

Memorandum

To: Washington Climate Advisory Team

From: Bill Ross, CAT Facilitator

Re: Overview of remaining CAT work and initial draft description of emerging directional recommendations

Date: November 5, 2007

Dear Climate Advisory Team members,

Thanks to your ongoing involvement and commitment, the CAT has made significant strides towards establishing the direction as to how Washington State can reduce greenhouse gas emissions, grow our clean energy economy, and move towards greater energy independence. There is, however, still much work to accomplish, and as we move into the critical remaining phases of this process, I want to provide you with an overview and sense of pacing of the work that remains to be done, as well as an initial description of the possible directional recommendations that I have heard begin to emerge from CAT discussions at recent meetings.

Overview and Pacing of Remaining Meetings

Three meetings remain for the CAT to review and approve key sector strategies, and to refine and endorse what I am calling a 'Comprehensive Climate Approach' for Washington. We anticipate the pace for completing this work over the remaining meetings as follows:

- **November 15-16, Olympia:**
 - The CAT will review and, as appropriate, affirm the approximately 35 remaining TWG policy options (as it did the initial 10 TWG policy options that were complete and ready for CAT consideration at the October 4 meeting).
 - The CAT will review a draft version of a matrix that lays out GHG emissions savings in 2020, cost estimates (net present value from 2008-2020 and cost effectiveness), and other key considerations for each still viable TWG option. The CAT will direct staff and consultants on how to fill in this matrix in the manner most helpful for the CAT, as well as suggest an approach for identifying key cross-cutting issues for CAT use at the December 4-5 meeting.
 - The CAT will continue to establish a foundational direction for a 'Comprehensive Climate Approach' by continuing to identify, discuss, and refine key elements/recommendations.
 - The CAT will discuss the approach to developing its final report. The substance of this report will be developed as the CAT deliberation continues; however the CAT will set in motion the drafting of those sections deemed 'ready to go'.

- **December 4-5, Seattle:**
 - The CAT will look across all of the reviewed and affirmed TWG policy options using the now completed master matrix, which will provide a high-level guide to all of the options in conjunction with the detailed policy option templates, to tentatively agree on which sector-specific strategies to recommend. The CAT will refine its support for the TWGs' options using a cross-walk that identifies cross-sector issues, connections with elements of the 'Comprehensive Approach', synergy with PAWG recommendations, and other considerations.
 - The CAT will begin to converge around key 'statements' or policy directions that describe what a 'Comprehensive Climate Approach' entails and what it could accomplish for Washington.
 - The CAT will be presented with initial draft pieces of the final report for input and comment. The draft will be updated based on discussions at the meeting.

- **Between December 5 and January 25 – Public Outreach:**
 - The draft report will continue to be developed and refined, with sufficient opportunity for input and comment from CAT members between meetings.
 - The draft CAT recommendations will be presented with the draft PAWG recommendations in January for public comment in a series of public meetings [TBD] and online.
 - Themes that emerge from public meetings/comments will be summarized for the CAT at a high level and presented to the CAT at the January 25th meeting for consideration as the CAT report is finalized. Specific comments will also be forwarded to the Governor and the Legislature for consideration in any follow-up efforts, and comments received electronically will be posted on the public website.

- **January 25, Olympia**
 - The CAT will review and approve the final report.

Status and Expectations for Sector-Specific Strategies

The TWGs are continuing their remarkable progress, and all remaining policy options will be completed for CAT consideration at the November 15-16 meeting. The details on the remaining mitigation policy options from each TWG will be distributed one week in advance of the meeting for your review. These sector-specific strategies being developed by the TWGs are the critical underpinnings of this process, and represent significant accomplishments as you move towards articulating and refining your recommendations for the Co-Chairs about the range of policies and strategies the State of Washington might adopt or undertake.

The suite of recommended sector-based policy options that the CAT develops in December, timed, tiered and/or prioritized (or not) as the CAT sees fit, will be a key element of the 'Comprehensive Climate Approach'. While some cross-cutting issues may become overarching directional considerations as part of the 'Comprehensive Climate Approach', most sector-specific goals and priorities will be addressed through this compilation of individual sector-specific strategies. Meeting the goals for Washington will require the full participation of all sectors, and the emission reductions from these strategies will be aggregated accordingly. By looking across the entirety of recommended sector-specific strategies, and considering assumptions around implementation, the CAT can assess if the output of the collective recommendations is sufficient to address the goals

through overall emissions savings, fuels expenditure savings, and jobs creation. As you know, cost impacts will be considered on a net present basis and a cost effectiveness basis. Those actions already previously established as state policy will also be identified, and the CAT's recommendations may include recommendations for further implementation of these policies, as appropriate.

'Directional Elements' of the 'Comprehensive Climate Approach'

In addition to the sector-specific options, I have heard the CAT begin to express a number of 'directional' elements of the 'Comprehensive Climate Approach' at recent meetings. In order to stimulate further discussion in November, I am building off of my summary at the October meeting and presenting it here in a more organized fashion for your consideration. As I do so, let me emphasize the following: I am not assuming that any one CAT member has 'agreed' to any or all of what follows below. These themes and observations are presented for each of you to consider and either affirm, amend or reject at the November and December meetings. I know these are my words, and not yet yours. I am hopeful that this approach will help the CAT discuss and decide what recommendations (and words) are indeed yours. Additional detail on these will be presented for discussion at the November meeting, and Lydia and/or I will be discussing this in our pre-meeting check-ins with each of you.

Building blocks of the 'Comprehensive Climate Approach' include: a directional recommendation that the use of market mechanisms are invaluable instruments to help ensure that emissions reductions goals are achieved efficiently and effectively economy-wide and support many of the sector-specific policy options coming from the TWGs; a description of the functions government should fulfill as the Approach is institutionalized and implemented over time; identification of tools, resources and authorities needed to implement and perform these functions; and an explanation of some of the substantive economic opportunities within Washington's economy that are enhanced by this Approach. Given this, I believe that the CAT has begun to articulate the following potential directional guidance:

- Any comprehensive approach to meeting the challenges and opportunities presented by global warming requires the sustained commitment to:
 - Continue learning about what needs to be done;
 - Adapt based on what lessons have been learned over time; and
 - Acknowledge that reducing sufficient greenhouse gas emissions and adjusting to the impacts of climate change will be a long-term effort.
- Implement strategies as quickly as possible while being intelligent about what is being put in place. Washington should implement strategies that reduce the impacts of climate change as quickly as possible in a manner that is as effective and efficient as possible. The legislature and the Governor should make "faster and smarter" a priority as they strike a balance between the unavoidable tension that arises between moving forward and waiting until additional information is available.
- Market-based approaches are preferred when implementing economy-wide strategies to reduce greenhouse gas emissions, and should:
 - Stimulate and support the investments, business practices and behavioral changes needed to reduce GHG emissions;
 - Avoid creating artificial financial windfalls within and across sectors and between producers and consumers;
 - Be directed at performance goals and thus be as technology-neutral as possible.

- The regional and collaborative approach being taken by Washington to develop a cap-and-trade mechanism through the Western Climate Initiative represents significant potential, and the State should continue to play a leading role in its successful development.
- The State should prepare for using markets to support greenhouse gas emissions reduction by developing an appropriate emissions reporting system that can support emissions trading, document early responders, enable the potential pursuit of verifiable offsets and track progress towards meeting the reduction goals. Utilizing The Climate Registry, of which the State is a founding member, appears to be a cost-effective way to help accomplish these goals.
- The State should support research into promising technological solutions and invest in worker training and education to prepare Washington's companies and workforce to take advantage of opportunities in the low-carbon economy
- Changes to SEPA implementation necessary to support emissions reductions and incorporate climate change considerations into resource and development planning should be made.
- The State should create and support the appropriate regulatory and analytic infrastructure needed to understand, track and implement these recommendations. In particular, the State should commit sufficient resources to understand how to best integrate the cap-and-trade program being designed by the Western Climate Initiative into Washington's overall economy.

A Note on Assumptions and Methods

Both the directional vision contained in the 'Comprehensive Climate Approach' and the compilation of recommended sector-specific strategies will be informed by an accompanying list of assumptions and constraints. This additional information will allow policy makers and the public to understand the basis for the recommendations and the underlying strengths and limitations of the analysis supporting them.

At the November 15-16 meeting, you will be briefed on progress being made on the proposed methodological approach for analyzing the fuels and jobs goals. CTED has selected a small group of TWG and CAT members to provide focused review of the proposed approach for quantifying the jobs impacts in advance of briefing you on this at the next CAT meeting. If you are interested in assisting with this focused review, and have not been contacted, let us know. The proposed approach will also be refined based on any feedback from CAT members at the meeting.

Conclusion

One last attachment to this memo for your information is the summary from the Investment and Entrepreneurial Community discussion. The outcomes from this meeting were described at the October 4 meeting, and the summary describes the thinking about technologies and markets from this group of investment and entrepreneurial representatives. [See Attachment: 9-20 I&E Meeting Summary.doc]

I look forward to your reflections and responses during our pre-meeting check-in calls and at the Nov 15-16 meeting. As always, feel free to contact us with any comments or questions.

Thanks,

Bill