



# WASHINGTON STATE

DEPARTMENT OF COMMUNITY, TRADE & ECONOMIC DEVELOPMENT



## *Creating Markets/Driving Innovation: Washington State and the Western Climate Initiative*

Climate Change in the Northwest - Tribal Perspectives

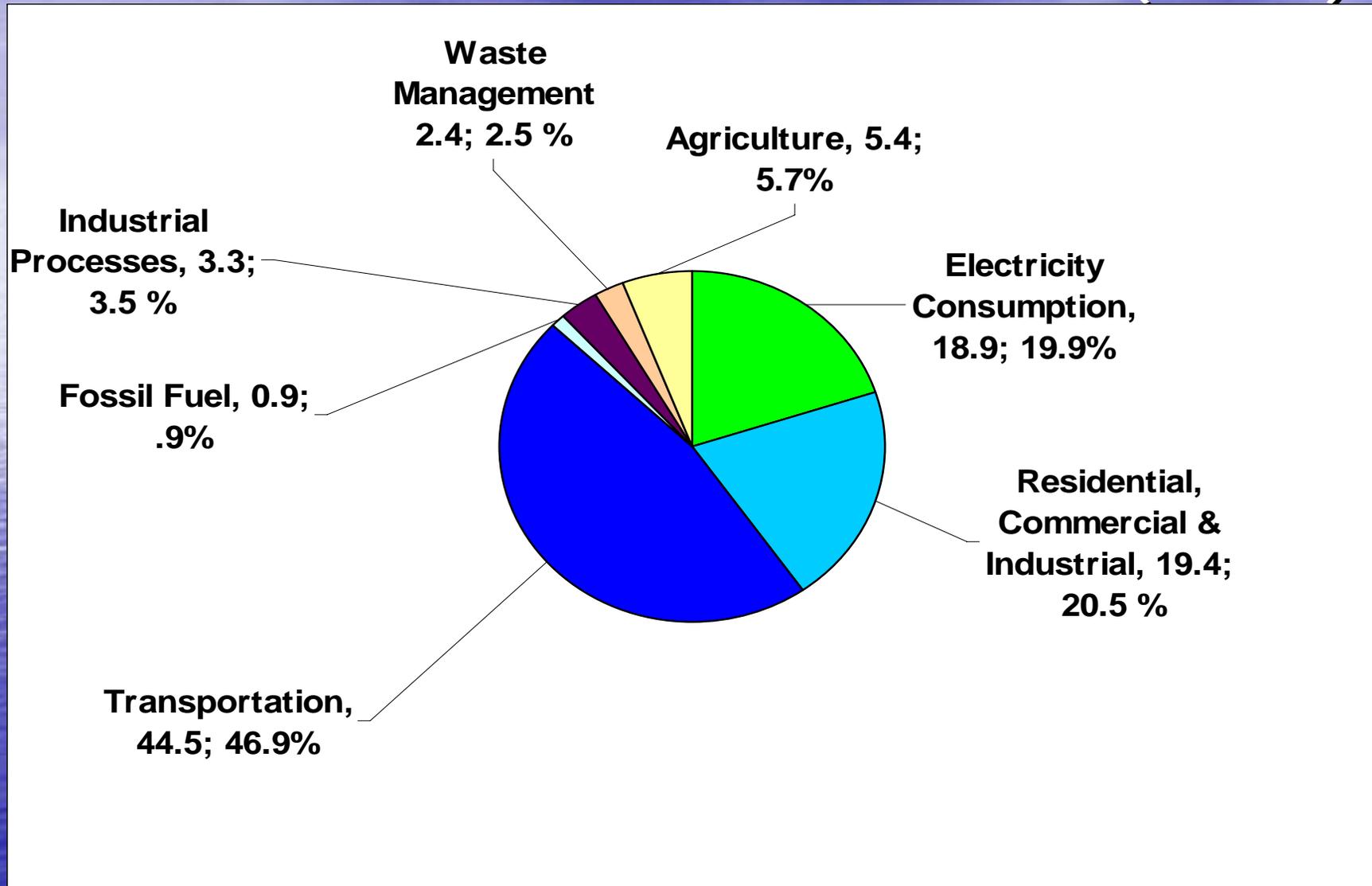
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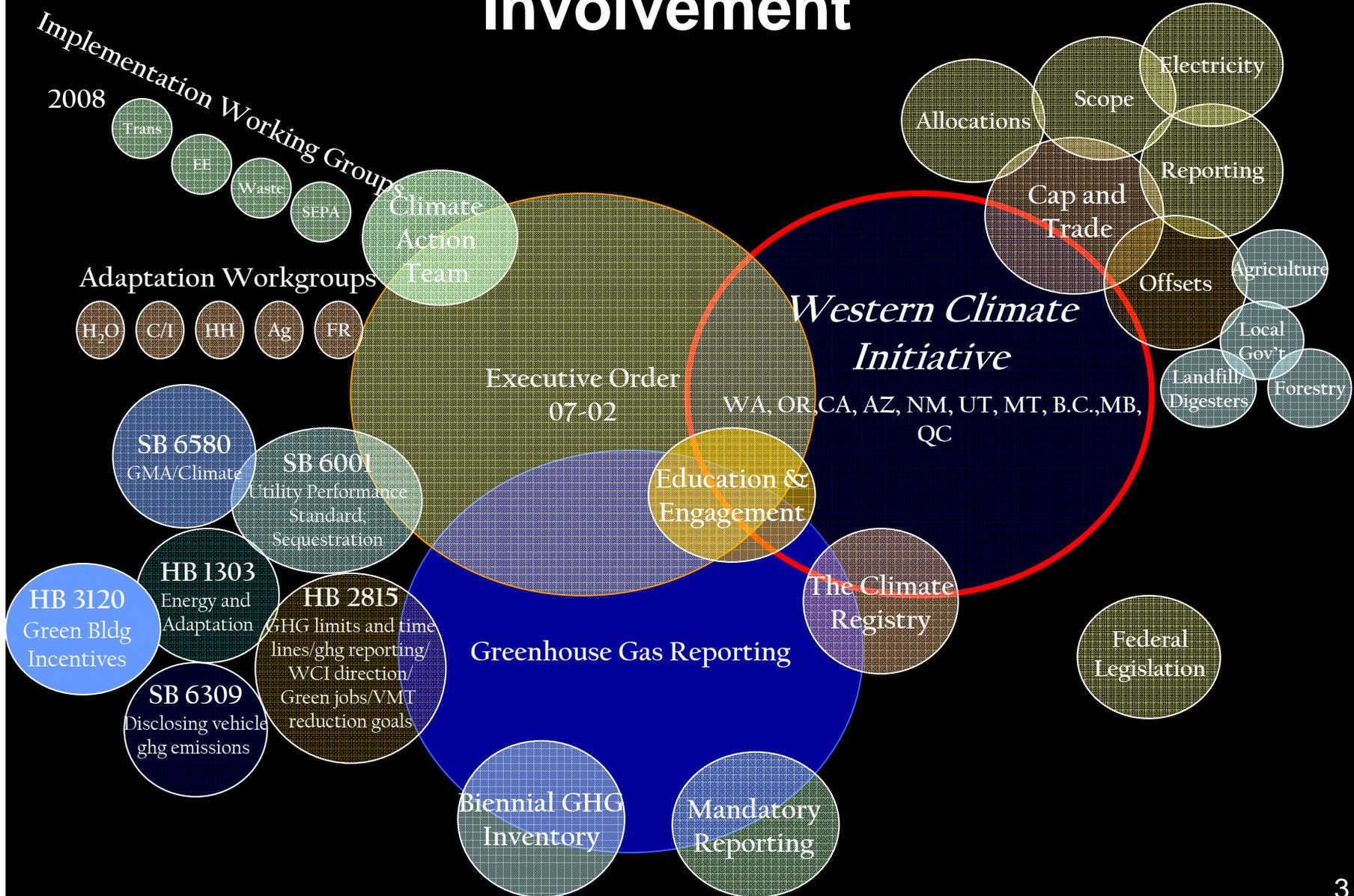


# WA Greenhouse Gas Emissions (2005)

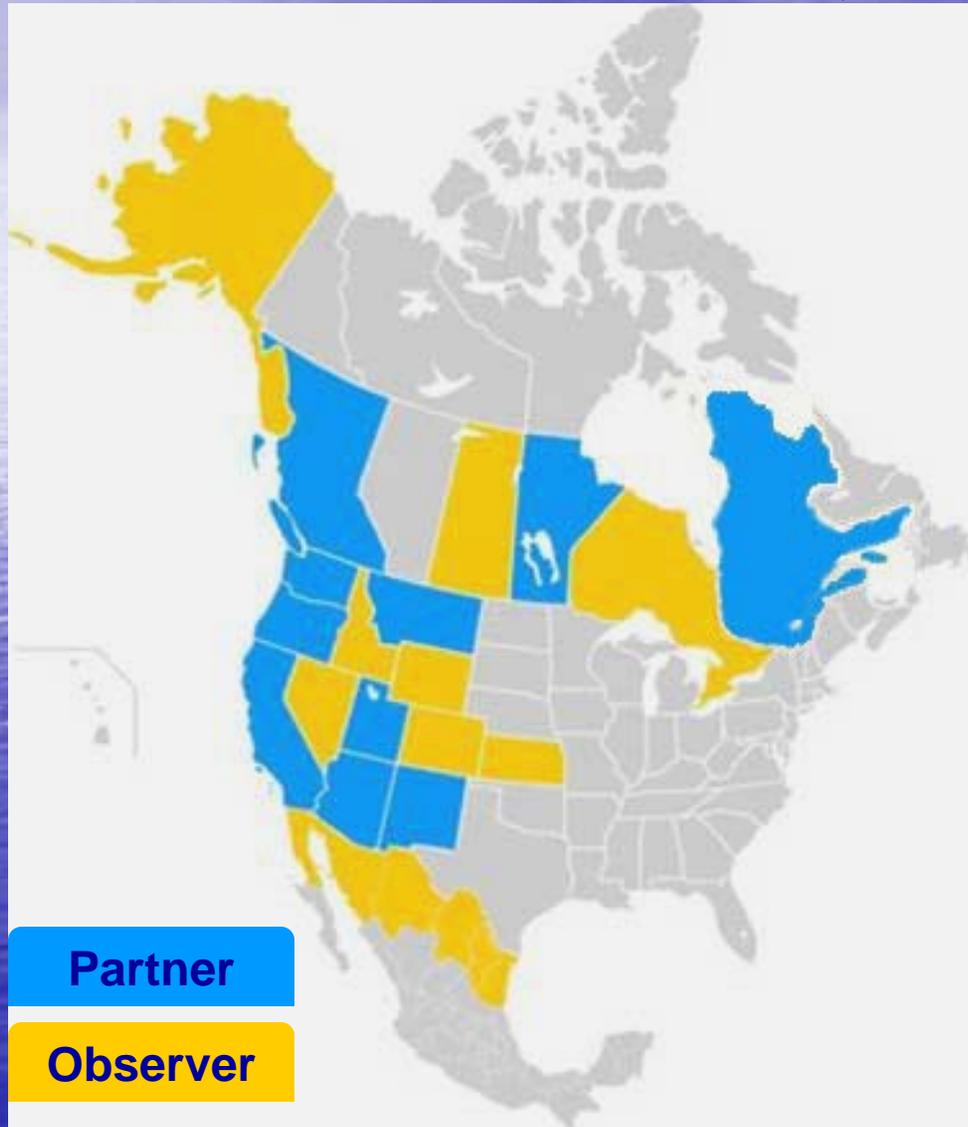


Total = 92.9 million metric tons CO2-equivalent

# State, Regional, National Involvement



# Western Regional Climate Action Initiative (WCI)



- Develop regional strategies using market forces to address climate change
- Washington, Oregon, California, Arizona, and New Mexico signed in February, 2007
- Montana, Utah, British Columbia, Manitoba and Quebec have signed on
- 6 US states, 6 Mexican states and 2 Provinces are official observers
- Tribes are welcome to join as partners or observers

# Collaboration includes

Three specific directives:

- Set a regional emissions reduction goal
- Join a multi-state registry to track, manage and credit reductions
- Design a regional multi-sector market-based mechanism

Joint work to:

- Increase energy efficiency
- Promote clean and renewable energy in the region
- Advocate for regional and national climate policies that are in the interest of western states and provinces
- Identify measures to adapt to climate change impact

# Western Climate Initiative Status

Achieved two of the three directives:

- A regional goal established
  - 15% below 2005 by 2020
  - Committed to long term reductions to significantly lower the risk of dangerous threat
  
- All partners and observers have joined **The Climate Registry** as founding members

# The fine art of balancing

- WCI is a microcosm of United States
  - Big/small
  - Urban/rural
  - Hydro/coal/oil and gas
  - More liberal/more conservative
  - Economically diverse/limited economic base
  - PLUS – 3 diverse Canadian provinces
- Multiple stakeholders, all of whom want to “help,” most of whom don’t agree with one another
  - Let’s get on with it -- be cautious; don’t make mistakes
  - Make sure it’s a fully regional market -- make sure the other jurisdictions agree with us
  - We want to trade -- we don’t want to pay

# Design Principles

- Equitable, administratively simple, clear compliance path
- Maximize total benefits and avoid localized or disproportionate environmental or economic impacts
- Advance economic, environmental, and public health objectives;
- Real, verifiable, enforceable reductions
- Stimulate investment and reward innovations
- Encourage reductions beyond capped sectors/sources
- Recognition/incentives for early reductions
- Transparent and robust accounting system
- Minimize potential for leakage
- Facilitate links to other systems

# Timeline

- 5 subcommittees underway
  - Preliminary recommendations released in Feb and March, 2008
- Consolidated recommendations May 16, 2008
- Initial draft design mid-Summer, 2008
- 'Final' design recommendations late Summer, 2008
- Intense stakeholder work Fall – Winter, 2008
- Continued work with partners on design details

# Subcommittees

## 1. Scope

- Sectors; sources; gases and point(s) of regulation

## 2. Allocations

- Apportioning allowances under the cap
- Recognition for early action

## 3. Electricity

- Point(s) of regulation

## 4. Reporting

- Coordination: Regional, TCR, EPA; Verification

## 5. Offsets

- Project location and types; limits; links to other systems

# Scope

## *Initial Recommendations to date*

- Large Stationary Combustion
  - Industrial Process
  - Waste Management
  - Fossil Fuel Production and Processing

## *Added in May*

- Residential and commercial fuels

## *Still to be decided*

- Transportation Fuels
- Threshold levels
- Point of regulation for each covered sector

# Allocations

## *Initial Recommendations to date*

- 3 year compliance period with "special" initial compliance period
- Banking, no borrowing
- Allowance distribution by partners
- Minimum percentage auctioned
- Early action credits come from partner budgets

## *Still to be decided*

- Program start date
- Rules for initial compliance period
- Amount of auction v. free distribution
- Partner allowance budget

# Reporting

## *Initial recommendations to date*

- Common “essential elements” by all partners
- Use The Climate Registry infrastructure
- Begin reporting before cap and trade starts

## *Still to be decided*

- Identification of essential elements
- Reporting start date
- Coordination with EPA

# Offsets

## *Initial Recommendations to date*

- Include offsets as alternative compliance

## *Added in May*

- Pre-approved projects
- Project based approval
- Use standardized protocols including protocols developed by WCI

## *Still to be decided*

- Limits: in quantity or geographically
- Offsets and allowances from other systems (EU ETS; RGGI)

# Electricity

- Two designs proposed for point of regulation
  - Generator based
    - Generators in partner jurisdiction only
    - Would not cover emissions from other states, federal government or tribes
  - First Jurisdictional Deliverer
    - Generators in partner jurisdiction and
    - First party to deliver electricity generated outside WCI partners (imported power)

# Overarching Recommendation

- Create joint structure for administration
  - coordinate review and adoption of protocols
  - coordinate review and issuing of offsets
  - provide the criteria and means to accredit verification service providers
  - coordinate the regional auction of allowances
  - track emissions and allowances
  - monitor and report on market activity

# Next steps or how we'll spend our summer vacation

- *A lot* of work remains to be done
  - Much more is “still to be decided” than indicated
    - Some initial recommendations may be revamped or eliminated as the program comes together
  - Work with stakeholders and legislators after “final design” is drafted (HB 2815)
  - Prepare for the 2009 legislative session
  - Continue WCI work on next level details – post September
  - Work with our Congressional delegation

# 2008 State Climate Processes

Comprehensive Report to the Legislature (by December 1, 2008)		
Plan To Include	Lead Agencies	CAT Role
a. Description of the actions needed to meet ESSHB 2815 reduction limits	Ecology/CTED	Advisory
b. Description of existing authority		FYI
c. Description of where additional authority is needed		FYI

GMA Advisory Policy Committee ESSB 6580 (Report (Section 4(2)(b)) due by December 1, 2008)	
Lead Agency	CAT Role
CTED	Coordination with Transportation IWG and Crosswalk of Members

Design of the Market-Based System (HB 2815)		
Sub-Categories	Lead Agency	CAT Role
Forestry	ECY, DNR	Advisory
Agriculture	WSU, Agriculture	Advisory

Implementation Working Groups		
Sub-Categories	Lead Agency	CAT Role
Beyond Waste	ECY	Development
Buildings and Energy Efficiency	CTED	Development
Transportation	WSDOT	Development
SEPA	ECY	Development

Note: The CAT will receive and affirm additional GHG reductions within the forestry and agriculture sector not covered through a market-based system

Green Jobs	
Lead Agency	CAT Role
CTED	FYI

**CAT Role: Definition of Terms**

**Development:** CAT members will be active in developing and affirming specific policies.

**Advisory:** CAT members will receive periodic updates, and provide input, advice and counsel in a supportive capacity.

**Coordination:** CAT members will help identify and, where appropriate, bring together common activities to ensure that related efforts move forward appropriately.

**FYI:** CAT members will receive periodic updates.

How to keep up with the processes

[www.ecy.wa.gov/climatechange](http://www.ecy.wa.gov/climatechange)

*Join the climate list server*