



April 15, 2009

Thank you for considering these comments, questions and recommendations submitted by the Western Climate Advocates Network (WeCAN) Cap Setting and Allowance Distribution (CSAD) Committee\* on behalf of WeCAN – a network of environmental and public interest organizations around the Western U.S. and Canada working to advance critical issues related to the Western Climate Initiative (WCI).

### **Comments, Questions, and Recommendations for the WCI CSAD committee**

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| Task 1 – Data review and collection |
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Comment: In addition to the straightforward task of data review and collection in the title of this task, the effort includes another fundamental task, that of forecasting future emissions. This adds another element of complexity, and is arguably more complicated than simply getting the accounting correct. In other words, “what will be” is more difficult to know than “what is.” In particular, the forecast of emissions outside of capped sectors will determine the reductions that will be needed by cap-and-trade.

Question: Task 1.2 describes an output that will be “WCI Partner jurisdictions 2020 projected emissions for non-covered source categories.” This does not mean that only a single year’s emissions will be forecast, but rather the annual trajectory from the present going forward? To an extent, this is implied by the second bullet point under task 1.5, but some increased specificity would be beneficial. Will this be true for other sectors too? This would seem a logical extension of the analytical exercise and would provide a fuller picture of the overall emission reduction effort being undertaken.

Question: How will uncertainty vis-à-vis sectors not included in the cap-and-trade program be considered? This is a serious issue. If a “best guess” approach is taken, we would expect that there would be a 50% chance of overestimating or underestimating the actual emissions that will occur in uncapped sectors. This would result in a large probability that WCI emissions will not meet stated economy-wide targets. This would result because of insufficient reductions in capped sectors that would follow from an overestimation of expected reductions in uncapped sectors.

Recommendation: Add a sub-task, after 1.1, that involves a white paper that (1) explores lessons learned from the emission forecasting exercise undertaken in RGGI,



and (2) identifies potential forecasting methods, with advantages and disadvantages of each. At the least, a proposed forecasting methodology should be proposed, the approach for dealing with uncertainty in uncapped sectors should be explained, and public comment should be invited. As written, the plan does not seem to invite public involvement in the emissions forecasting exercise. This will be a methodologically challenging effort and the Partners would benefit from inviting external input.

#### Task 3 – Competitiveness Analysis

Recommendation: The first task of the committee should be a white paper that explores a range of options for assessing competitiveness concerns and the advantages or disadvantages of each. If the preceding more comprehensive approach is not taken, we would suggest a white paper that lays out the proposed approach for assessing competitiveness concerns. These judgments will be complicated and will benefit from public scrutiny and input. Moreover, undertaking this work at the beginning of the process will inform the competitiveness analysis identified as task 3.4. Upfront investment into the question of preferred methods and options will improve the output of the effort put forth by workgroups in judging the legitimacy of claims of competitiveness concerns. The literature review promised by the last task, 3.5 recommendations, is too little, too late.

#### Task 5 – Offsets compliance limit

*The WeCAN Offsets Committee will separately provide comments/questions/recommendations on all WCI Offsets issues.*

#### Task 6 – Early Reduction Allowances

Question: Will this task interact with consideration of competitiveness concerns and allocation approaches? Certain approaches to allocation, such as auctioning, naturally reward early action, and so the need for early reduction allowances could be affected by recommendations for common approaches to addressing competitiveness concerns that might emerge from assessments of competitiveness.

Recommendation: Task 6.2 – Developing criteria. We recommend that you also consider the administrative effort needed to develop ERA protocols, the reality of



limited administrative resources, and the tradeoffs involved with devoting resources to analysis and enforcement of early action reductions as opposed to those achieved by other policy approaches.

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