



STATE OF WASHINGTON  
**DEPARTMENT OF ECOLOGY**

PO Box 47600, Olympia, WA 98504-7600 • 360-407-6000

November 2, 2024

Environmental Justice Council

Sent via email to: [Jonathan.Chen@ejc.wa.gov](mailto:Jonathan.Chen@ejc.wa.gov)

Dear Environmental Justice Council Members:

I am writing to inform you that I [announced a preliminary decision today to pursue linking Washington's carbon market with the existing California- Québec market](#). I did not make this decision lightly. I deeply considered the concerns and questions that you raised in your October 26 letter informing me that the Environmental Justice Council voted to recommend that Ecology not link Washington's carbon market with California and Québec at this time. I would like to address those concerns and explain why I made this preliminary decision based on the information that I currently have. I would also like to provide information about the process moving forward.

In passing the Climate Commitment Act, the Legislature expressed a clear direction to Ecology to design a program that can link with existing carbon markets. My preliminary decision is the first step in a multi-step process to determine whether linkage can and should be achieved. Before Washington can enter into any linkage agreement, Ecology is required to conduct an Environmental Justice Assessment. As part of that assessment, Ecology will identify and reach out to overburdened communities and vulnerable populations that could be impacted by linkage. Ecology will also offer Tribal consultation throughout the process.

Before I can make a final decision to enter into a linkage agreement, Ecology needs to be satisfied that the statutory linkage criteria have been met. Specifically, we need to be satisfied that:

- Linkage will not diminish the stringency of Washington's program or affect our ability to meet Washington greenhouse gas reduction limits;
- Linkage will not yield net adverse impacts to highly impacted communities in any of the linked jurisdictions;
- Other jurisdictions have provisions to deliver benefits to vulnerable populations and overburdened communities; and
- Linkage provides a more cost-effective means for covered entities to meet their compliance obligations.

These criteria together ensure that any linked program will continue to carry out the three core purposes of the CCA: (1) to reduce greenhouse gas emissions economy-wide; (2) to

create a growing market for cleaner technologies and energy sources; and (3) to fund environmental justice and climate resilience efforts in our state.

The Environmental Justice Assessment will be integral to our final analysis of the statutory criteria. Also, we will need to understand and assess the impact of any changes the other jurisdictions make to their cap-and-trade programs.

Because of the additional analysis that needs to occur, the earliest Washington could link with the other jurisdictions is 2025. We hope that through the further opportunities for engagement and careful examination, we will be able to address the Council's concerns before a final decision is made.

One of the reasons that I reached a preliminary decision to pursue linkage is to signal that Washington is serious about pursuing price stability and cost-containment measures. These measures may be needed for the continuity and long-term success of Washington's program. Such measures are also likely to increase opportunities for decarbonization across the three jurisdictions. Our preliminary analysis found that more moderate and predictable compliance costs provide greater certainty and therefore a firmer foundation for companies to invest in decarbonization. Decarbonizing our economy is essential to meeting our greenhouse gas reduction requirements and the associated improvements in air quality and health outcomes in overburdened communities. Ensuring the program's long-term success also helps provide ongoing funding for essential climate mitigation and community projects across the state.

The Council notes that its decision is based upon the "precautionary principle" and states that Ecology has failed to meet that "standard because it has not been able to guarantee linkage will not harm overburdened communities." While Ecology cannot model with absolute certainty the market outcomes and precise local impacts, the preliminary decision to link is based on a good amount of existing information, including the [Cap-and-Invest Linkage Criteria: Preliminary Analysis Report](#). We have carefully examined existing programs in California and Québec and their impacts and will continue to learn from communities' lived experience, observations of actual carbon markets, and modeling. The next several steps in the process, especially the Environmental Justice Assessment, will be critical to evaluating potential risks, harms, and benefits to communities.

The Council expressed specific concerns and listed examples of protective policies to address them, including facility specific caps, prohibiting the use of unused allowances from California and Québec, limiting the use of offsets, and establishing expiration dates for banked allowances. I appreciate and respect the Council's guidance and recommendations and have shared them with my staff to inform our ongoing work. We would welcome an opportunity to discuss these suggestions with you further.



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I would like to close with appreciation for our cooperative working relationship and our shared commitment to justly and equitably address the climate crisis. I commit to you that, as we continue to examine and discuss linkage, we will do so in a way that is open, responsive, and prioritizes continued dialogue with Council members and Washington communities.

Yours Truly,

A handwritten signature in black ink, appearing to read 'Laura Watson', with a stylized flourish extending to the right.

Laura Watson  
Director

