



Linking Carbon Markets for Stronger, Faster Emissions Reductions

Subnational climate collaboration in a changing federal landscape

In 2027, Washington will join the world's largest subnational carbon market run by California and the Canadian province of Québec. This unprecedented partnership will move climate policy forward in the United States and beyond, while benefiting market participants.

Together, our market will put a price on greenhouse gas emissions across an economy that would rank as the third largest in the world if combined. Washington's involvement provides a roadmap for like-minded states, like New York and Oregon, to follow.

Carbon markets: the most cost-effective way to address climate change

Putting an economy wide price on emissions is widely seen as the best climate policy, and carbon markets are the most affordable way to do it. In this market-based system, the government (or in this case, each government) sets an overall limit on emissions in their territory that declines each year, but it does not set the price of emissions. Instead, the price is set through auctions where companies compete to purchase allowances for every metric ton of greenhouse gases they emit. The price can easily adapt to market conditions, and companies that can reduce emissions at the lowest cost move first.

California was the first U.S. state to launch a carbon market in 2013. In 2014, it joined with Québec. In 2023, Washington became the second U.S. state to launch a carbon market, a.k.a the Cap-and-Invest Program. This policy is the centerpiece of our strategy to get Washington to net zero by 2050—a requirement set in state law.

Since 2023, we've invested billions in local climate projects—the vast majority of which benefit our most vulnerable communities—and businesses are starting to make long term plans to reduce their emissions.

Our market was designed to link so businesses could access the benefits of a larger market. The California-Québec market is about six times bigger than Washington's.

A bigger market means bigger climate and economic benefits.

The Washington-California-Québec carbon market is expected to lead to greater total emissions reductions across the three jurisdictions. In a linked market, each jurisdiction will contribute their supply of allowances to joint auctions, creating a single carbon price across all three. In a linked market, Washington businesses would be able to use allowances issued by California and Québec to cover their emissions, and vice versa. Market participants could also trade across jurisdictions, adding extra liquidity to the system.

Larger markets provide more stable prices, and price stability is a key part of accelerating decarbonization because it gives businesses the certainty they need to plan for long-term, capital-intensive projects. Over time, as more companies invest in emissions reducing technologies, those technologies become cheaper, making it easier for others to take action. Leveraging economies of scale through a linked market amplifies this virtuous cycle.

