

Focus on: Cap-and-Invest Program Linkage

Key Takeaways

- The Climate Commitment Act (CCA) directs Ecology to evaluate whether to [link Washington’s cap-and-invest market](#) with other jurisdictions and provides specific criteria that must be met before linking.
- In March 2024, Washington, California, and Québec expressed mutual interest in linking carbon markets.
- Ecology has begun revising program regulations, as needed, to facilitate linkage. Before linking, the three jurisdictions will need to negotiate a linkage agreement and Ecology will complete an Environmental Justice Assessment.
- There will be more opportunities for public input before a final decision is made. Ecology anticipates the process would take at least a year, so Washington’s market would not be linked until 2025 or later.

What is ‘linkage’?

California and Québec [linked their carbon markets](#) in 2014. If Washington joins, allowances issued by the other two jurisdictions could be used by Washington businesses to cover their emissions, and vice versa. Washington would have joint allowance auctions with California and Québec, and all three jurisdictions would share a common allowance price. Market participants could also trade allowances across jurisdictions.

To link carbon markets, all the jurisdictions involved would need to come to an agreement about how linkage would work and what aspects of each program, if any, might need to be adjusted to support a shared marketplace.

Why is Washington considering linking carbon markets?

The CCA directs the Ecology to “seek to enter into linkage agreements with other jurisdictions with external greenhouse gas emissions trading programs” ([RCW 70A.65.210](#)). It also requires Ecology to review specific criteria to ensure linkage would be beneficial to our state’s communities, economy, and climate goals.

Linkage would give Washington businesses access to a higher volume of emission allowances being traded. Larger markets are generally have more consistent pricing because a larger pool of buyers and sellers reduces price swings. Linking Washington’s market to the larger California-Québec market is expected to improve the market’s sustainability and durability by stabilizing allowance prices. This could in turn reduce impacts to consumers in Washington, increase market confidence, and allow covered businesses to more effectively and proactively plan to decarbonize their operations.

Linkage requirements in the CCA

Before entering into a linkage agreement, the CCA requires Ecology to determine that the linking jurisdiction and the linkage agreement meet certain criteria ([RCW 70A.65.060](#) and [70A.65.210\(3\)](#)), including:

- The linking jurisdictions have provisions to ensure their programs provide benefits to vulnerable populations and overburdened communities.
- Linking would not yield net adverse impacts on highly impacted communities in Washington, California, or Québec.
- Linking would reduce the cost of compliance for covered businesses.
- Linking markets would not impact Washington’s ability to achieve its greenhouse gas emissions reduction limits.

Linkage Process and Timeline

Explore linkage: First half of 2023

Ecology sought feedback from Tribal governments, the Environmental Justice Council, interested parties, and the general public on whether Ecology should link carbon markets with California and Québec.

First half of 2023

Linkage Exploratory Process



2024 through 2025

Align Market Policies • Linkage Agreement
Environmental Justice Assessment



Fall 2023

Decision to Pursue Linkage

2025 or Later

Link Markets

In the fall of 2023, Ecology shared the [Cap-and-Invest Linkage Criteria: Preliminary Analysis Report](#). The preliminary analysis of the linkage criteria informed the Director's decision whether to pursue linkage.

Decision to pursue linking: Fall 2023

The Director of Ecology [announced a preliminary decision](#) on Nov. 2, 2023, for Washington to pursue linkage with California and Québec.

All three governments [expressed mutual interest](#) in forming a shared carbon market on March 20, 2024.

Align carbon market policies: 2024

While much of Washington's program was designed to align with the programs in California and Québec, some changes are needed to the law and rules. [Senate Bill 6058](#) made changes to the law, and Ecology has begun the [linkage rulemaking](#) process.

Ecology would need to complete the following steps before Washington could link with California and Québec:

- Develop a proposed linkage agreement with California and Québec
- Complete an Environmental Justice Assessment
- Establish findings on the linkage criteria
- Sign a linkage agreement

At this time, we cannot predict if or when we would link with California and Québec and start holding joint allowance auctions. Those jurisdictions also need to work through their respective processes to decide whether to link with Washington. The steps outlined above would take at least a year, so linkage would not occur until 2025 or later.

Opportunities for public input

There will be several other opportunities for public input before we sign on to a linkage agreement. Sign up for [Climate Commitment Act email alerts](#) to stay up-to-date on our work and hear about opportunities to engage.

Language services

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