OFFICE OF THE GOVERNOR

September 21, 2026

Chair Lauren Sanchez
California Air Resources Board
1001 I Street
Sacramento, CA, 95814

Re: Response to Request for Findings under Senate Bill 1018

Dear Chair Sanchez:

Last year, California extended its pioneering Cap-and-Invest Program through 2045, providing long-term certainty and reinforcing our State's path toward carbon neutrality. The extension, and the California Air Resources Board's (CARB) program update that followed, will help California cut climate pollution, protect affordability for California families, and drive investment in the clean economy of the future. As we continue advancing towards our climate goals, linking our program with other jurisdictions can make the program stronger and more durable, while also expanding opportunities for many industries to reduce their emissions even more cost-effectively. At a time when the federal government and others are retreating from climate leadership, California will continue to lead – and to partner with other willing governments who similarly have chosen to embrace reducing climate pollution and advancing economic growth in their jurisdictions.

To that end, CARB has proposed linking California's Cap-and-Invest Program with Washington's Cap-and-Invest Program, and has requested that I make findings to authorize that linkage, as required by Senate Bill 1018 (Committee on Budget and Fiscal Review, Stats. 2012, Ch. 39; Gov. Code, §12894 subd. (f)). These findings are a necessary step for California and Washington to link their programs and pursue a joint carbon market with joint auctions in the

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future. The linkage between California and Washington would build on the existing linkage between California and Québec that has benefited both jurisdictions for over 12 years.

Based on my review of materials provided by CARB and the advice provided by Attorney General Bonta (copy attached), I find that the four requirements of Government Code section 12894(f) have been satisfied, and I therefore authorize CARB to proceed with the next steps required for linkage with Washington. I have outlined specific next steps below that CARB should take in advance of linking California's program with Washington's.

> **Finding 1:** The jurisdiction with which the state agency proposes to link has adopted program requirements for greenhouse gas (GHG) reductions, including, but not limited to, requirements for offsets, that are equivalent to or stricter than those required by Division 25.5 (commencing with section 38500) of the Health and Safety Code. (Gov. Code, §12894, subd. (f)(1).)

Division 25.5 (commencing with section 38500) of the Health and Safety Code requires that GHG emissions in California be reduced by at least 40% below 1990 levels by 2030. Washington's 2030 mandated target, defined in Washington's Climate Commitment Act (CCA), is stricter than California's, requiring that GHG emissions are reduced to 45% below 1990 levels by 2030. This GHG emissions reduction benchmark is the touchstone for evaluating whether a linking jurisdiction's requirements are "equivalent to or stricter than" California's, as required by section 12894(f)(1).

Washington's longer-term statutory targets for GHG emissions reductions by 2040 (70% below 1990 levels) and by 2050 (95% below 1990 levels and achieving net-zero emissions) are also well-aligned with California's statutory targets for 2045 (85% below 1990 levels and achieving statewide carbon neutrality). (Cal. Health & Saf. Code, § 38562.2.)

Moreover, Washington's Cap-and-Invest program requirements are equivalent to or stricter than California's, as required by Division 25.5 of the Health and Safety Code, in the following material respects:

- Washington's climate program requirements apply to more types of greenhouse gas pollutants than California's, by including all gases included in Assembly Bill 32 (Nunez, Stats. 2006, Ch. 488) in both its reporting and Cap-and-Invest regulations.

- Allowance distribution requirements are also similar.
- Offset credits must meet the same rigorous criteria and oversight requirements.
- The two jurisdictions have similar mandatory, third party-verified emissions reporting regulations; comprehensive allowance tracking; limitations on the amount of compliance instruments an entity can hold; and allowance price containment mechanisms.
- The two jurisdictions have adopted similar market-integrity safeguards against unauthorized or fraudulent transactions and market manipulation, and auctions will be conducted using the same platform and Information Technology security measures.
- Compliance requirements for covered entities are substantially similar, including strict provisions to address non-compliance.

Because the Washington program requirements for greenhouse gas emissions reductions, including offset credit criteria requirements, are equivalent to or more stringent than Division 25.5, the requirements for the first finding are met.

> **Finding 2:** Under the proposed linkage, the State of California is able to enforce Division 25.5 (commencing with section 38500) of the Health and Safety Code and related statutes, against any entity subject to regulation under those statutes, and against any entity located within the linking jurisdiction to the maximum extent permitted under the United States and California Constitutions. (Gov. Code, § 12894, subd. (f)(2).)

The linkage will not impose any limits on the State's ability, consistent with constitutional requirements, to enforce Division 25.5 and related statutes against entities located inside or outside of California. All entities that participate in the California program, including offset project operators, must continue to register with CARB, and by doing so consent to the jurisdiction of California courts.

Entities that register and participate in Washington’s program would still be subject to California’s enforcement jurisdiction to the extent allowed by the United States and California Constitutions. Entities participating in Washington’s program that are not subject to California's jurisdiction will still be subject to regulation by Washington. As discussed further in Finding 3, Washington possesses sufficient tools to address any harm caused by non-compliance in Washington.

Thus, any limits on California's enforcement authority over Washington entities will result not from linkage, but from preexisting Constitutional limitations on California jurisdiction. Since linkage will not restrict the reach of California's enforcement authority, the requirements for this second finding are met.

> **Finding 3:** The proposed linkage provides for enforcement of applicable laws by the state agency or by the linking jurisdiction of program requirements that are equivalent to or stricter than those required by Division 25.5 (commencing with section 38500) of the Health and Safety Code. (Gov. Code, §12894, subd. (f)(3).)

Washington maintains a range of statutory and regulatory tools to enforce its program requirements. It can draw on a full complement of civil, criminal, and administrative authorities in the event of noncompliance that are comparable to (and in some cases more stringent than) California's enforcement tools, as well as similar information gathering authorities.

Critically, Washington has equivalent mechanisms designed to ensure that violations of its Cap-and-Invest Program do not endanger the program's emission-reduction goals. For example, as in California and Québec, regulated entities in Washington that fail to surrender sufficient compliance instruments by the compliance deadline must then surrender four compliance instruments for every one that was required, but not surrendered. The non-discretionary nature of this obligation makes it particularly effective as an enforcement-type tool. Washington may impose additional civil penalties and trading restrictions on non-compliant entities. Washington also has enforcement authorities to guard against fraud and misrepresentation that are comparable to California's authorities. As in California, Washington’s rules provide it with the authority to seek information to support enforcement actions.

Because Washington’s available authorities are sufficient to enforce program requirements that are equivalent to or stricter than those required by Division 25.5 of the Health and Safety Code, the requirements for the third finding are met.

Finding 4: The proposed linkage and any related participation of the State of California in Western Climate Initiative, Incorporated (WCI, Inc.), shall not impose any significant liability on the state or any state agency for any failure associated with the linkage. (Gov. Code, §12894, subd. (f)(4).)

Because linkage with Washington would be a discretionary policy decision and would not alter any existing immunities of the State and state employees, the requirements for the fourth and final finding are met.

Additionally, linking is unlikely to lead to any significant liability because Washington's program will be implemented with the same strict rules and oversight as California's.

Finally, the State's related participation in WCI, Inc. will not result in any significant liability. This finding was made previously when California sought to link its program with Québec, and again when California sought to link with Ontario. Washington is a member of WCI, Inc. and will use the same WCI, Inc. technical infrastructure used by California and Québec. This participation will help to ensure that the linked market is secure and maintained with the high standards developed by California for its own auctions. As was the case with prior linkages, moving certain activities from the State of California to WCI, Inc. may further shield the State from liability, rather than impose it.

Additional Steps

These findings represent the statutory minimum that must be satisfied in order for California to link its program with Washington. CARB must still amend its regulation to provide for linkage with Washington. Prior to any linkage, Washington and California will test and evaluate their auction platforms and trading systems to ensure compatibility and readiness, and confirm that linkage can be accomplished without disruption to California's program.

On June 25, 2026, officials from California, Québec, and Washington signed a linkage agreement whose effectiveness as to California was contingent on my making these findings. That agreement provides a framework for how the jurisdictions may work together with the objective of ensuring the programs remain harmonized, while each jurisdiction retains full authority over its own regulations. This ongoing coordination should include continuing to collaborate on the development of any additional protocols, to ensure that all future offset protocols maintain equivalency and meet California requirements.

Before linkage becomes effective, CARB should ensure the following:

- CARB and Washington work closely together on regulatory requirements that avoid overlapping obligations, and that address sectoral emissions consistently
- CARB and Washington continue to engage on their respective measures to address emissions leakage in each of their programs.
- CARB coordinates with Washington to build upon Washington's procedures to store, manage, and protect California-entity confidential and market-sensitive information from security risks and inadvertent disclosure.
- CARB lays out a transparent process for an orderly path for de-linkage should the need for de-linkage arise.

CARB should also follow the same procedures used in the previous Québec and Ontario linkages, including submitting a report before proposing amendments to link the programs to the Governor's Office and the Secretary for Environmental Protection on progress and any impediments to linkage. Before linkage becomes effective, these processes should include review and public input of changes in a linked jurisdiction's program to ensure that the programs remain of comparable stringency and integrity.

Sincerely,

Governor Gavin Newsom