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July 2, 2008

## MEMORANDUM

**TO:** Council Members

**FROM:** Terry Morlan

**SUBJECT:** Briefing on the Western Climate Initiative

Janice Adair, the Chair of the Western Climate Initiative (WCI) and an employee of the Washington Department of Ecology, will brief the Council on the WCI.

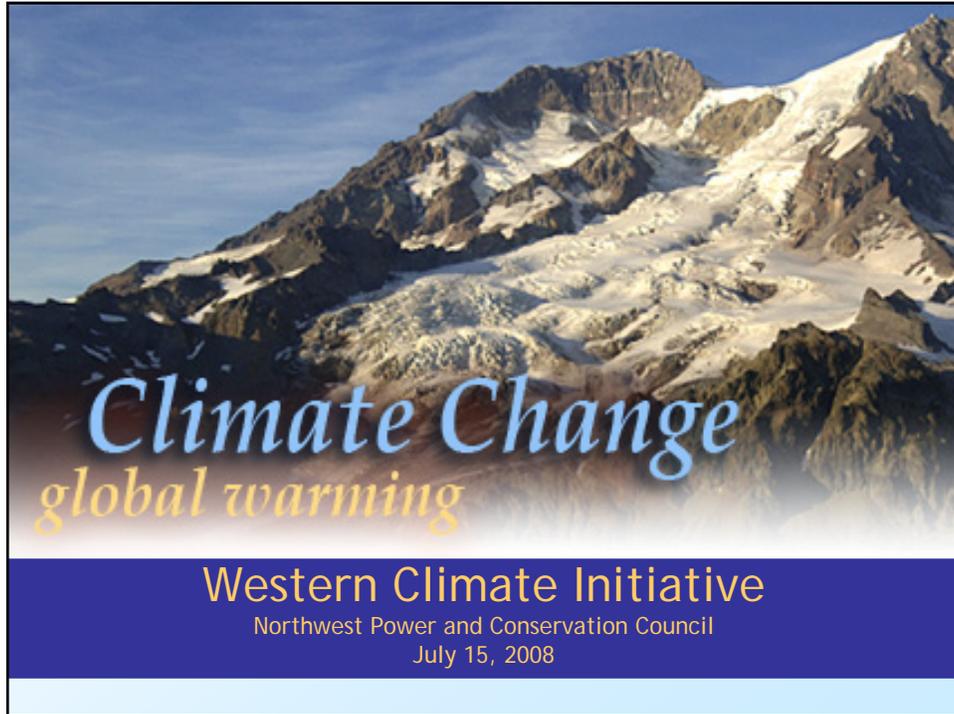
The following description of the WCI is based on the WCI website at <http://www.westernclimateinitiative.org/>.

The Western Climate Initiative is a collaboration which was launched in February 2007 by the Governors of Arizona, California, New Mexico, Oregon and Washington to develop regional strategies to address climate change. WCI is identifying, evaluating and implementing collective and cooperative ways to reduce greenhouse gases in the region. In the spring of 2007, the Governor of Utah and the Premiers of British Columbia and Manitoba joined the Initiative. Montana joined in January, 2008 and Quebec moved from Observer to Partner status in April, 2008. Other US and Mexican states and Canadian provinces have joined as observers.

Through WCI, the Partners set an overall regional goal in August 2007 for reducing greenhouse gas emissions. By August 2008 the Partners will also complete the design of a market-based mechanism to help achieve that reduction goal. The partners developed a work plan to guide their work and are seeking public input throughout the process.

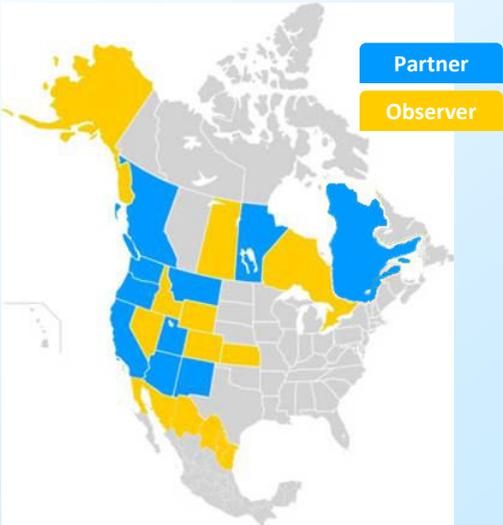
Goals or policies adopted by the WCI, or individual states, will affect the Council's power plan, although the nature of the effect has not yet been determined. How such goals and policies will be reflected in the Power Plan is a policy choice for the Council.

You can visit the website to see further information on the WCI.



 **Western Regional Climate Action Initiative (WCI)**

- **Develop regional strategies 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**



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## ***Initiative Collaboration Includes***

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### **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:**

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



## ***Why Regional Action***

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- Western US has a long history of energy efficiencies and renewable energy
- Each WCI partner supports a comprehensive approach to reducing greenhouse gas emissions
- Each has its own reduction goals and is taking steps to implement
- The West is particularly vulnerable to the impacts
- Climate change requires action now – we cannot afford to wait

***By leading, we can help ensure the Western perspective is included in future federal action***



## *Why Cap and Trade*

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- Emission reductions are certain compared to tax
  - Cap sets reduction; tax set cost
- Lets the market find lowest cost reductions
  - Cost effective for covered sources
- Clean Air Act is largely technology driven
  - Technologies for carbon capture are not widely available



## *The Fine Art of Interest Balancing*

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- 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
- Multiple stakeholders, all of whom want to “help,” most of whom don’t agree with one another
  - Let’s get on with it but be cautious and don’t make mistakes
  - Make sure it’s a fully regional market but make sure the other jurisdictions agree with us
  - We want to trade (or sell offsets) but we don’t want to pay



## ***Cap and Trade Design Principles***

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- 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

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## ***WCI Organization***

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- Scope
  - Gases, Sectors and sources, point(s) of regulation
- Electricity
  - Point of regulation
- Allocations
  - Starting point and 2020 cap
  - Establishing partner allowance budget methodology
- Reporting
  - Required elements including verification
  - Coordination with The Climate Registry and EPA
- Offsets
  - Project types and limits (% and/or geographic)
- Legal Team

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## ***Design to Date***

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- All 6 GHG
- Large stationary combustion sources
  - Transportation and Residential Fuels
  - Threshold
- Offsets allowed
  - Percentage or geographic limitation
- Three year compliance periods
- Banking; no borrowing
- Allowance distribution by partners



## ***More Design Recommendations***

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- Common reporting elements, including starting date
- Electricity - First Jurisdictional Deliverer
  - Generators in partner jurisdiction and
  - First party to deliver electricity generated outside WCI partners (imported power)
  - Tracking imported power on shared grid presents challenges
  - Working with utilities (July 17 meeting in Portland)



## *Timeline*

- Draft initial design (policy framework)
  - ~July 22
- Third regional stakeholder meeting
  - July 29 (San Diego)
- “Final” design
  - ~September 22
- Continued stakeholder work to refine design
  - September thru December
- Two or three states will run legislation in 2009 (WA, OR, possibly UT)
- One state has authority (CA)
- 2009 and beyond:
  - Work on model rules and other implementation issues
  - Other complimentary policies of common interest

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A photograph of a rugged mountain range with snow-capped peaks and glaciers, set against a clear blue sky.

*Climate Change*  
*global warming*

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