

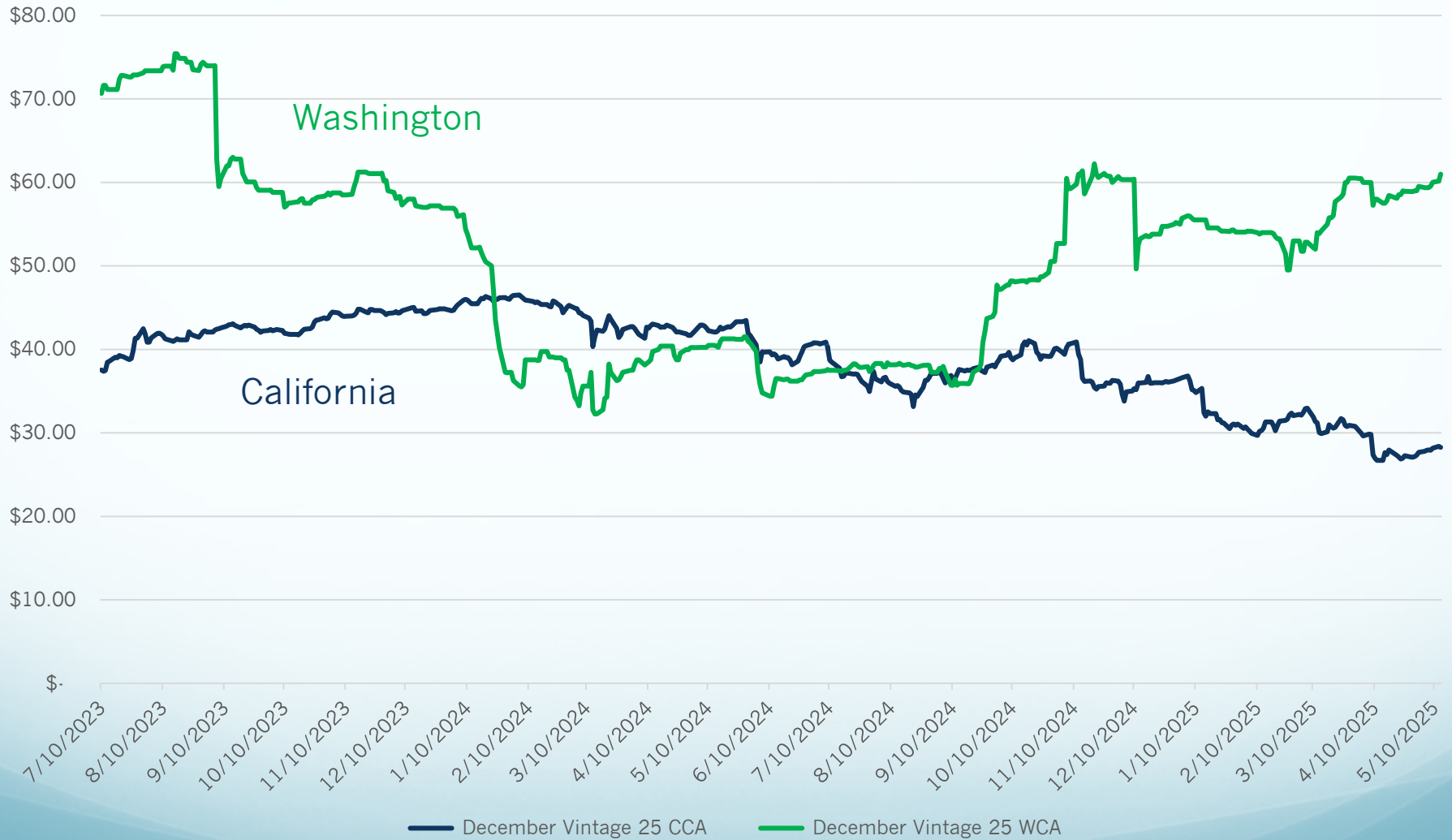
Western Carbon Market Uncertainty

Clare Breidenich
WPTF New York Roundtable
May 29, 2025

Overview

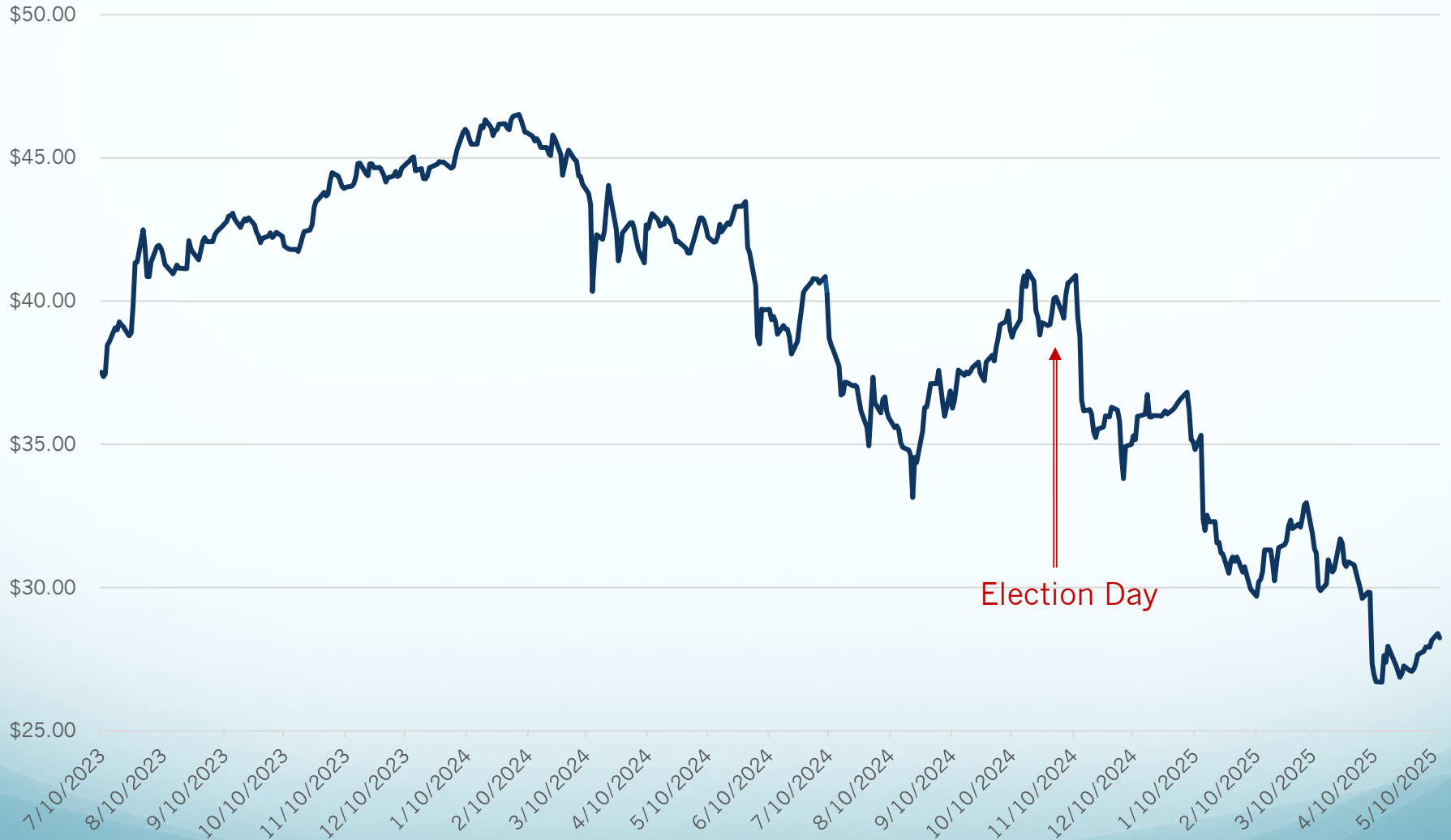
- Washington and California Allowance Price Trends
- Deeper Dive into Drivers of Price Volatility
 - California
 - Washington
- Prospects for Linkage

California & Washington Allowance Prices

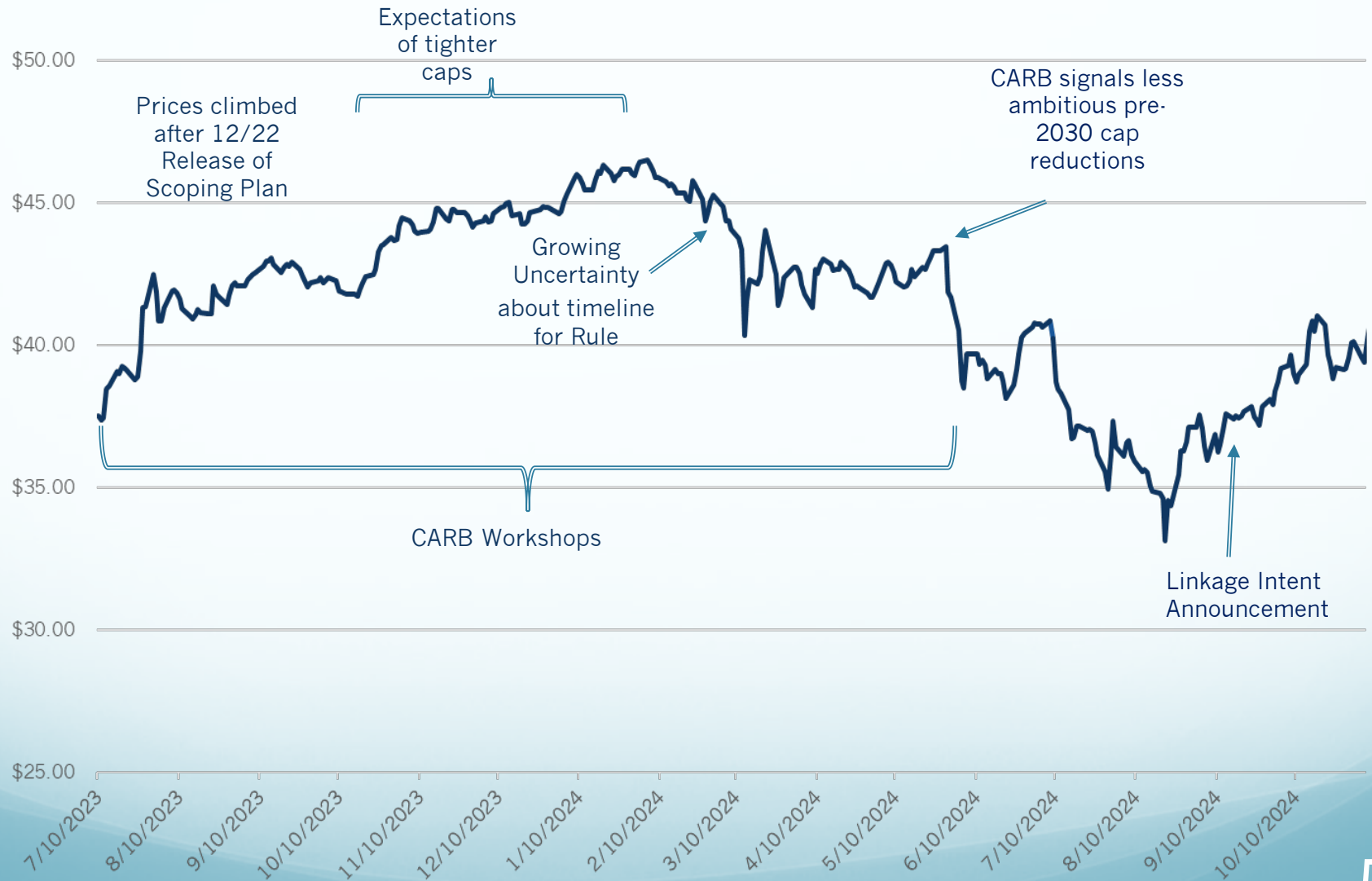


California

7/23 – 5/25



California Rulemaking Volatility



California

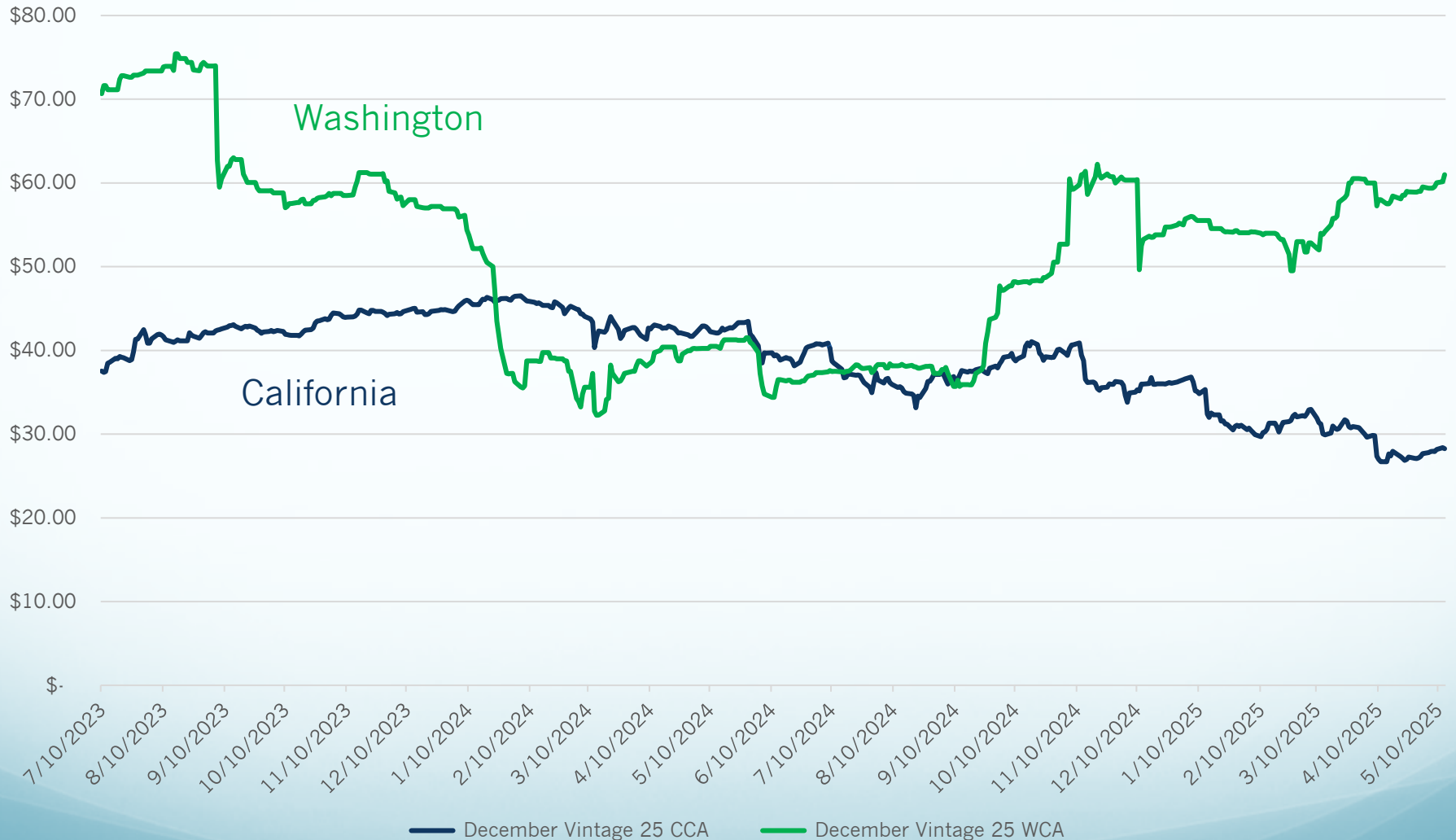
7/23 – 10/24



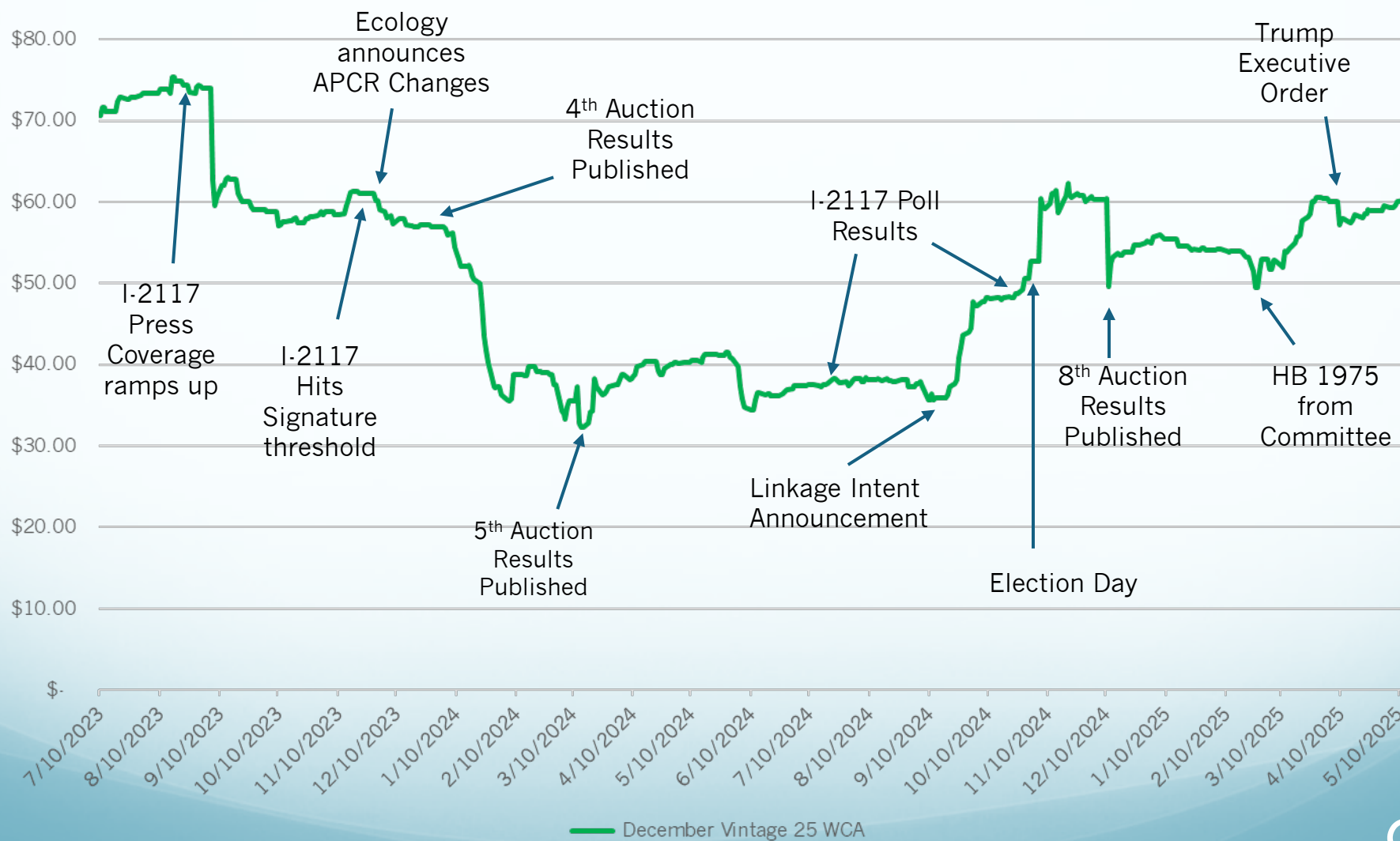
The Trump Effect



California & Washington Allowance Prices



Washington



Prospects for Linkage

- Both states (and Quebec) still intend to link, but...
 - CARB awaiting Legislative extension of program to begin rulemaking
 - Ecology is in the midst of its own rulemaking
 - Both states must have formal public linkage process and get Governors' approval
 - Environmental Justice Communities in both states oppose linkage

Washington Rulemaking

- Ecology currently revising rules to better align with those of California and Quebec, plus
 - Rules for electricity imports via Centralized Markets and netting/wheel through provisions
 - 2nd compliance period caps
 - New covered sector – waste to energy
 - Allowance allocation
 - Post 2030??
- Target completion October 2026

CARB Process

- Rulemaking not likely to begin again until after legislative session
 - Restart September?
 - Could adopt rules by end of 2026
- Delay means that CARB will likely moderate its reductions in pre-2030 program caps
 - Implies more aggressive caps post 2030 to hit state's 2045 GHG Neutrality target
- Legislative extension bill may necessitate more substantial program changes
- CARB may not be in a position to formally consider linkage until its rulemaking is done

Linkage Expectations

- Linkage means
 - Common carbon price
 - Joint auction of allowances, not identifiable by state
 - All allowances can be used for retirement in any program
- January 2027 likely
 - Compliance periods will align
 - Time for all three programs to revise program rules
- 2027 linkage date implies that WCI allowances could not be retired in Washington until 2028
 - Would not increase supply of allowances for 1st compliance period
 - Washington could seek framework that would allow WCI allowances to be used for final retirement in 2027 for 1st compliance period to help constrain prices

Linked Cap-and-Trade Programs but Different Day-ahead markets?

- Market interest:
 - EDAM: All California utilities plus Pacificorp & Seattle
 - Markets+: BPA & other Washington utilities
- GHG Design of EDAM and Markets+ diverge substantially
 - Washington rules for imports via these markets likely different than California's
 - Eligibility for specified imports
 - Unspecified imports
 - Markets haven't addressed how GHGs associated with transfers between markets will be handled
 - Until linkage occurs, pancaking of carbon costs will hinder transfers of electricity from emitting resources in one jurisdiction to the other

Questions??