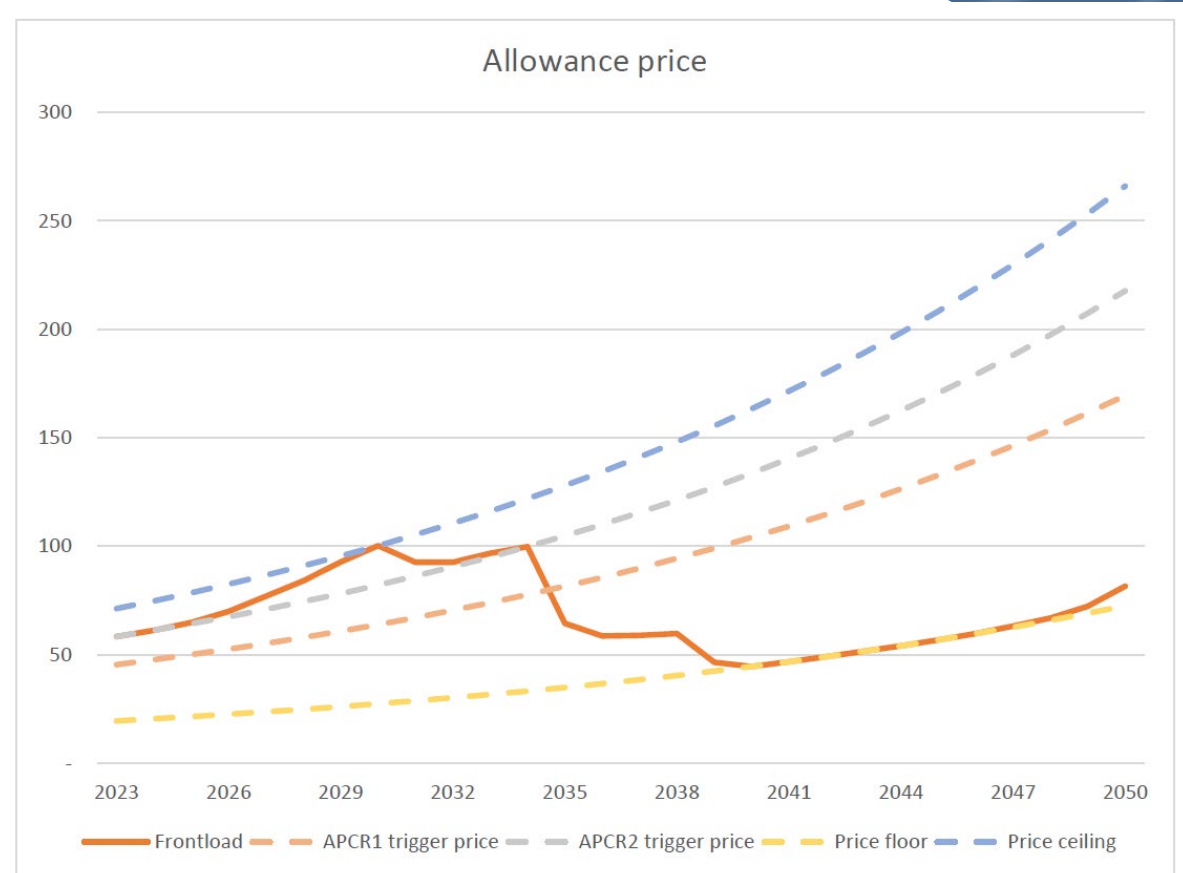
Emissions year	Washington	California	Québec
2023	63,288,565	294,100,000	52,790,000
2024	58,524,909	280,700,000	51,550,000
2025	53,761,254	267,400,000	50,310,000
2026	48,997,598	254,000,000	49,080,000

# 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

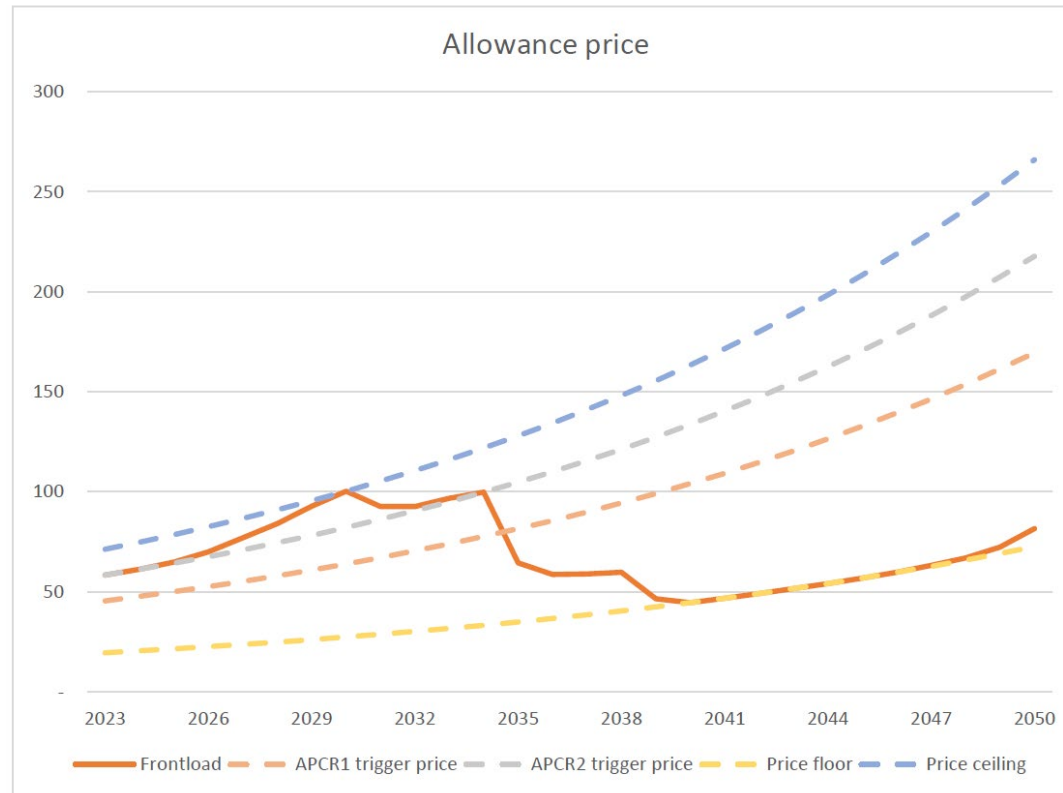


Source: Final Regulatory Analysis for the Chapter 173-446 WAC  
Climate Commitment Act Program



# 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](https://cca.wa.gov/linkage)

