



## **The Politics of Climate Change**

2009 promises to be a year for the history books: the first African-American president in the White House; a crippling global economic recession; and climate change affecting our planet from the North Pole, to Madagascar, to our own back yard. The cause and effects of climate change are still debated in some groups, but the issue has become a hot political one, requiring immediate action at the regional and national levels, as well as international cooperation.

### **Cap and Trade 101**

A cap and trade program is essentially emissions trading. It sets limits on greenhouse gas emissions (carbon gases and other pollutants) for businesses to meet a target goal of lower emissions. These entities are allocated a set number of pollution credits, or allowances. An economic incentive is created by those that reduce their emissions without using all of their credits as they are able to sell those credits, also called “green tags” on the open market to other entities that need them.

Sometimes a cap and trade system is referred to as free-market environmentalism. While the cap for pollution is set by a governing body, the individual companies have the freedom to decide how to reduce their emissions. The theory is that the businesses will choose the most cost-effective means to be in compliance, and with added financial incentive, those businesses that are able to, can reduce their pollution below the stated cap.

It’s a theory with a lot of good points but the devil is in the details. The complexity of the system, along with challenges monitoring and enforcing it, leave the door open to abuses by businesses with the potential profit that could be realized from selling credits. The initial methodology which establishes the cap for emissions and distributes allowances for businesses is a contention point for some.

### **Western Climate Initiative**

In 2007 seven western states (Washington, Oregon, California, Arizona, New Mexico, Montana, and Utah) and four Canadian provinces (British Columbia, Ontario, Quebec and Manitoba) formed the Western Climate Initiative (WCI). The WCI’s purpose is to propose recommendations to address climate change in the form of a cap and trade program adoptable by member states and provinces — a regional approach to a global problem.

On September 23, 2008 the WCI announced its recommendations for the design of a regional-based cap and trade program. The recommendation seeks to reduce greenhouse gas emissions, encourage growth of green technologies, and foster a clean-energy economy thereby reducing dependence on foreign oil.

The WCI goal is to reduce greenhouse gas emissions by 15 percent below 2005 levels by 2020. The proposal addresses multiple business sectors and will cover nearly 90% of the region's emissions, including those from electricity, industry, transportation, and residential and commercial fuel use. Together, the seven states and four provinces represent over 70 percent of the Canadian economy and 20 percent of the U.S. economy.

### **The Plan for Washington State**

Governor Christine Gregoire presented her office's proposal for a cap and trade program in Washington State early in December based on the WCI recommendations. This climate change bill is being presented as a jobs creation bill in to boost "green collar" jobs in Washington State and will likely pass the Legislature in 2009.

The methods portion of the proposal that sets the regional cap on greenhouse gas emissions will be set by the WCI for the region, and then each state and province will receive a share of the "credits" yearly. The Governor's proposal has not yet released its recommendation for assigning caps and distributing credits within the state.

### **The Other Washington**

Climate change is a global issue and cannot be solved locally. Washington State is working on the regional plan to address the concerns but the long-range plan is still for a national plan according to Gov. Gregoire. The 111<sup>th</sup> Congress will convene in Washington, DC in January.

The global economic recession is a top concern for lawmakers and the new President. Part of a package proposed to stimulate the economy may include investments in the electric grid and development of transmission lines to remote renewable energy projects, such as solar, wind and geothermal generation that is often far off the grid, which increases the costs of delivering renewable energy. Then Congress plans to turn its attention to energy policy, including the discussion of a national cap and trade.

### **Conclusion**

There's still a lot of work being done on climate change proposals thus far. Until plans are more definite and bills are drafted and introduced in the Legislature and the Congress, the impacts to electric cooperatives in Washington State are uncertain. The Electric Ambassador program will update you as these proposals move forward in 2009.