



Innovative Approaches to Climate Change

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Western Regional Climate Action Initiative (WCI)

- Collaboration of Western states, provinces and Mexican states to reduce greenhouse gas emissions in our region
- Partners include
 - Washington, Oregon, California, Arizona, New Mexico, Utah, Manitoba, British Columbia and Montana
- Observers include
 - Kansas, Wyoming, Nevada, Colorado, Alaska, Idaho, Quebec, Saskatchewan, Ontario and the Mexican states of Sonora, Tamaulipas, Baja and Chihuahua

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:

- 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

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

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
- 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 sources and sectors
- Appropriate recognition and incentives for early reductions
- Transparent and robust accounting system
- Minimize the potential for leakage
- Facilitate linkages

Progress on design work

- 5 subcommittees underway
 - Technical analysis
 - Develop initial recommendations for partners
 - Preliminary recommendations in Feb and March, 2008
- Preliminary design anticipated Spring, 2008
- ‘Final’ design by late August, 2008

Subcommittees

- **Scope** (Michael Gibbs, California)
 - Sectors; sources; gases and point(s) of regulation
- **Allocations** (Steve Owens, Arizona)
 - Apportioning allowances under the cap
 - Recognition for early action
- **Electricity** (David Van't Hof, Oregon)
 - Gases; point(s) of regulation; regional inventory methodology
- **Reporting** (Jim Norton, New Mexico)
 - Coordination: regional, TCR, EPA; Verification
- **Offsets** (Tim Lesiuk, British Columbia)
 - Project location and types; limits on use of credits; fungibility

Scope: Sample of design issues

- What are the types of entities within a given sector?
- Does the number of entities present an administrative challenge?
- How significant is the possibility of leakage?
- Is there a reasonable point of regulation capable of addressing the sector/source?
- Should all sectors/sources be covered at the same time or should some be phased in?
- Can emissions be measured or calculated reliably at the entity level?

Allocation: Sample of design issues

- Should each Partner distribute allowances equal to that Partner's share of the regional cap?
 - To what degree should distribution by the Partners be made uniform, or standardized, among participating jurisdictions
- Should a regional entity distribute allowances on behalf of all the Partners?
- Should allowances be distributed directly to covered sources free of charge? If so, to what degree?
- What is appropriate recognition for early action?
 - benchmarking and program start dates
 - special allocations
 - auctioning

Electricity: Sample of design issues

- How does electricity move...
 - throughout the Western interconnection?
 - the WCI jurisdictions?
- How can leakage be minimized?
- How are electricity sales tracked within and outside the interconnection?
 - How can contract shuffling be minimized
- How do Bonneville Power (federal) and Tribal power generators factor in?
- Should we be looking at load (the utilities that directly serve customers), generators, or a hybrid?

Reporting: Sample of design issues

- Should reporting be required for sectors/sources outside the cap?
- Should reporting begin before the cap and trade program is effective?
- How can the region best ensure consistency between the partners?
- How should we factor in The Climate Registry?
- What about EPA?

Offsets: Sample of design issues

- To what extent should offsets be used as a compliance mechanism?
- How should “additional” “surplus” “permanent” be determined? Should they be project specific?
- Should there be a geographical limit?
- Should there be a pre-approved list of project types?

WCI Partners' Commitment

- A functional, smart, effective regional cap and trade program that
 - achieves our reduction goal
 - can serve as a model for some of the tough questions at the federal level