Summary of Second Meeting  
Friday, July 25, 8:00 a.m. – 4:00 p.m.  
Spokane Convention Center  

Meeting documents are available on the Washington Climate Change website:  

Washington Climate Change Challenge and Climate Action Team  

In February of 2007, Governor Christine Gregoire issued Executive Order 07-02,¹ Washington’s Climate Change Challenge, which established greenhouse gas (GHG) emissions reduction and clean energy economy goals for Washington State. The Directors of Ecology and Community, Trade, and Economic Development (CTED) convened the Climate Advisory Team (CAT), a group of stakeholders representing industry, tribes, environmental groups, local government, and public agencies, to develop recommendations to meet this challenge. The CAT worked throughout 2007, and in February of 2008, released its interim report “Leading the Way on Climate Change: The Challenge of Our Time”², a strategy for Washington to minimize its contributions to climate change from GHG emissions and to maximize its opportunities in the emerging green economy.  

The CAT identified the need for continued work to ensure implementation of its recommendations. The 2008 Legislature passed several important pieces of legislation that gave further focus and direction to Washington’s strategy to address climate change, and called for the CAT to continue to play a leadership role in advising the State. In 2008, the CAT, now the Climate Action Team, will develop from its comprehensive recommendations a focused, refined, and effective set of actions which are specific and complete enough to be seriously considered by the Governor and Legislature in the 2009 Legislative Session. The CAT will also continue to support the State’s engagement in regional and national efforts to meet the climate change challenge.  

The Makeup of the Climate Action Team  

As of July 25, 2008, the Climate Action Team includes: co-chairs Jay Manning (Ecology) and Juli Wilkerson (CTED); and members Ash Awad (McKinstry Company), Rob Bernard (Microsoft), Clare Breidenich (Western Power Trading Forum), Rod Brown (Washington Environmental Council), Tom Eckmann (Greenwood Technologies, LLC), Preston Feight (PACCAR/Kenworth Trucks), Jake Fey (City of Tacoma), KC Golden (Climate Solutions), Bob Gore (Department of Agriculture), Paula Hammond (Department of Transportation), Bryan Imai (Washington State Auto Dealers Association), Sara Kendall (Weyerhaeuser), Bill Kidd (BP), Mike Kreidler (Office of the Insurance Commissioner), Chad Kruger (Washington State University), Roberta Lewandowski (Futurewise), Jim Lopez (King County), Dennis McLerran (Puget Sound  

¹ http://www.governor.wa.gov/execorders/eo_07-02.pdf  
² http://www.ecy.wa.gov/climatechange/interimreport.htm
Clean Air Agency), Bonnie Mager (Spokane County), Bill Messenger (Washington State Labor Council), Dave Moore (Boeing), Carol Moser (Washington Transportation Commission), Steve Nicholas (City of Seattle), Aaron Reardon (Snohomish County), Steve Reynolds (Puget Sound Energy), Rich Riazz (Chelan County PUD), Bishop Greg Rickel (Episcopal Diocese of Olympia), Doug Sutherland (Department of Natural Resources), Terry Uhling (Simplot), Mary Verner (City of Spokane), Stefan Vogt (Alcoa), Tayloe Washburn (Foster Pepper), Terry Williams (Tulalip Tribe), and Lon Wyrick (Thurston Regional Planning Council).

The Democratic and Republican caucuses of the House and Senate have appointed representatives to participate on the CAT. Representative Dave Upthegrove and Senator Craig Pridemore will represent the Democratic caucus, and Senator Jerome Delvin and Representative Doug Ericksen will represent the Republican caucus.

Project management for the CAT is being provided by Janice Adair and Hedia Adelsman (Ecology) and Tony Usibelli and Cheryl Smith (CTED).

Meeting Summary

The CAT held its second meeting on July 25, 2008, at the Spokane Convention Center in Spokane, WA. The meeting was open to the public. All aforementioned CAT members were present at the meeting except Rob Bernard (Steve Lippman, alternate), Preston Feight (Dan Keiffer, alternate), Bob Gore (John Daley, alternate), Bill Kidd (Ralph Moran, alternate), Mike Kreidler (Chris Carlson, alternate), Carol Moser (Paul Parker, alternate), and Aaron Reardon (Sego Jackson, alternate). Legislative representatives included Senator Jerome Delvin, Senator Craig Pridemore, and Representative Dave Upthegrove.


There were six objectives for the meeting:

1. Receive status updates from the Implementation Working Groups (IWGs);
2. Receive status updates from the Carbon Market Work Groups (Forestry and Agriculture);
3. Receive status updates on related climate work (Land Use and Climate Change Committee, Green Jobs Initiative);
4. Discuss emerging cross-cutting issues among the IWGs, Carbon Market Work Groups, and related climate work;
5. Provide CAT members with an update on the activities of the Western Climate Initiative (WCI); and
6. Continue the discussion of governance of, and financing for, Washington’s long-term response to climate change.

3 www.westernclimateinitiative.org/
Energy Efficiency and Green Buildings (EE/GB)
Co-lead Tony Usibelli provided the CAT with a status update for the Energy Efficiency and Green Buildings (EE/GB) IWG, which has narrowed its list of topics to four areas. The first is the Energy Efficiency Quality Investment Program (EEQIP), a series of targeted incentives that promote the construction, retrofitting, and long-term operation of buildings at substantially higher levels of energy efficiency. The second is a series of measures to improve energy efficiency in existing, new and renovated public buildings. The third is a strategy to improve the State energy code and establish a continuous energy efficiency improvement program for buildings. The fourth proposes better use of Washington’s biomass and other resources in distributed energy systems, with a focus on combined heat and power systems (CHP) and district heating systems.

CAT members provided general comments on the EE/GB’s status and direction. A CAT member voiced particular support for the IWG’s fourth focus area, noting that widespread distributed energy generation at the residential or local level, although expensive, has been successful and appears to be an attractive proposition for GHG reductions.

CAT members had several comments on the IWG’s third focus area, improving the State’s energy code. CAT members remarked that changes to state code will entail costs to state and local agencies as well as businesses and individuals and as such a cost-benefit analysis for recommended changes would be helpful for the building code discussion. Additionally, code enforcement and the human resources and training to enable enforcement, are central to success.

A CAT member observed that alternative energy projects, such as biogas from dairy farms, need a cost incentive to help them compete with larger utilities. Furthermore, the scale of energy efficiency incentives has to be sufficient to create effective changes.

A CAT member noted that a variety of climate change policy options have a positive ability to reduce costs associated with them. For example, building codes in Washington have saved a tremendous amount of energy over the past 25 years. The current context of high energy prices is an important consideration, especially when economically attractive options present themselves. It is ironic to note that current budget issues are the result of high energy prices, when financing certain of these options will result in large revenue savings.

SEPA
Co-Lead Jim Lopez provided the CAT with a status update for the State Environmental Policy Act (SEPA) IWG. The SEPA IWG is focused on three interrelated areas of SEPA compliance and implementation. The first area is the procedural measurement and disclosure of climate change impacts. Second is the substantive mitigation of, and adaptation to, climate change impacts. Third is leveraging SEPA to encourage “climate friendly” development. The IWG’s fundamental assumption is that SEPA requires review of climate change impacts for nonexempt project and non-project proposals. The purpose of the guidance and clarification under development by the IWG is to avoid litigation and reduce climate change impacts.

A CAT member suggested that the SEPA question could be divided into two areas: Permitting and land development, and comprehensive plans and large public projects. On the permitting and land development
side, reaching the point of certainty in terms of codifying SEPA mitigation can avoid the potential for chaos. For large public projects, the disclosure side is more important since it allows elected officials and decision-makers to understand the consequences of alternatives.

The CAT discussed whether SEPA might undercut the premise of additionality as considered in the Western Climate Initiative’s Cap and Trade Program. The IWG co-leads are closely monitoring WCI’s development and are aware of the potential for mitigation strategies to include offsets under the Cap and Trade mechanism. If a project is undergoing SEPA review and GHGs are identified as a project impact, and the facility is covered under either WCI or a national cap and trade system, the administering agency would have the discretion to determine if the facility is sufficiently mitigated through the cap and trade system.

On the adaptation side, the SEPA IWG is looking at the extent of stress on the environment caused by climate change and the additional stress caused by project or non-project work. A CAT member commented that from a scientific perspective it is exceedingly difficult to differentiate climate impacts from natural variability, and avoiding the need for such differentiation will create a sounder legal framework.

The SEPA IWG does not yet have a definitive answer to the question of recreating baseline (1990) emissions levels. At the end of the process, the goal of the IWG is to produce a range of recommendations for the state to use.

**Transportation**

Co-Leads Lon Wyrick, Katy Taylor, and Dennis McLerran provided an update on the activities of the Transportation IWG, which focuses on vehicle miles travelled (VMT) reductions outlined in section 8 of ESSHB 2815. The Transportation IWG began with the thirteen strategies identified by the 2007 TWG and narrowed them to three specific areas: transit, ridesharing, and commuter choice; transportation pricing; and compact and transit-oriented development. The central criterion driving the selection of these strategies was maximization of return on investment. IWG members formed subgroups for each of the focus areas with the goal of developing prioritized draft action strategies for the September CAT meeting.

A CAT member asked how commerce fit into the group’s considerations. The IWG has not yet segregated that issue out specifically, but they recognize their overall charge includes how to move people and goods more efficiently, including implications for commerce.

A CAT member commented that the recent rapid increase in fuel prices might change some of the group’s underlying assumptions. In addition, certain peak oil predictions result in a corresponding drop in VMT estimates. This runs counter to current projections showing increased VMT, which are calculated based on historic numbers.

A CAT member commented that since funding is one of the key issues identified by the IWG, existing pockets of funds should be considered in addition to new pricing mechanisms. For example, there are currently over 300 vanpools that are not operating due to funding shortfalls.

**Beyond Waste**

Co-Leads Sego Jackson, Jay Shepard, and Jody Snyder provided an update on the work of the Beyond Waste IWG. The Beyond Waste IWG is primarily discussing removing food waste, paper, metals, and construction and demolition debris from the waste stream. Specific topics include optimizing the existing collection system, streamlining the permitting process for composting facilities, improving the market for
energy from anaerobic digestion, and subsidizing the use of compost in agriculture. The Beyond Waste IWG plans to deliver a broad strategic plan to the CAT which can be phased in over time.

A CAT member cautioned the Beyond Waste IWG against over-reliance on the WARM\(^4\) model to estimate the GHG reductions associated with paper and recycling. WARM is highly accurate when applied to removing paper from landfills but more flawed in its assumptions about reducing paper use.

A CAT member commented that as compost facilities expand their capacity there are corresponding odor issues for surrounding communities. The barrier to progress in this area is improving the technology at the facilities to control odor and reduce the impact to communities. In addition to the odor issue, the IWG should consider what the rate structure can support, as well as collection frequencies.

A CAT member noted that for all of the IWGs there are ancillary benefits, such as human health and environmental protection, which the groups should track. Sequencing is also important, since all of the recommendations have merit and that should not be lost given that some options will be put forward initially and others deferred to later.

### Status Updates from the Carbon Market Work Groups

#### Agriculture Work Group
Co-Lead Chad Kruger presented the CAT with an update on the Agriculture Work Group, with two specific points of emphasis. First, agriculture is the primary emitter of nitrous oxide and methane in the United States, and although a given change in agricultural practice has the ability to increase carbon storage it will also affect nitrous oxide emissions. Second, for baseline data needs, certain information is available but in many areas there is insufficient data for the cropping systems and models to predict and verify carbon storage to the degree required by the carbon market. The Agriculture Group is looking both at various practices and technologies that have sufficient data for accurate modeling. The group is also looking at building a database that will validate carbon trading information and demonstrate opportunities for complementary GHG reduction policies that will not be reached under a market-based system.

A CAT member commented that JR Simplot Company is in the process of having anaerobic digesters verified for acceptance nationally and internationally through a rigorous process.

A CAT member asked about the ability to credit anaerobic digestion for carbon reduction. Most protocols accept credits based on a lagoon system, and co-digested food waste is not counted despite the synergies that are created in terms of greater methane reduction.

#### Forest Sector Work Group
Member Clare Breidenich provided the CAT with an update on the Forest Sector Work Group. The Forest Sector Work Group is thinking broadly about what can be accomplished within its mandate, including leveraging the value of emission allowances to incentivize changes in the forest sector. The group has selected three priority areas: Avoided conversion, forest management, and afforestation/reforestation. The most substantive conversations to-date have been on avoided conversion, particularly the possibility of using a transfer of development rights (TDR) program at the level of local jurisdictions to incentivize TDR

---

\(^4\) Waste Reduction Model. Further information available at: [http://www.epa.gov/climatechange/wycd/waste/calculators/Warm_home.html](http://www.epa.gov/climatechange/wycd/waste/calculators/Warm_home.html)
receiving areas. Discussion of the forest management topic is underway within the group, particularly how
to credit forest management and harvested wood products in a cap and trade system. Afforestation/reforestation is in many ways the simplest issue to deal with from an offset perspective
because of the ease at which a baseline can be established. The Forest Sector Work Group has identified
several overlaps with the Energy Efficiency/Green Buildings IWG, including the consideration of lifecycle
analysis with embedded carbon in building products. Group members agree that it is beneficial to
incentivize carbon in wood products; however there is a lack of agreement around providing credit for such
carbon. Group members are also in broad agreement that the quality of available data is insufficient in order
to appropriately address avoided conversion and increased sequestration on forest lands. However, the
lack of quality data will not hinder the group from making recommendations to the CAT.

A CAT member asked if the group was addressing the distinction between commercial forest lands and
woodlots in rural areas. The group is addressing the two types of land independently to the extent that
incentives for keeping each type of land forested differ. Smaller landowners, for example, face different
economic forces than larger landowners and therefore will require a different mix of incentives to keep their
land in working forests.

A CAT member raised a note of caution on the controversy over rural cluster development, in particular the
potential to exceed urban growth boundaries and force counties and cities to provide services to distant
areas.

A CAT member asked to what extent the value of urban forestry can be quantified. From a compliance
perspective, serious issues of double counting arise if urban forests are captured elsewhere in a cap and
trade system.

A CAT member voiced serious reservations about the proposed role of offsets in a carbon market. As real
and binding limits on GHG emissions move forward, the need for emissions reductions within capped
sectors will be critical. Removing the incentives for capped sector reductions by essentially using offsets to
compensate for failure to achieve reductions within the capped sector will diminish the overall ability to
achieve deep GHG reductions. Emissions trading within a cap and trade program is a cost management
exercise, and 50% or more of emissions reductions from outside of the capped sector is too high.

Another CAT member responded that offsets are critical to keeping compliance costs low and should not be
limited to the amount currently specified under WCI (10%). A ton of greenhouse gas emissions removed
should be considered equal no matter where it came from. As well, Washington should receive appropriate
recognition for hydropower within the WCI allocation system.

### Status Updates on Related Climate Work

**Land Use and Climate Change Advisory Committee (LUCC)**

Juli Wilkerson and Joyce Phillips provided a summary of the Land Use and Climate Change Advisory
Committee (LUCC), a CTED-led process with six participating CAT members. LUCC’s final report is due to
the legislature and the Governor by December 1 and will contain several components, including addressing
actions taken by local government to address climate change, recommendations for changes to statutes to
help local governments address climate change, descriptions of existing and potential computer modeling
tools and other analytical tools available for this work, potential negative impacts, and any specific funding
needed to fully implement the recommendations. The most substantive discussions within the LUCC to date
have revolved around how the Growth Management Act (GMA) is or is not working with regard to climate change, and how to make GMA work more effectively in promoting positive climate actions by local government.

A CAT member commented that the LUCC should be focused on a positive orientation of what can be done to help communities become more climate friendly, rather than take the perspective that the best approach is to consider what can be done to prevent or minimize havoc in implementation of the GMA.

A CAT member observed that an important component of density and development in urban areas is affordable housing, which in some instances is hindered due to the high cost of insurance for such construction projects.

A CAT member commented that the LUCC is not considering other types of climate change impact that local governments must deal with, such as drinking water quality and flooding.

Green Jobs Initiative
Tony Usibelli of CTED gave a report on the progress to date on the green jobs and green economy goals set forth in ESSHB 2815, Section 9. CTED, in collaboration with the Department of Employment Security, WSU, and others, is developing a comprehensive survey of state employers to define a “green collar job” and the green economy. UW has also begun a study on improving women and minority-owned business participation, which will be completed by December 1.

A CAT member commented on the connection between the CAT’s recommendations and the number of clean jobs in the state. Every community in the country wants to be a model of the green economy, however unless the state takes steps to support green jobs, competitiveness will suffer. Another CAT member agreed, observing that “green is in the eye of the beholder”, and rather than arrive at a rigid definition the CAT should consider where and how the state will make investments in training, community colleges and infrastructure to attract green employment. This will involve targeting state resources toward existing strengths. Setting up a dichotomy between green jobs, with the implication that all other jobs are “dirty”, is not productive.

Cross-Cutting Issues

Bill Ross, the facilitator, provided an overview of the strategic approach to address issues that are arising in more than one climate working group. This will become more important as each working group develops its proposals into concrete recommendations, and will require close communication between the co-leads from each group.

Of particular note is climate friendly development, which is one of the most prominent issues to have arisen among multiple groups. The Transportation IWG, both carbon market working groups, and the LUCC are all interested in some form of climate friendly development, either through TDRs, GMA amendments, transit oriented development or other mechanisms. Transportation IWG members commented that VMT reduction strategies are highly dependent upon compact development. CAT members generally agreed that climate friendly development does not necessarily have to land on the agenda of any single group, provided the groups coordinate closely.
Financing for climate friendly development, in the form of incentives, credits, or infrastructure funding, is a critical piece of this issue. Revenue from allowance auctioning through WCI will not be available until 2012 at the earliest, therefore the CAT’s recommended actions for the 2009 session must be funded from other sources. Given the state’s current fiscal situation, requesting resources from the general fund during the next legislative session will be difficult at best.

The Forest Sector Work group, the EE/GB IWG, and the Beyond Waste IWG overlap on several topics, including forest products, green buildings, and product stewardship. CAT members emphasized the importance of close coordination between the three groups to ensure that their expertise is maximized, that their efforts are not duplicated, and that significant gaps are not created through misdirected assumptions.

**Western Climate Initiative Briefing**

Janice Adair of Ecology provided the CAT with an update on current WCI activities, mostly focusing on the recently released draft design recommendations for a cap and trade system. The design recommendations include restrictions on borrowing, three year compliance periods, allowance auctioning, and auction revenue use among other key design issues.

Several CAT members asked about auctioning and the distribution of allowances within WCI. Allowances will be tradable between participating states and provinces; however control over the use of auction revenue rests with each WCI partner’s legislature. If a cap and trade program is implemented and becomes operational, the first auction would be held in 2012. For uncapped entities, potential impacts from WCI may include increased energy costs; a legislature may decide to mitigate those costs, especially to small businesses, by providing resources from auction revenue or allowing those entities to develop offset projects.

CAT members engaged in a discussion of the use of offsets as described by WCI. CAT members were especially interested in the draft design proposal which limits offset use to 10% of an entity’s compliance obligation. Janice explained that the goal was to strike a balance between achieving emission reductions in the capped sectors (i.e. making sure emission reductions come from the sectors that generate GHGs) and the desire to allow cost containment and flexibility within the system while still maintaining some degree of control over where offsets occur. A CAT member commented that offset quality can be controlled through a disciplined auditing and certification process similar to the system used by the Chicago Climate Exchange (CCX), and the best way to achieve GHG reductions is by allowing open market transactions. Another CAT member agreed, adding that Washington and California will be uniquely disadvantaged by limiting offsets due to the high proportion of GHG emissions from the transportation sector, and that with a rigorous certification program there is no need to place a limit on offsets. However, the certification program must not be so excessively onerous that it becomes time consuming and difficult for offsets to enter into the system. Another CAT member expressed serious reservations about WCI’s proposal to allow capped entities to use offsets to achieve 10% of their compliance obligations, pointing out that this could allow an entity to achieve, in some cases, 100% of its emissions reductions via offsets. Setting a cap is a serious long-term policy solution to drive investment in alternatives to fossil fuels, and allowing a high percentage of offset use will weaken the system.

---

A CAT member commented that local preference for offsets provides advantages such as collateral benefits at the regional or local level. On a separate note, the draft design principles are not clear as to how WCI would interact with a federal system. For example, it is unclear how a federal low-carbon fuel standard would be handled by a regional cap on transportation fuels. Finally, it is critical that transportation not be delayed until the second compliance period. Because transportation makes up the bulk of GHG emissions, there will be minimal reductions in GHG from the transportation sector (even with VMT reduction strategies) until transportation fuels are dealt with under the cap. With respect to a federal system, Janice responded that the WCI partners have kept potential federal legislation in mind as they drafted the design principals, including the possibility of regional and federal programs coexisting.

CAT members discussed the need to ensure that allocations under WCI are fair to all partners without creating competitive disadvantages. Ecology has hired a contractor to perform an economic analysis across WCI to inform the discussion on competitive balance. Janice added that in terms of competitive advantage, specifically Washington’s hydropower capability, WCI provides an opportunity for Washington to inform the national debate on GHG legislation which is typically dominated by coal and auto manufacturing states. A CAT member added that the cap and trade system is devised to stimulate economic transformation, which will require minimal constraints on existing industries since they will be the primary drivers of the transformation.

A CAT member commented that native tribes have only recently reached a point where they have the financial resources to develop their own energy projects, and they would be interested in working with WCI on offset projects, carbon sequestration, and development of alternative fuels.

CAT members concluded with a discussion of next steps for WCI and the political challenges that will arise when the debate moves to the state legislature. WCI’s final design policy framework will be released after the September CAT meeting; the CAT Co-Chairs will organize some type of informational briefing for CAT members prior to the October CAT meeting. The Co-Chairs agreed that the political challenges for WCI are substantial, but CAT members should consider the potential alternatives of not moving forward, as well as what is to be gained by supporting WCI.

Discussion of Governance and Financing

Bill Ross updated the CAT on governance and financing for the state’s suite of climate-related policies. The most significant source of potential new revenue for climate programs would result from auctioning allowances within a cap and trade system, but as has been noted previously, this revenue would not be available until 2012 at the earliest. At the September meeting, CAT members will have an in-depth discussion of financing based on the directives from the legislature in HB 2815.

Next Steps

The next CAT meeting is scheduled for September 18 and 19 in Bellingham. During the interim, working group co-leads and facilitators will communicate and coordinate on cross-cutting issues.

Public Comment
Preston Hardistin of the Tulalip Tribe commented that CAT members should not look at the issue too narrowly and should keep their vision on adaptation and other measures down the line. Many projects might not go forward if the only criterion for acceptance is carbon reduction. It is important to tribes to keep mitigation and adaptation together because of the current climate ‘debt’ and the need to address adaptation in the future. With respect to the cap and trade system, there is merit in the proposal, but all carbon credits are not equal. Internationally, there are issues with carbon offsets displacing indigenous peoples and food prices rising because of competition for corn. In sum, socio-economic issues like human rights have to be considered, not just carbon.

Mike Petersen of The Lands Council expressed his appreciation for CAT members’ hard work. Mike pointed out that bold initiatives are necessary in order to persuade state citizens to take action on climate change, and by their very nature committees are not bold. One example of a bold initiative would be for Boeing, Avista and DOT to work together and announce the development of electric rail across the state.

Michael Fey of Environmental Innovations discussed the results of his research on Ponderosa pines as an energy source. Michael demonstrated a one-year old Ponderosa log that had undergone a gasification process to turn it into fuel. Byproducts from fuel creation can be used as fertilizer for additional tree growth and/or as an amendment for icy roadways. Michael commented that energy independence will require support for alternative projects.

The meeting adjourned at 4:00 pm.
Document Appendix

The following materials were distributed to CAT members at the meeting (these materials can also be found on the Washington Climate Change website - links provided below).

July 25, 2008 CAT Meeting Agenda

July 25, 2008 CAT Meeting Presentation

Memo: Financing Provisions in HB 2815

SEPA IWG Status Update

EE/GB IWG Status Update

Transportation IWG Status Update

Beyond Waste IWG Status Update

Forest Sector Working Group Status Update

Agriculture Sector Working Group Status Update