

Western Climate Initiative/Cap and Trade 101

What is the Western Climate Initiative?

The [Western Climate Initiative](#) or WCI is an agreement between six states and four Canadian provinces to combat climate change regardless of what the U.S. and Canadian governments do on a federal level. In 2007, Washington joined the WCI along with California, Oregon, Arizona, New Mexico, Utah, Montana, British Columbia, Manitoba, Ontario and Quebec.

What is cap and trade? What is its goal?

Cap and trade is one policy approach to reducing carbon emissions by limiting or “capping” the amount of carbon generated by sources, including industries, power plants, and transportation. Overall emissions may not exceed the cap. Companies have emissions that exceed their cap must buy credits – or “allowances” — from those who have been able to emit less than their cap. Thus, the buyer pays for increasing emissions while the seller gains from the sale of these emission allowances. A cap and trade system is already being used to reduce nitrous oxide emissions from power plants that cause acid rain. However, the program proposed by the WCI to reduce carbon is much larger and more complex than the “acid rain” program; it has been touted as being the most comprehensive cap and trade program ever proposed.

How are the WCI and cap and trade connected?

The WCI set a goal of reducing greenhouse gas emissions by 15 percent from 2005 levels by 2020. The WCI requires its member to participate in a greenhouse gas registry and develop a market based, multi-sector mechanism to reach that goal. Cap and trade is the market-based method that is emerging as the WCI’s choice for reducing greenhouse gas. In addition, the WCI plans to ultimately create an international cap and trade registry involving both the U.S. and Canada.

Who is regulated under cap and trade?

Under the WCI cap and trade design, direct emissions from power plants and from industrial facilities will be regulated in 2012. In addition, the cap and trade system will regulate fuels used in transportation, commercial business and homes starting in 2015. The State could collect revenue from selling allowances to regulated (and unregulated) entities, with the proceeds from these sales (auctions) being used to minimize some of the impact of increased costs the program imposes on consumers.

How will this play out at the regional and state levels?

Washington’s goal is to reduce greenhouse gas emissions to 1990 levels by 2020. The WCI does not dictate each state’s reduction goal, but each state’s goal influences the cost of an allowance to emit greenhouse gas beyond the cap.

What sort of implications does cap and trade have for AWB members?

Ready or not, cap and trade appears to be coming, and it's not going to be cheap. Cost will increase for all products businesses and individuals buy, either directly through electricity, natural gas, diesel, propane, gasoline and chemicals they may buy, or products they use that are produced from these items. The costs of doing business will rise along with the cost of living. Some industries, like agriculture, will be especially hard hit because of their dependence on transportation and heavy reliance on the use of chemicals and large amounts of electricity.

What's next for Washington state?

President-elect Barack Obama supports climate change action. As a result, AWB expects progress on federal climate change initiatives.

The Gregoire administration is currently drafting a cap and trade bill for the next legislative session, which it will unveil in December. Cap and trade regulation can be expected to drive up costs of fuel and energy, which could severely impact large sectors of Washington's economy, like agriculture and manufacturing. An economic downturn is not the time to propose new regulations such as a cap and trade system. Cap and trade proponents, however, will argue that now is precisely the time to step forward to regulate greenhouse gas emissions, as the investment it should spawn in new technologies will increase jobs.

AWB is urging lawmakers not to rush into any system that will make our region and our state less economically competitive. If there is to be cap and trade program, AWB would prefer it on a national level where all states and regions are on an equal footing. In addition, we insist that any decisions on greenhouse gas reduction should use sound science as their basis.

Who do I contact at AWB about this issue?

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