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# Washington Climate Change Challenge

## Climate Action Team

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### **Summary of First Meeting**

Tuesday, May 13, 9:30 a.m. – 3:30 p.m.  
Washington State Convention and Trade Center

Meeting documents are available on the Washington Climate Change website:  
[http://www.ecy.wa.gov/climatechange/2008cat\\_documents.htm](http://www.ecy.wa.gov/climatechange/2008cat_documents.htm)

### **Washington Climate Change Challenge and Climate Action Team**

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In February of 2007, Governor Christine Gregoire issued Executive Order 07-02,<sup>1</sup> 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*"<sup>2</sup>, 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**

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As of May 13, 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

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<sup>1</sup> [http://www.governor.wa.gov/execorders/eo\\_07-02.pdf](http://www.governor.wa.gov/execorders/eo_07-02.pdf)

<sup>2</sup> <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 Riazzi (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

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The CAT held its first meeting on May 13, 2008, at the Washington State Convention and Trade Center in Seattle, WA. The meeting was open to the public. All aforementioned CAT members were present at the first meeting except Preston Feight, Sara Kendall (Kristen Sawin, alternate), Jim Lopez, Bonnie Mager, and Aaron Reardon (Sego Jackson, alternate). **Legislative** representatives included Senator Jerome Delvin, Representative Doug Ericksen, Senator Phil Rockefeller and Representative Dave Upthegrove.

Members of the public and interested stakeholders in attendance included private citizens and representatives from the House Technical Committee, House Ecology and Parks Committee, Douglas County PUD, Department of Transportation, Alcoa, Office of the Insurance Commissioner, Daily Environment Reporter, Washington Physician's for Social Responsibility, Sierra Club, Alliances Northwest, Nature Conservancy, Department of Fish and Wildlife, Washington Forest Protection Association, Foster Pepper, Congressman Jay Inslee's office, City of Tacoma, Department of Community, Trade, and Economic Development, URS, Chelan County PUD, League of Women Voters of Washington, Avista Corporation, Puget Sound Energy, NW Food Processors Association, Department of Agriculture, Washington State Transportation Commission, House Democratic Staff, Senate Committee Services, Bonneville Power Administration, EPA Region 10, Western States Petroleum Association, Zipcar, Washington Environmental Council, Association of Washington Cities, Clark County PUD, Washington Refuse and Recycling Association, Ecology and Environment Inc., King County, and the Association of Washington Businesses.

There were six objectives for the meeting:

1. Review the purpose and charge of the 2008 Climate Action Team (CAT);
2. Review the structure and process for 2008, including the workplan, ground rules, and expectations;
3. Provide an overview of the relationship between the CAT, the carbon market workgroups for the Agriculture and Forestry Sectors, the GMA Advisory Policy Committee; and the Green Jobs workgroup;
4. Review and affirm the scopes for the Implementation Working Groups;
5. Provide CAT members with an update on the activities of the Western Climate Initiative (WCI)<sup>3</sup>; and

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<sup>3</sup> [www.westernclimateinitiative.org/](http://www.westernclimateinitiative.org/)

6. Begin a discussion of governance of and financing for Washington's long-term response to climate change.

## **Purpose and Charge of the 2008 Climate Action Team**

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The CAT co-chairs, CTED Director Juli Wilkerson and Ecology Director Jay Manning,, thanked returning and new CAT members and reviewed the charge to the 2008 CAT: Transform the successful and comprehensive work of 2007 into 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's primary responsibilities are to:

- Scope and shepherd the work of Implementation Working Groups (IWGs);
- Create the base of support necessary for the CAT's 2008 recommendations and policy development;
- Provide advice on how the CAT's recommendations fit with emerging regional/national cap-and-trade programs;
- Consider revenue implications and broad funding issues; and
- Assess the final overall IWG package.

The focus of the CAT will be to generate specific action-oriented state-level policy recommendations to complement the greenhouse gas reductions that are expected to occur under a cap-and-trade system. The CAT will neither debate the science of climate change nor revisit the goals established in Executive Order 07-02.

The CAT will participate on, and provide guidance to, four Implementation Working Groups (IWGs) that will develop specific mitigation policies. The CAT, with the support of the IWGs, will develop, refine and approve specific climate policies and programs that:

- Maximize the efficacy and efficiency of GHG emission reductions or storage
- Meet multiple goals both within and across sectors
- Make sense for Washington and for Washington's economy.

In addition, the CAT will receive updates and opportunities to comment on the State's engagement in the WCI process to design of the market-based system. Specific work to prepare for the market-based system at the State level as called for in ESSHB 2815 will focus principally on two sectors: Forestry and Agriculture. Over the course of the process, the CAT will have periodic opportunities to provide input to the State as these efforts evolve. To facilitate this, the CAT meeting schedule has been deliberately set to coincide with the WCI schedule for the release of draft proposals. If GHG reduction opportunities are identified within the Forestry and Agriculture sectors that will not be covered through a market-based system, that work will then be considered by the CAT. The CAT will also receive periodic progress updates about meeting the green jobs component under the 2008 legislation.

By October 31, 2008, the CAT will deliver a package of specific policy implementation proposals to Ecology and CTED. This timing is necessary for the proposals to receive consideration by the 2009 Legislature. The CAT's recommendations will be part of a larger comprehensive report from Ecology and CTED to the Legislature, which is due December 1, 2008 as part of the requirements of meeting ESSHB 2815.

## Principles and Expectations of the Process

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Bill Ross, the facilitator, briefly reviewed the key principles of the 2008 CAT process. The process is a fully transparent, inclusive and fact-based step-wise approach. The CAT will consider short, medium and long-term periods of action, strive for consensus and be implementation oriented.

CAT members agree to:

- Support the process and collaborate in good faith;
- Provide leadership and a vision for how Washington will rise to the challenges and opportunities of addressing climate change;
- Act as equals during the process;
- Attend each meeting in order to move forward with no backsliding once a decision has been reached; and
- Provide objective, fact-based comments.

## Organization of 2008 Climate Work in Washington

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Bill Ross reviewed the climate work underway in Washington in 2008. Significant pieces of climate-related legislation that passed during the 2008 Legislative Session include ESSHB 2815, *Creating a framework to reduce GHG emissions in Washington State*<sup>4</sup>, and ESSB 6580, *Addressing the impacts of climate change through the growth management act*.<sup>5</sup> In addition to calling for continuation of the CAT process, the legislation supports the continued involvement regionally by Washington in the WCI process, establishes a Land Use and Climate Change Advisory Committee led by CTED, and charters an effort to stimulate a cleaner, greener economy, also led by CTED. The various efforts overlap to some degree, and the work will be coordinated where possible to minimize duplication of work.

Janice Adair (Ecology) provided details on ESSHB 2815, which calls for Ecology and CTED to:

- Continue participating in the design of a regional multi-sector market based system;
- Identify opportunities for voluntary participation of Washington's forest and agriculture land;
- Report on progress in achieving GHG emissions reductions; and
- Identify the actions and authorities necessary to reduce GHG emissions by 2020, 2035, and 2050;

To meet the multi-sector market mechanism design parameters described in ESSHB 2815, Ecology and CTED must provide an implementation path, a proposed budget for the implementation path, and specific recommendations for voluntary participation from local governments, and the forestry and agriculture sectors, and recommendations on offsets or credit from alternative fuels, electricity from landfill gas, and gas from anaerobic digesters.

### Agriculture and Forestry Working Groups

Two subgroups will be convened to develop recommendations to meet the requirements contained in ESSHB 2815 around voluntary participation by the agriculture and forestry sectors in carbon markets. Craig Partridge of the Department of Natural Resources, and Stephen Bernath of Ecology, are co-leading the Forestry Sector Carbon Market Working Group. CAT member Chad Kruger of Washington State University

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<sup>4</sup> <http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/House%20Passed%20Legislature/2815-S2.PL.pdf>

<sup>5</sup> <http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/Senate%20Passed%20Legislature/6580-S.PL.pdf>

(WSU), and Kirk Cook of the Department of Agriculture, are co-leading the Agricultural Sector Carbon Market Working Group.

Forestry is seen as a promising participant in the capture and storage of carbon; an estimated 30 million tons of carbon are stored in Washington's forests, and forest land owners can continue to play a carbon storage role while coordinating with GHG offset purchasers who seek assurance of the quality of offsets. Under the legislation, the working group is looking at marketable projects and products, which could include conversion, forest management, and reforestation. There will be non-market policy tools needed to achieve some GHG reductions in the forestry sector, and the Forestry Group will attempt to address some of these as time allows. CAT members encouraged the Forestry Group to not limit its analysis solely to market-based policies.

Likewise, agriculture has a potentially large capacity to store and capture carbon and WSU has already assembled a significant body of work on the topic. The Agricultural Group has a charge similar to the Forestry Group, which is to develop methods and policies that can provide certainty to any potential purchasers of an agricultural carbon offset. A significant amount of documentation is needed for market participation, and the group will assess the available data and make recommendations for potential initial offsets.

CAT members discussed the need for further information on effective planning for water resources, in particular to ensure the reliability of a regional food supply. Jay Manning noted that there have been, and continue to be, efforts to assemble water supply augmentation plans focused on in-stream and outflow water use. The CAT commented that as long as water supply issues are indeed addressed through other processes, it is less consequential if these efforts are not dovetailed into the current work on climate change.

#### **Land Use and Climate Change Advisory Committee**

ESSB 6580 outlines membership for a GMA advisory policy committee comprised of both voting and non-voting members and convened by CTED. The proposed Land Use and Climate Change Advisory Committee has 25 members, four of whom are also on the CAT. The group will be looking at recommendations related to the growth management act and climate change, and will link to other activities, including the Department of Transportation's work on vehicle miles travelled (VMT). The group will look at the development of specific tools for local governments to deal with climate change. There is also a provision in the legislation for a pilot program, the extent of which is currently under review given the program's budget.

#### **Green Economy**

Section 9 of ESSHB 2815 directs CTED, the Department of Employment Security, and WSU to further study the green components of Washington's current economy, especially the labor market and green collar jobs. The section also contains provisions for workforce planning and development, with specific funding for the University of Washington to examine linkages to minority and women-owned businesses. CTED is collaborating with the Workforce Board and Department of Employment Security to develop a workplan for these tasks. CTED will brief the CAT on this process, and the joint Ecology/CTED website and ListServ will be used to provide updates on major milestones. Juli Anderson of CTED is the lead staff person responsible for this effort. CTED will meet with CAT member Bill Messenger of the Washington State Labor Council to discuss the connection of this effort to labor.

## Implementation Working Groups

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The CAT has chartered four IWGs to develop policy recommendations for mitigating GHGs: Transportation, Energy Efficiency and Green Buildings, Beyond Waste, and SEPA. IWGs will be fully integrated with the CAT; CAT members will provide input, suggest needed analysis, and contribute to policy and program development at the IWG level. CAT members may actively participate in one or more IWG, and are expected to maintain sufficient connectivity with all IWGs. The CAT is encouraged to provide feedback to help steer the IWGs, and an open dialogue and engagement with the CAT around the proposed IWGs will be crucial to their success.

Co-leads for each IWG have been identified and the groups are in the process of assembling their members. The member lists are mostly stable at this time. IWG scopes have been drafted that are designed to be both meaningful and limited enough that the IWGs can move forward specific, important, and implementable strategies.

The CAT provided general comments on the IWG approach and scopes. One member commented that if Washington can successfully promote compact, attractive and affordable communities in the next few years, it will go a long way toward reaching the proposed VMT reduction goals. The work of the SEPA IWG and the Land Use and Climate Change Advisory Policy Committee will be an opportunity to encourage and facilitate development of compact communities.

The CAT discussed a concern that in the absence of sufficient guidance, the IWGs will be tempted to pursue only low-hanging fruit which will not make significant progress towards achieving 1990 GHG emissions levels by 2020. As the IWG recommendations come forward, the GHG reductions will be quantified, and the job of the CAT and IWGs will be to come up with the proportional share of reductions necessary to contribute significantly towards meeting the State's 2020 emission reductions.

A CAT member brought up the topic of adaptation and the need to continue developing a strategy for managing the shifts from climate change in fish, plant, and animal species. The work on adaptation was a large component of the State's climate work in 2007 and will continue in 2008, but due to limited capacity, it will be at a smaller scale and pace than last year, and will not be a part of the CAT's responsibilities.

A CAT member observed that the four IWGs laid out in the 2008 CAT's scope of work do not feel equal in importance with regards to potential GHG reductions. Specifically, the Transportation IWG and the Energy Efficiency and Green Buildings IWG seem to have greater potential tonnage reductions than SEPA and Beyond Waste. Additionally, the Transportation IWG scope does not emphasize cleaner vehicles and fuels. Janice responded that the Transportation IWG is not looking at these issues specifically because WCI is evaluating the potential to include transportation fuels in the emerging cap-and-trade system, and considering complementary policies. It may be possible to build on the work already done in California on low carbon fuels in order to maximize resources and not repeat the work of others. Ecology intends to develop a white paper on low carbon fuels and CTED will do the same for plug-in hybrids.

The co-leads for the four IWGs provided overviews of the current status of their groups:

### **Transportation IWG**

As with the other groups, the membership for the Transportation IWG was chosen to include a diverse range of interests. The group's primary charge under statute in ESSHB 2815 is to consider ways to reduce VMT 18% by 2020, 30% by 2030, and 50% by 2050. The focus will be to identify current and new state strategies

to reduce VMT as well as other applicable strategies that will reduce transportation emissions. Since approximately half of the state's GHG emissions come from the transportation sector, one of the keys to the group's success will be to build on the work of the 2007 CAT. In addition, the group will consider new revenue options to finance VMT and other emission reduction efforts, will provide for the development of measurement tools, and will establish a process to periodically evaluate progress toward the VMT goals. VMT reduction is an important direction from the legislature; and it is also a rubric for a complex set of issues including land use and density that will require a great deal of work in a limited timeframe. The legislation contains specific direction around urban and rural considerations, so the group will also look at those distinctions.

CAT members provided their comments and feedback on the Transportation IWG to the co-leads. One CAT member pointed out that there was no discussion in the scope regarding the movement of freight, nor was there mention of carbon emissions reduction as a criteria for transportation project funding in addition to safety and congestion reduction. Paula Hammond, Director of the Department of Transportation, commented that climate change is one part of the overall program to maximize the efficiency of the existing transportation system, to manage the various components of the system effectively, and to remove chokepoints with targeted capital projects.

### **Energy Efficiency and Green Buildings IWG**

The challenge of the Energy Efficiency and Green Buildings (EEGB) IWG is to consider how to build on the current efficiency achievements in Washington and the Pacific Northwest in a way that ensures continued reductions of GHG emissions from the built environment. The EEGB scope of work focuses on those areas where significant potential exists for GHG reductions from both regulatory and incentive approaches, such as building codes, appliance standards, and business tax breaks.

CAT members suggested that this IWG communicate with developers in Washington who have retrofitted existing buildings to reduce their water, electricity, and sewage footprints to determine the types of incentives that encourage this type of activity. Additionally, it will be important for this group to consider the role of industrial operations, not just residential and commercial buildings, so that efficiency improvements can be realized in the industrial sector.

A CAT member added that there are a large amount of economically attractive emissions reductions in this sector, and one product of EEGB should be to suggest which regulatory obstacles could be cleared in order to make this happen. The CAT member added that the group should also consider the role of technology and the interface between "smart" buildings and networked systems.

### **Beyond Waste IWG**

The general goal of the Beyond Waste IWG is to significantly expand source reduction by targeting materials with the most GHG potential. To this end, the Beyond Waste IWG will consider how to manage materials, resources, and products most efficiently, and ways to remove organics from the waste stream so that they can be made available for other uses such as soil carbon sequestration, composting, and bioenergy. According to Washington's GHG inventory, existing and measurable recycling led to nearly 3.2 million metric tons of CO<sub>2</sub>e avoided, which amounts to nearly half of all home energy use in the state. The Beyond Waste IWG will work closely with the Agricultural Working Group on common issues related to separating and utilizing organics from the waste stream.

### **SEPA IWG**

The primary role of the SEPA IWG is to provide recommendations that can help the State use the State Environmental Policy Act (SEPA) effectively to help reduce climate change impacts in a timely manner. The group will provide specific guidance in three key areas: 1) procedural measurement and disclosure of climate change impacts, 2) substantive mitigation of, and adaptation to, climate change impacts, and 3) leveraging SEPA to encourage “climate friendly” development. The group will be looking at how to incorporate climate change guidance into SEPA in a concrete way that enables SEPA to contribute to solutions.

Litigation is already underway in California due to a lack of clarity on where to address climate change, and the hope is that the recommendations from the SEPA IWG can help prevent this from occurring in Washington. SEPA alone is not a major ‘program’ to reduce emissions, but this IWG is about providing clarity, predictability, and timeliness as SEPA is used to address GHG emissions. The Department of Ecology believes it has the authority to incorporate climate change into SEPA; if additional authority might be needed to implement the IWG’s recommendations, the Legislature will be consulted.

A CAT member commented that lawsuits have also been filed in Alaska against the federal government due to the impacts of climate change on natives and the failure to protect tribes. A broader conversation with tribes is necessary to avoid creating chokepoints and issues that would otherwise have to be addressed later in project and program planning and implementation.

## **Western Climate Initiative Briefing**

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Janice Adair of Ecology gave an overview of WCI and provided the CAT with an update on current activities. WCI is a collaborative effort involving multiple stakeholders working together to design a market-based system to reduce GHG emissions. WCI partners and observers include several western states, Canadian provinces, and Mexican states. WCI is a microcosm of the United States in that its partners range in size, demographics, energy portfolios, and political ideologies. Since this a voluntary effort by the partners, WCI lacks a ‘forcing mechanism’ for its ultimate decisions. In other instances where states have come together to design a multi-state program, there has generally been the specter of federal government intervention if the states did not succeed. In the case of WCI, there are ten independent jurisdictions participating, each of which must each report back its respective legislature in order to implement the design developed through WCI. The ultimate outcome of this will be determined over the coming months.

A cap does not by itself achieve emissions reductions; it merely specifies the number of tons that can be emitted. The entities covered under the cap either have to reduce their emissions independently, or purchase allowances from others. The policy recommendations developed through the CAT process will help achieve the state’s GHG reductions by supporting individual and sectoral activities throughout the economy that support entities both within and outside of the cap.

Within the next week, WCI will be issuing proposals on how to create a joint administrative structure that can approve protocols, coordinate review of offsets, track emissions allowances, and help coordinate auctions to ensure adequate and efficient implementation of the emerging cap-and-trade program.

Janice briefed the CAT on the deliberations of several of issues being considered by WCI sub-committees:

- **Allocations:** The topic of allocations is a major discussion item for WCI. The partner jurisdictions are currently soliciting public comments for the minimum percentage of allowances to be auctioned.

To the extent that there are credits for early action, the cap will not be increased to account for these reductions. ICF International has been contracted to analyze various options for auction levels and percentages of offsets to inform the deliberations of the allocations sub-committee. There will be an opportunity for public review and comment of this analysis.

- **Reporting:** The reporting sub-committee within WCI has developed a draft of essential reporting elements to be included in the system, and WCI partners agreed to use the reporting infrastructure being developed by The Climate Registry for WCI reporting. Reporting will begin in 2010 prior to initiation of the cap-and-trade program in 2012.
- **Offsets:** Several questions around offsets have yet to be resolved, specifically:
  - The number of offsets that will be made available;
  - The verification system for offsets, either through approved protocols or other methods; and
  - How to connect with other cap-and-trade programs around the country and the world.It is anticipated that any entity will be able to propose additional offsets to WCI, including government entities or a consortium of entities on behalf of a private company.
- **Electricity:** WCI's electricity sub-committee has drafted two design proposals for point of regulation and discussions are ongoing regarding the pros and cons of these designs. The first design is a generator-based system; electricity generators within partner jurisdictions would be subject to the cap. This design is considered easier; however it would not cover emissions from states or provinces outside of WCI, the federal government, or tribal lands. The second design proposal is a first jurisdictional deliverer system; this approach would cover electricity generators as well as the first partner to have jurisdiction, and would include imported power. WCI is also exploring the possibility of moving forward with a generator-based system in collaboration with the Western Electric Coordinating Council, which would partially achieve coverage of imported power. Both of the proposed design alternatives have been mapped on a state-by-state basis.
- **Transportation Fuels:** There are several critical, unresolved questions around the issue of transportation fuels:
  - Given that gas prices are now approaching the point at which consumer demand begins to change, should WCI adopt a strategy that will internalize carbon in fuel costs and effectively increase gas prices further?
  - Given that the transportation sector accounts for 50% of GHG emissions, what type of message would WCI send by not addressing this source?
  - If the cost of transportation increases faster than longer-term planning investments in communities, will the economy be put at a disadvantage by increasing costs of transportation fuels?
  - If transportation fuels are not included in WCI, how will it be possible to take advantage of fuel switching and the allowances that this creates?

Once WCI decides whether or not to include transportation fuels in its work, the Transportation IWG will have greater clarity about the number of potential GHG emissions reductions it is addressing.

Once the final design for WCI is drafted and released in early fall, each state and province will go through its own internal review process to implement it. Washington will continue to work with stakeholders and legislators throughout the summer and fall, and WCI is also continuing to hold stakeholder meetings. All draft materials and opportunities for public comment are posted on the WCI website.

### **CAT Member Questions and Comments**

A CAT member asked about the potential interface between WCI and a future federal cap-and-trade system. Janice responded that WCI partners are closely tracking federal activities and the potential alignment of WCI with a federal system. It is becoming increasingly evident that a federal system will be developed, and WCI

partners understand that a highly developed and functional regional system will have significant influence on the development of a national cap-and-trade program.

Another CAT member requested clarity on the idea of funding the system through auctions. There will be no auction income from the program until 2012 at the earliest. Each state and province in WCI will operate its own auctions, and the revenue generated would be available to the state or provincial legislatures to appropriate as they see fit. However, the legislation that authorizes the cap-and-trade program within each jurisdiction could include language that sets some parameters as to how auction revenues should be spent, such as assisting lower income populations or funding adaptation programs.

A CAT member asked for a definition of 'early action'. Early action is an action that has resulted in a verified, measurable GHG reduction before it has been required by statute or before the cap-and-trade program goes into effect. Reductions from early actions must be long-term and sustainable over time, but actions that qualify have not yet been defined. Credit for early action could include receipt of a certain number of allowances at a cost that recognizes the early actions.

A CAT member commented that the inclusion of transportation fuel in the cap is critical, and that no climate policy includes a legally binding commitment to reduce emissions without acknowledging an impact on fossil fuel prices. Complementary policies to deal with transportation fuel could be constructed outside of a cap, but having transportation fuel fall under the cap will make the job much easier. Two years ago the state was debating whether or not a nine cent per gallon gas tax was politically feasible; fundamental prices of fuel are now pushing the issue faster than political considerations as gas prices have far exceeded that amount.

A CAT member asked if there is a contingency plan in the event that the WCI process derails. Washington's representatives to WCI have taken the position that success is imperative, and that the process has been set up as well as possible to ensure success. WCI is crafting a bold but rational design for the member jurisdictions to bring back to their legislators, and having multiple jurisdictions agree to the design may help build momentum to push through a critical mass of participants.

## **Discussion of Governance and Financing**

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The CAT discussed institutionalizing the role of the State with respect to climate change. Possible functions include supporting research and development activities, ensuring program capacity at all governmental levels, and preparing for and assisting with adaptation. Jay Manning suggested that the current fiscal climate for Washington is not conducive to making major requests for funding at this time; however, the CAT should not limit its recommendations based on resource constraints, and instead should remain focused on providing the best advice possible on what a well-designed state climate program should look like, and how it might best be financed over the long term.

A CAT member added that when GMA was adopted seventeen years ago, the funding issue for infrastructure was not adequately addressed and the consequences of that omission are still being felt today. The anticipated revenue from the green economy and expanded clean technology sector could substantially contribute to the fiscal infrastructure of a climate change program. The CAT proposed that a group of finance experts be convened to strategize various approaches to funding, and that additional ideas be brought to the CAT for consideration at its July meeting.

A CAT member commented that the impacts of climate change are already being felt with shorter winters, earlier spring runoffs, and summer droughts, and that the combined impacts of climate change on precipitation and land use will become increasingly magnified over time. There is currently an annual 30% loss of water supply in the state which, though already significant, will become highly problematic with the projected increase in regional population. Education will be critical to ensure that citizens understand the importance of mitigating climate change impacts, especially on water supplies.

## **Next Steps**

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The next full CAT meeting is scheduled for July 25 in Spokane. CAT members are encouraged to arrive in Spokane the night before the meeting as there will likely be an event to attend. A CAT member suggested chartering a biodiesel bus for the trip to Spokane to demonstrate the CAT's commitment to take action on climate change; alternative options will be investigated and proposed to the CAT.

The IWGs will be convened and underway within the next few weeks, and WCI's interim design will be released shortly before the next CAT meeting.

## **Public Comment**

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There were no comments from the public.

The meeting adjourned at 3:30 pm.

## Document Appendix

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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).

May 13, 2008 CAT Meeting Agenda

[http://www.ecy.wa.gov/climatechange/2008CAT\\_meetings.htm](http://www.ecy.wa.gov/climatechange/2008CAT_meetings.htm)

May 13, 2008 CAT Meeting Presentation

[http://www.ecy.wa.gov/climatechange/2008CAT\\_meetings.htm](http://www.ecy.wa.gov/climatechange/2008CAT_meetings.htm)

2008 CAT Workplan

[http://www.ecy.wa.gov/climatechange/2008CAT\\_meetings.htm](http://www.ecy.wa.gov/climatechange/2008CAT_meetings.htm)

Transportation IWG Scope

[http://www.ecy.wa.gov/climatechange/2008CAT\\_meetings.htm](http://www.ecy.wa.gov/climatechange/2008CAT_meetings.htm)

Energy Efficiency and Green Buildings IWG Scope

[http://www.ecy.wa.gov/climatechange/2008CAT\\_meetings.htm](http://www.ecy.wa.gov/climatechange/2008CAT_meetings.htm)

Beyond Waste IWG Scope

[http://www.ecy.wa.gov/climatechange/2008CAT\\_meetings.htm](http://www.ecy.wa.gov/climatechange/2008CAT_meetings.htm)

Forest Sector Workgroup Charter

[http://www.ecy.wa.gov/climatechange/2008FA\\_for.htm](http://www.ecy.wa.gov/climatechange/2008FA_for.htm)