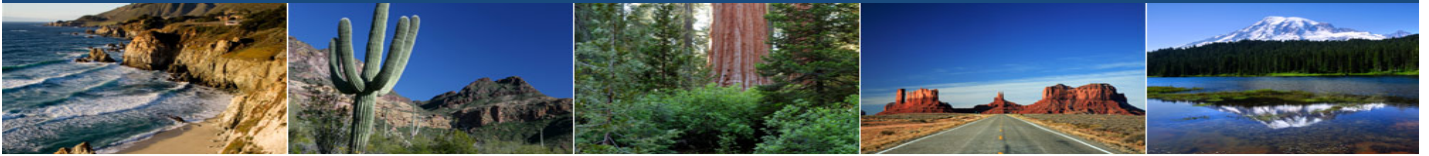


# Western Climate Initiative



## Design Principles for a Regional Cap and Trade Program

September 25, 2007

To attain the Western Climate Initiative's greenhouse gas reduction goal, the members are committed to designing a system that:

1. Is equitable, administratively simple for government and private participants, minimizes administrative costs, and has a clear compliance path;
2. Maximizes total benefits throughout the region, including reducing air pollutants, diversifying energy sources, and advancing economic, environmental, and public health objectives, while also avoiding localized or disproportionate environmental or economic impacts;
3. Requires all reductions to be real, surplus/additional, verifiable, permanent, and enforceable;
4. Stimulates investment, especially in low carbon technologies, and rewards innovations that will lead to long-term permanent greenhouse gas reductions;
5. Covers as many sources as is practical, while encouraging pollution reductions beyond the capped sources and sectors;
6. Provides appropriate recognition and incentives for early emissions reductions;
7. Assures a transparent and robust accounting system that will measure and report emissions rigorously and consistently across all sectors and throughout the region;
8. Minimizes the potential for leakage; and
9. Facilitates linkage to similarly rigorous regional and international greenhouse gas reduction markets and encourages other states, provinces, and countries to join the market.