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Western Climate Initiative Unveils Cap and Trade Program Design

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“The rumor of my demise has been greatly exaggerated.” So famously spoke Mark Twain, combating constant stories about his death. With the United States Senate abandoning efforts to pass CT legislation this session and with an unknown election result coming in November, the national press was sensing that CT in North America was dead or dying.

But earlier this week the [Western Climate Initiative](#) (WCI) proved that theory to be false and released their latest report – [Design for the WCI Regional Program](#) (Design Plan). This report outlines the basic program design parameters to be used by the participating partner-jurisdictions when their respective CT programs come on-line in 2012. The release of this document was intended to show that state and regional GHG efforts are continuing, particularly with a lack of national direction.

The WCI, formed shortly after California enacted [AB32](#), is a collaborative effort made up of western states and Canadian provinces and supported by the [Western Governors’ Association](#). Their stated goal is “to identify, evaluate, and implement policies to tackle climate change at a regional level.” Though a [map](#) of the WCI shows a much larger group, those partner-jurisdictions actually planning on participating in the CT program when it starts in 2012 are limited to California, New Mexico, British Columbia, Ontario, and Quebec.

Throughout their three-year history, WCI has retained the goal to reduce regional GHG emissions to 15 percent below 2005 levels by 2020, along with the co-benefit goals of spurring development of clean-energy technologies, creating green jobs, and protecting public health. The newly released Design Plan has three basic

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policy elements:

1) Institute a Carbon Market—The main component of the plan is a flexible, market-based, regional economy-wide cap-and-trade program that places a cap on greenhouse gas (GHG) emissions and uses tradable permits as the compliance mechanism.

2) Use of Offsets—Promoting GHG emission reductions throughout the remainder of the economy is also a significant tenet of the program. The WCI plan promotes the generation and use of offsets. Offsets are quantifiable GHG reductions in areas of the economy not covered by the Cap and Trade Program or other emission reduction policies.

3) Complementary Core Policies—The WCI is also promoting as a core strategy the use of other policies that complement a CT program. These policies include increased energy efficiency, cleaner cars, and renewable energy.

Even without full participation of the entire WCI, the carbon market initiated under this program will still be three times larger than the electricity-only carbon market being operated in the northeastern United States, the [Regional Greenhouse Gas Initiative](#) (RGGI). The total GHG emissions under the cap is being calculated right now and will be a “best estimate” of the partner-jurisdictions. Beginning in January 2012 the cap will decrease from this yet-to-be-determined starting point to the 2020 goal.

There is still much work to be done before trading can begin in less than 18 months, including the actual adoption of regulations by the participating jurisdictions. In California an added complication is the November ballot initiative [Proposition 23](#), which would indefinitely suspend AB 32 and the authority needed by the [California Air Resources Board](#) (ARB) to adopt such a system. ARB recently pushed back the date scheduled for Board discussion from October to November. This change in timing allows for answers to two very important questions related to cap and trade in California, the West, and in the national policy debate: Did Proposition 23 pass? Who is the next governor of California? As for the others, New Mexico has [draft regulations](#) on the street for comment and has a September 20, 2010, Board hearing scheduled. Due to a quicker adoption process, it is not expected that the Canadian provinces will need to adopt their rules until next year.

It is unclear how all of these pieces will fit together in the end, but one thing is certain: the WCI Design Plan pushes GHG emission policies and discussion forward. With WCI, RGGI, other state initiatives, and with the U.S. EPA counting down until they start regulating GHG emissions themselves, the report that GHG regulatory momentum has slowed in North America due to Congress's inaction are greatly exaggerated.

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