

Political Challenges for Implementing New Mechanisms

Lessons from the WCI

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WCI Partners and Observers

U.S. Partner jurisdictions comprise 19% of the total U.S. population and 20% of the U.S. GDP
 Canadian Partner jurisdictions comprise 79% of the total Canadian population and 76% of the Canadian GDP.

Manitoba

GDP 49 Billion C\$
 Population..... 1,186,700
 Largest Source of Emission .. Transportation

Ontario

GDP 582 Billion C\$
 Population..... 12,803,900
 Largest Source of Emission ... Transportation

British Columbia

GDP 190 Billion C\$
 Population..... 4,380,300
 Largest Source of Emission .. Transportation

Quebec

GDP 298 Billion C\$
 Population..... 7,700,800
 Largest Source of Emission ... Transportation

Washington

GDP 311 Billion US\$
 Population..... 6,468,424
 Largest Source of Emission .. Transportation

Oregon

GDP 158 Billion US\$
 Population..... 3,747,455
 Largest Source of Emission .. Transportation

Montana

GDP 34 Billion US\$
 Population..... 957,861
 Largest Source of Emission ... Electricity

California

GDP 1,813 Billion US\$
 Population..... 36,553,215
 Largest Source of Emission .. Transportation

Utah

GDP 106 Billion US\$
 Population..... 2,645,330
 Largest Source of Emission ... Electricity

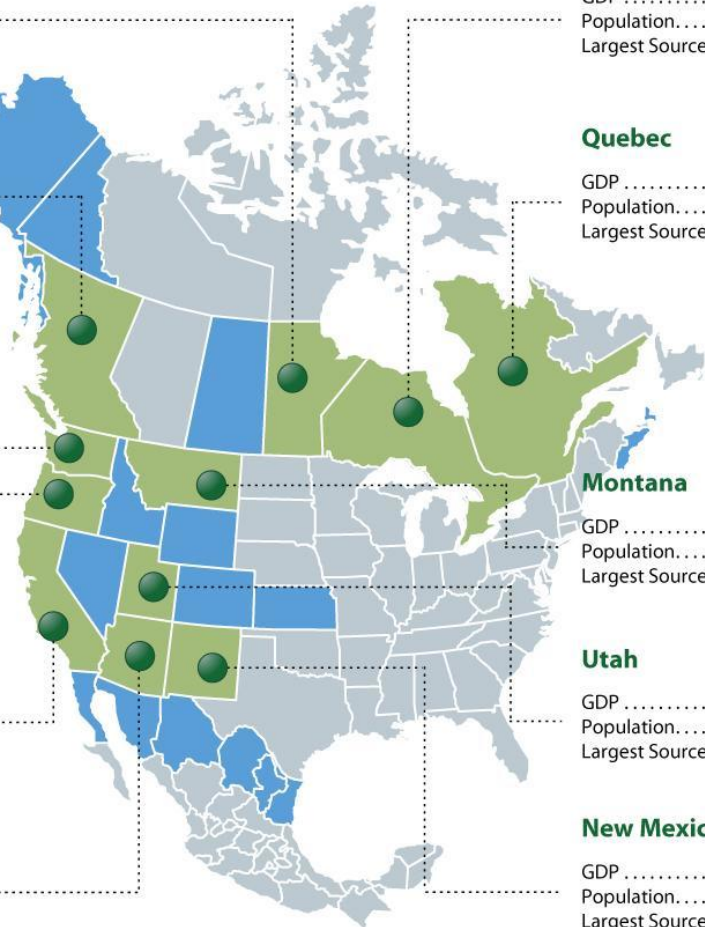
Arizona

GDP 247 Billion US\$
 Population..... 6,338,755
 Largest Source of Emission .. Electricity*

New Mexico

GDP 76 Billion US\$
 Population..... 1,969,915
 Largest Source of Emission ... Electricity

* Includes tribal lands



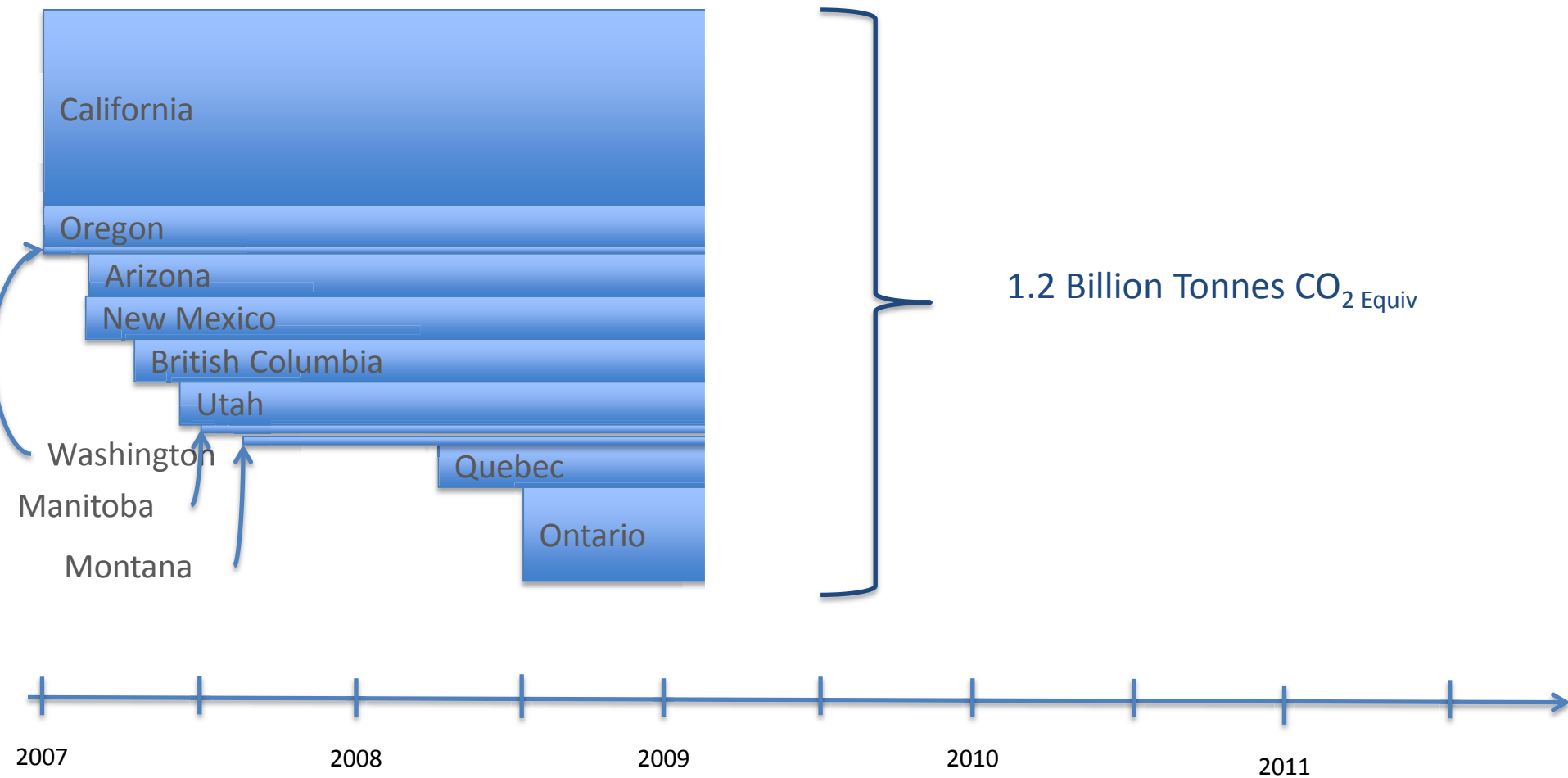
Partners Observers

From 11 to Lonely California

(and maybe little Quebec)

- How did this bottom-up initiative grow?
- Why did it fall apart?
- What lessons might this suggest for future mechanisms, especially in world of non-centralized climate policy?

WCI Timeline



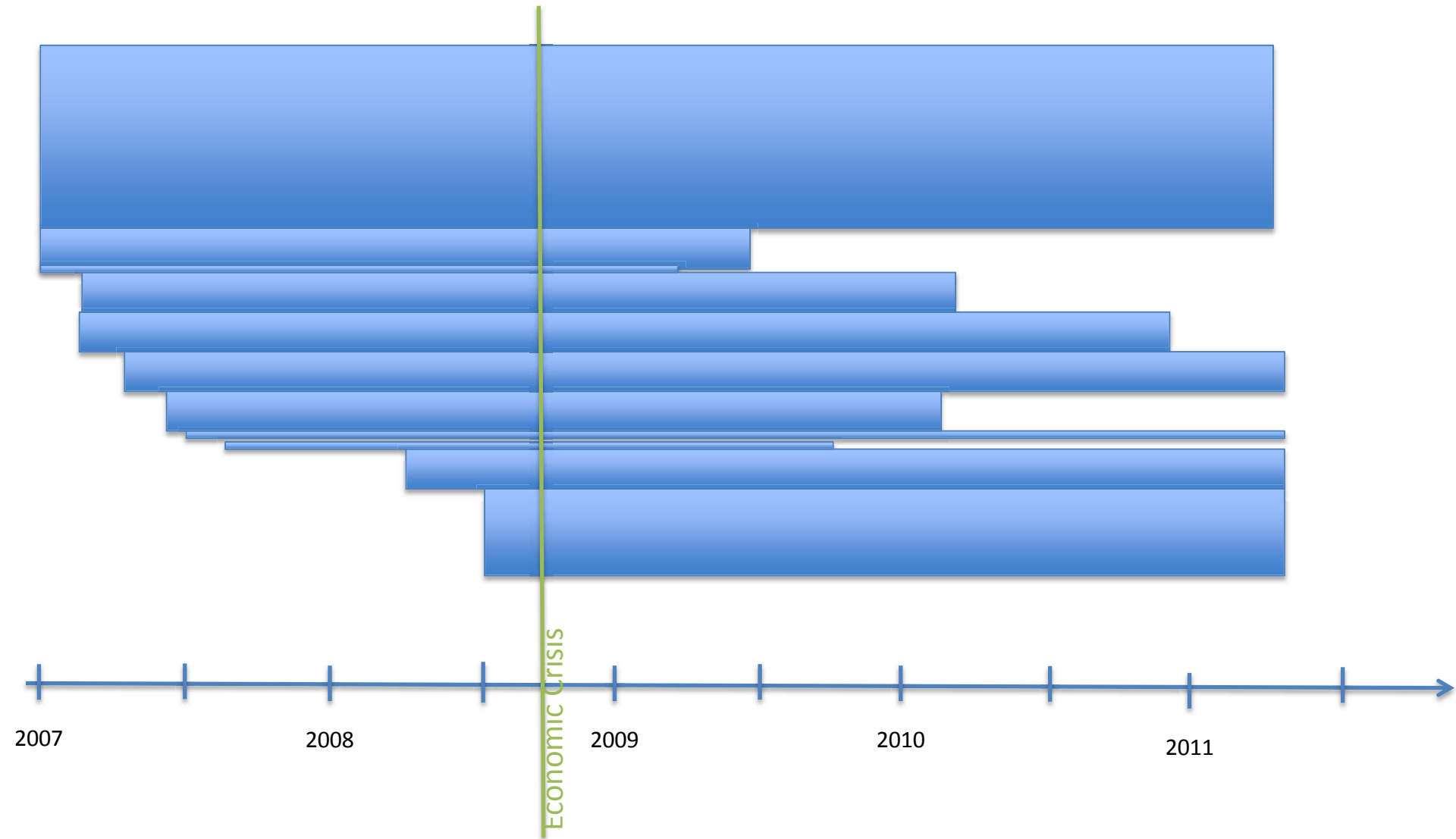
Initial Incentives for Involvement

- **Background Conditions**
 - During 2002-2008 upswing in public concern
 - Federal policy vacuums in Canada and USA until 2008
 - Relatively stable economic growth until 2008
- **Potential federal policy**
 - In non-energy producing states little to lose, and lots to gain if federal governments use WCI cap and trade design as template for larger system
 - In energy producing states, threat of imposed federal policy creates incentives to be involved in building cap and trade from the bottom-up

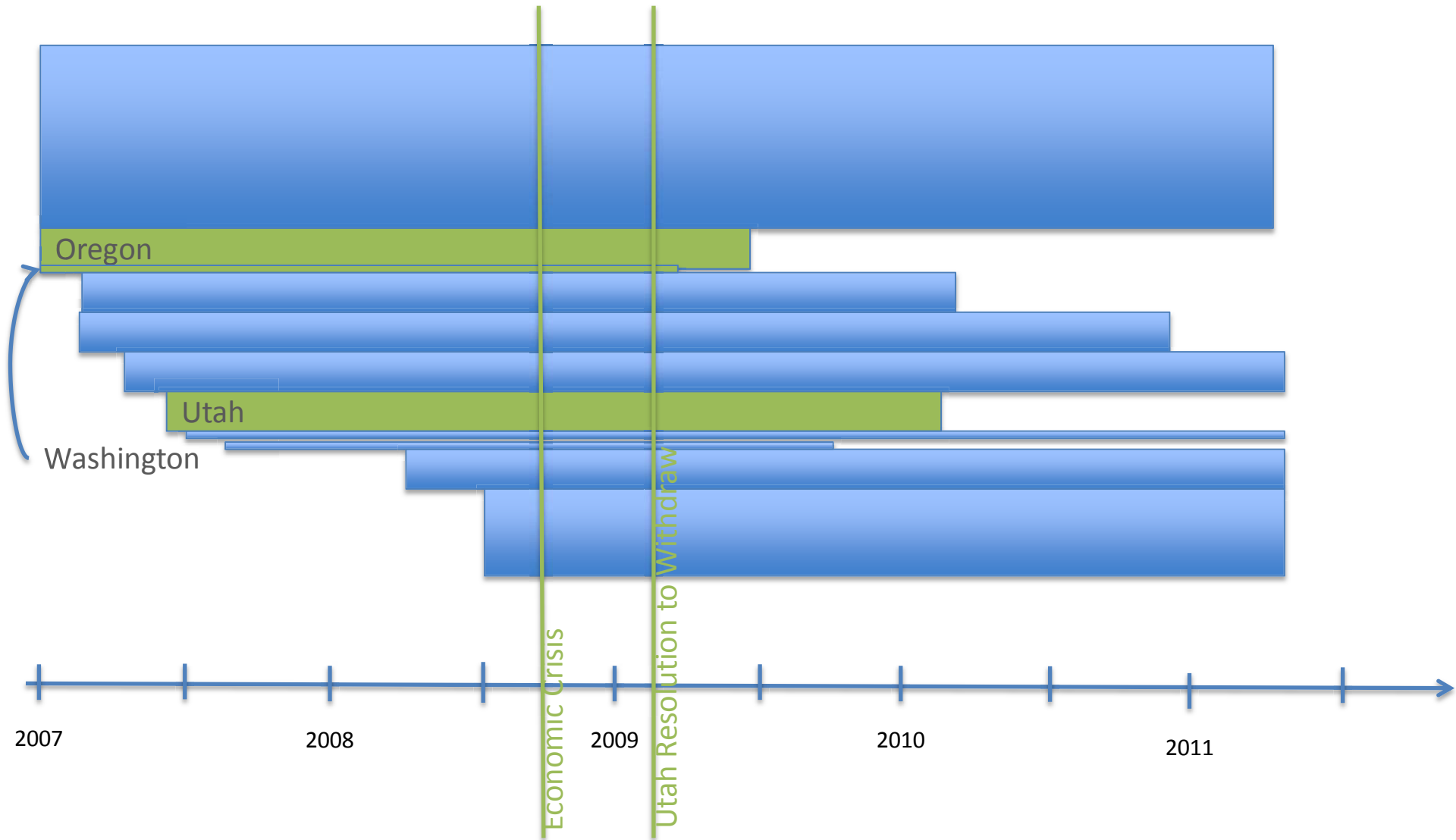
Arguments for Involvement

- Market-based mechanism provides
 - flexibility
 - aggregate cost savings
 - industry involvement
- Leadership in bottom-up system ensures
 - relevance of system to sub-national actors
 - long-term economic advantages due to global turn to low-carbon economies
- Involvement protects state interests due to electricity importing rules

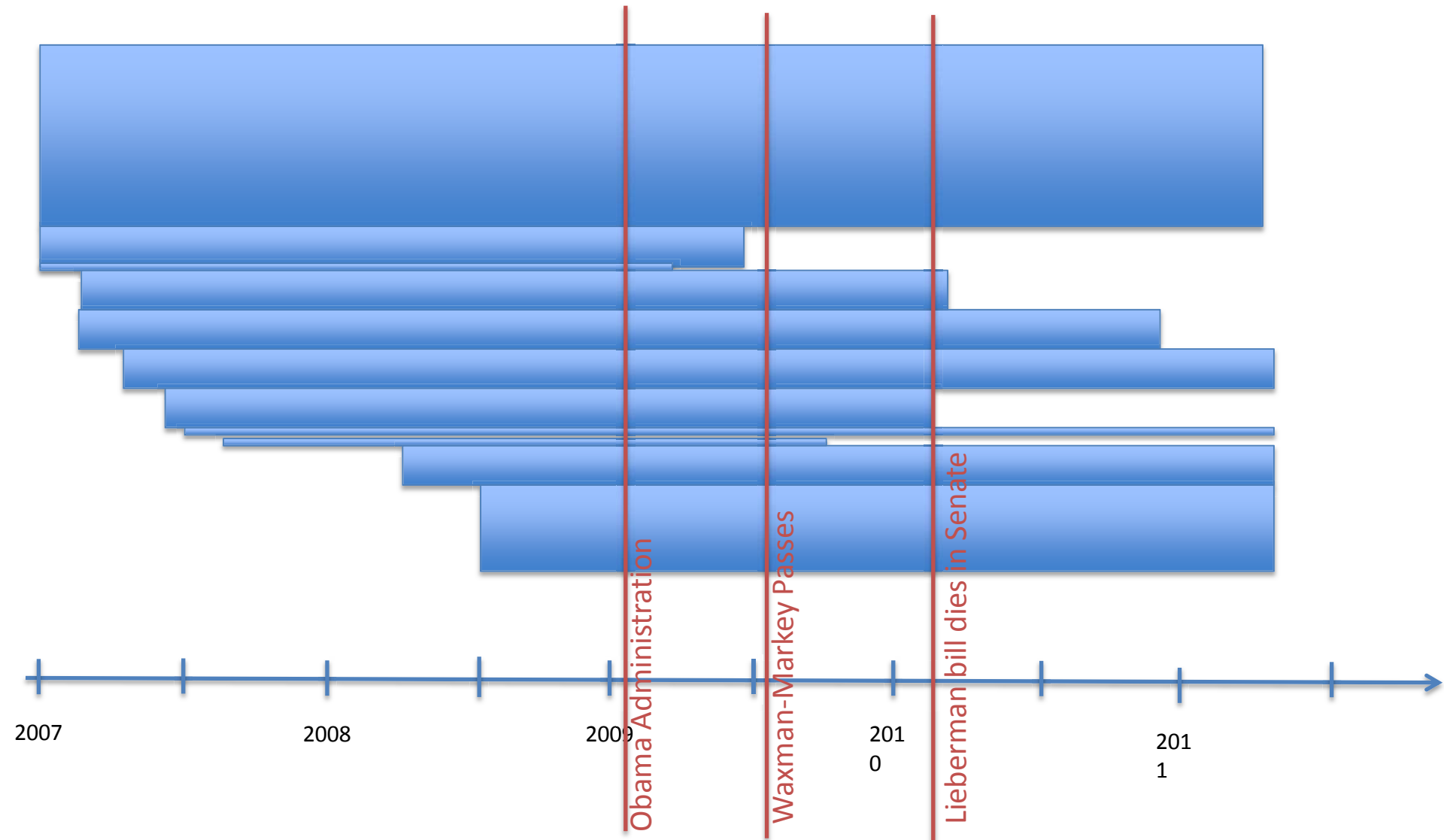
Market-based mechanisms in uncertain economic times?

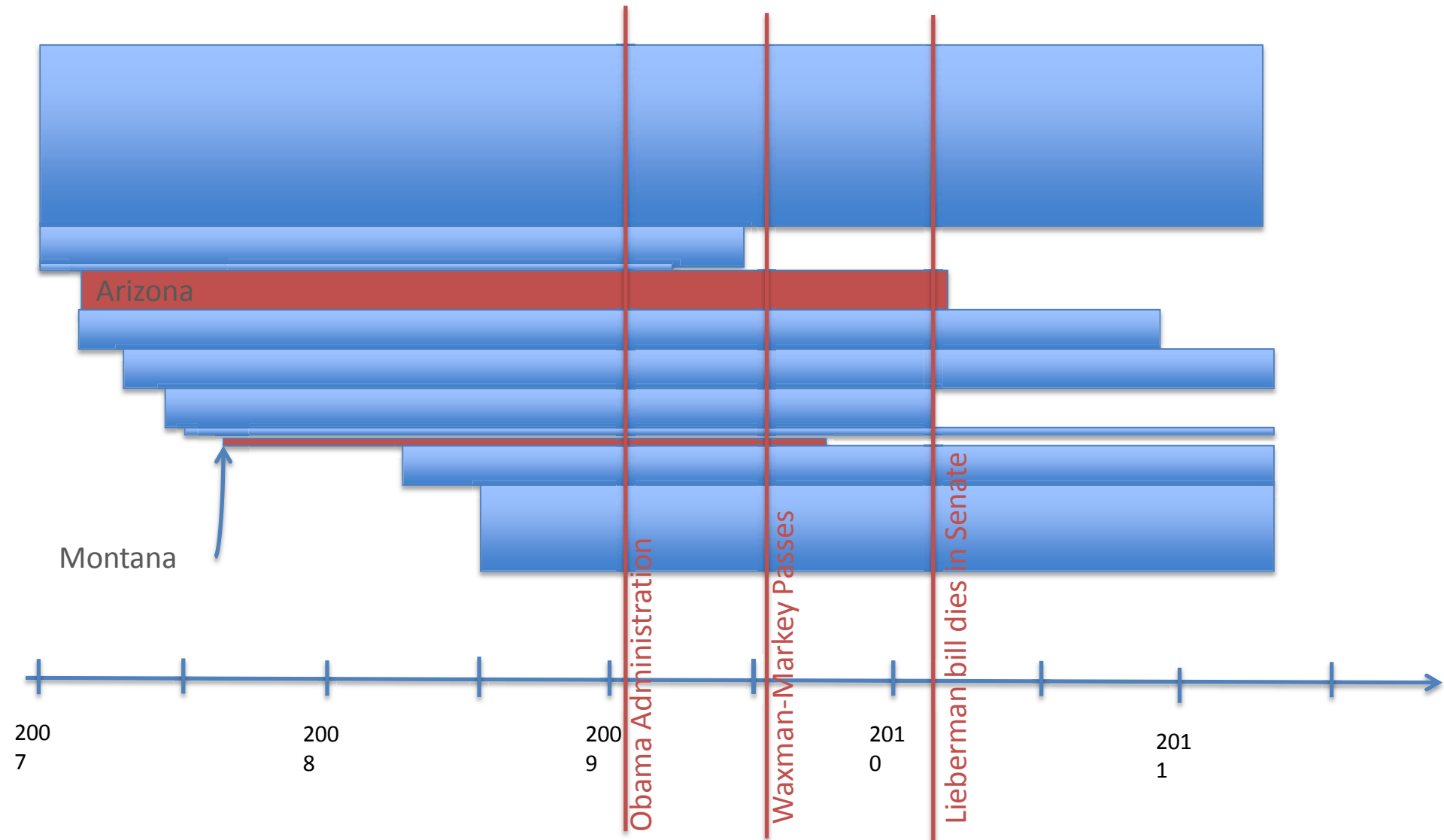


Economic Concerns

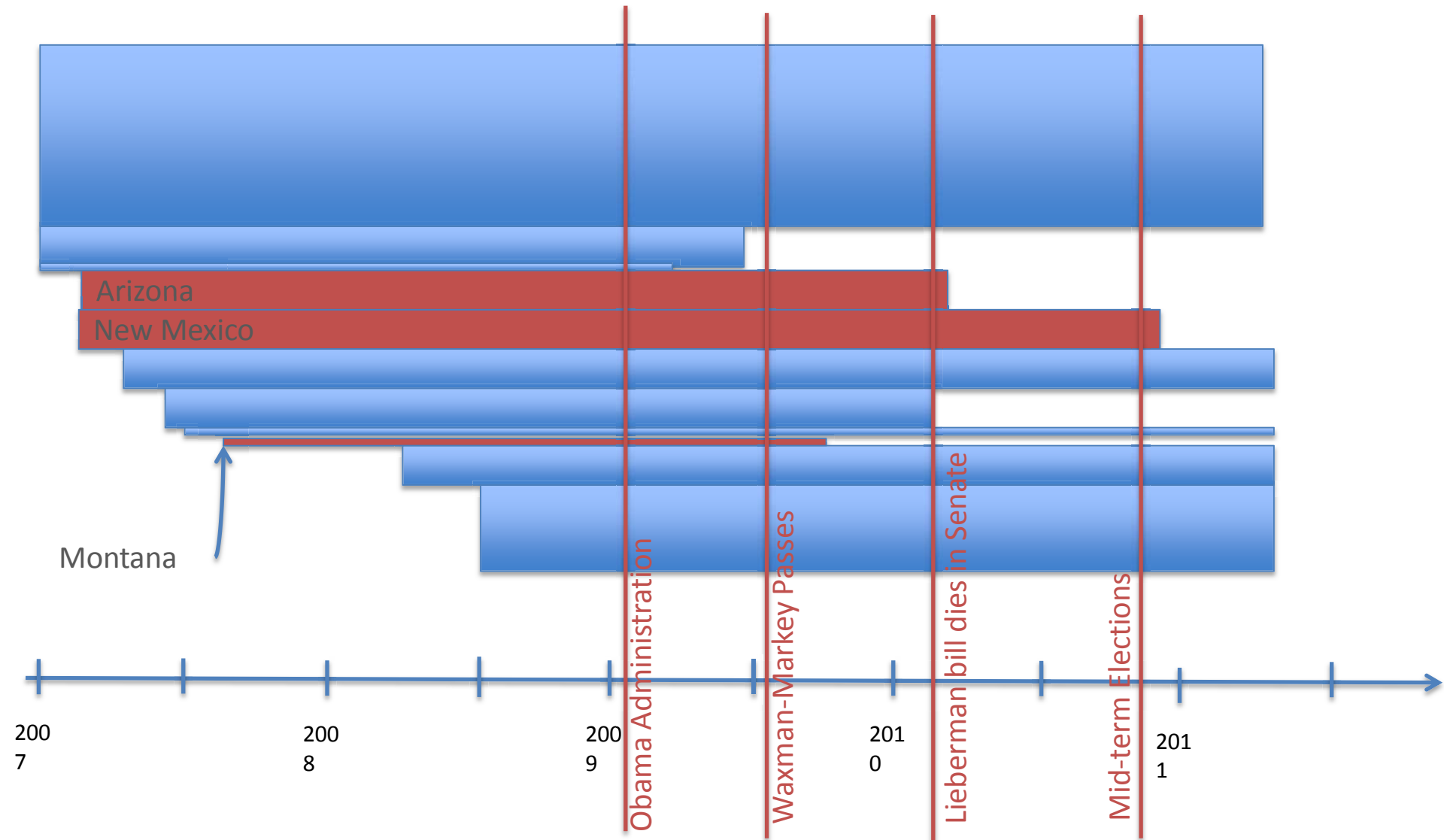


Bottom-Up Needs a Pull from the Top

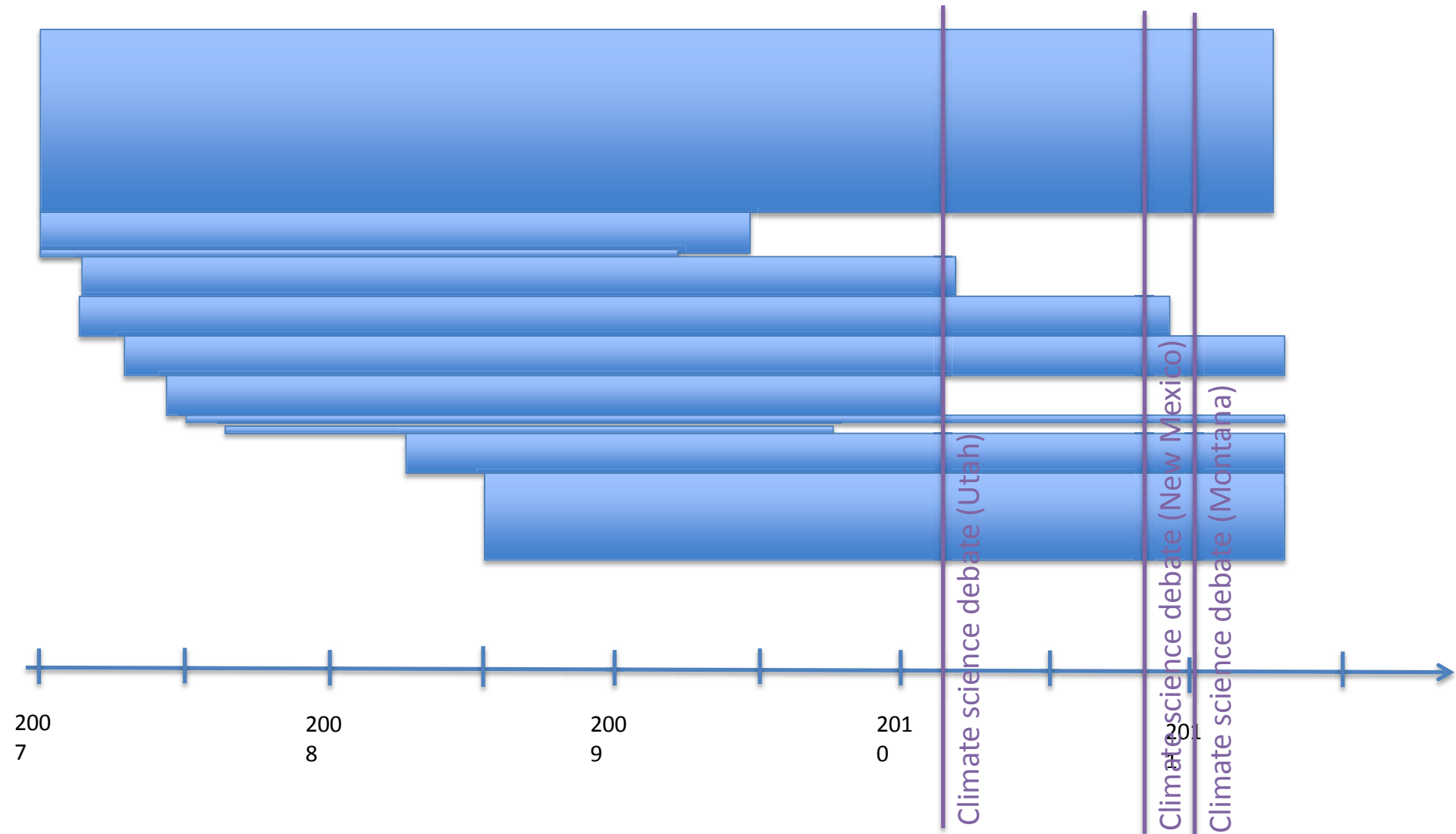




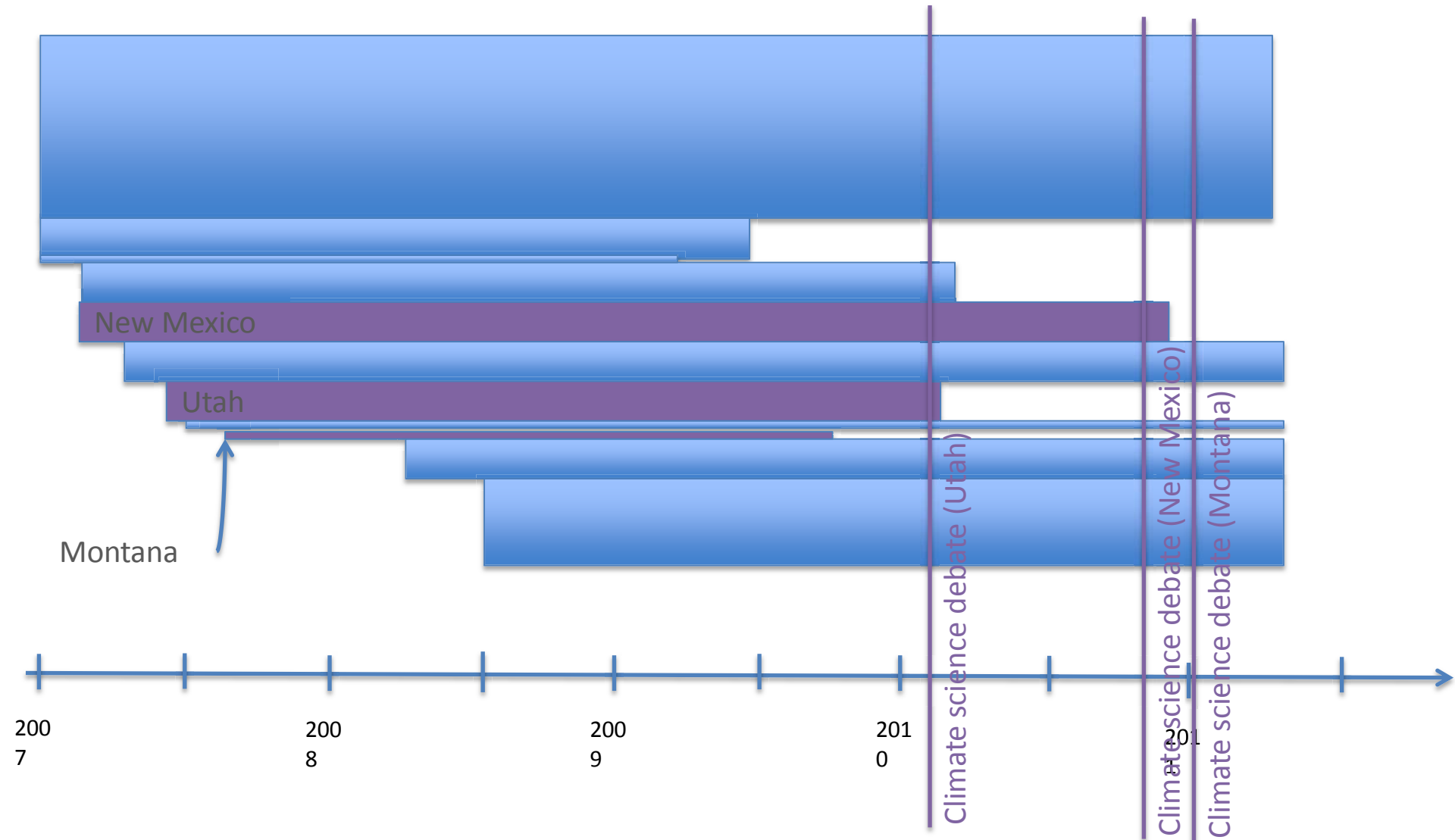
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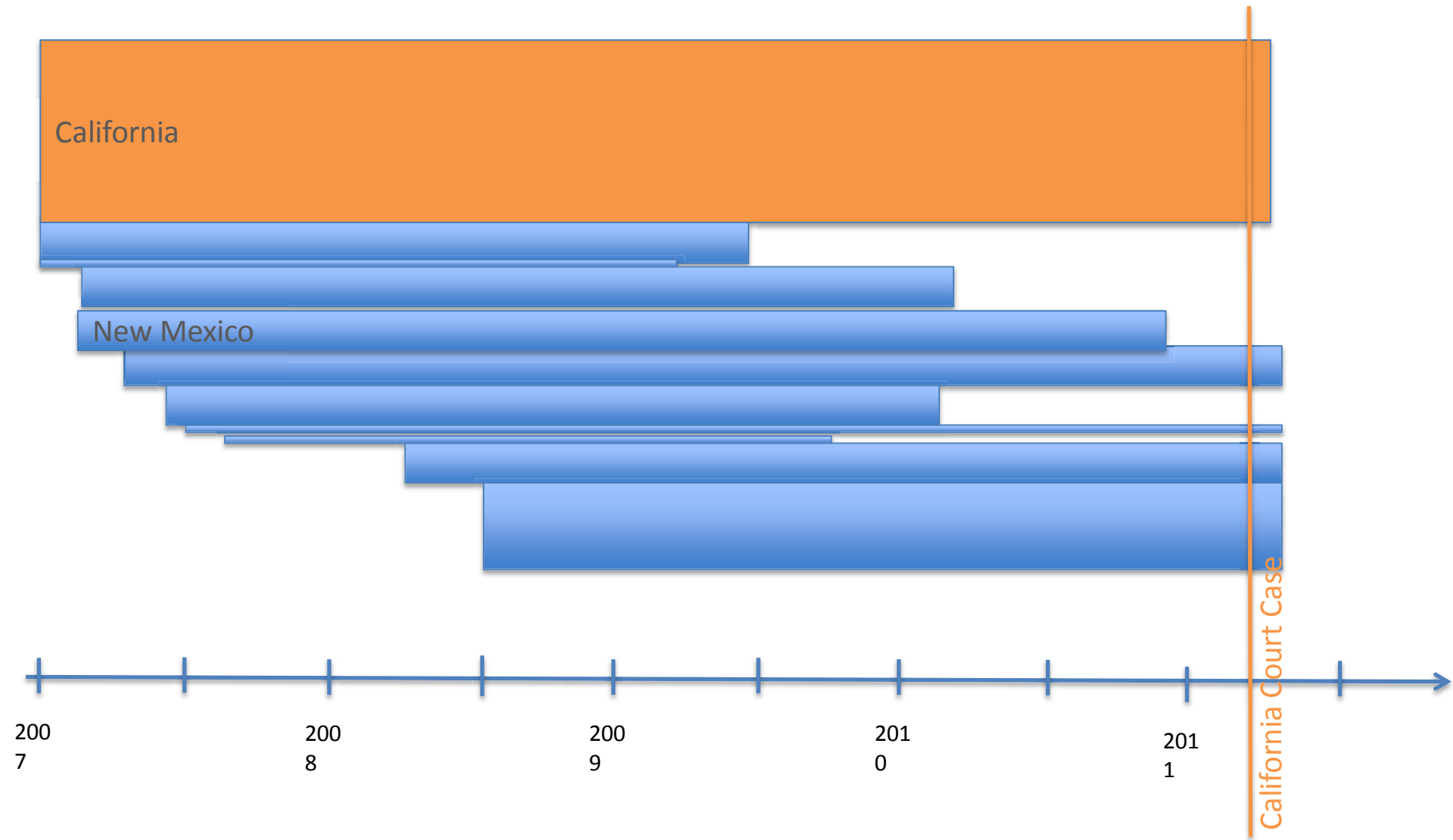
Any Climate Mechanism Needs Agreement on the Goal



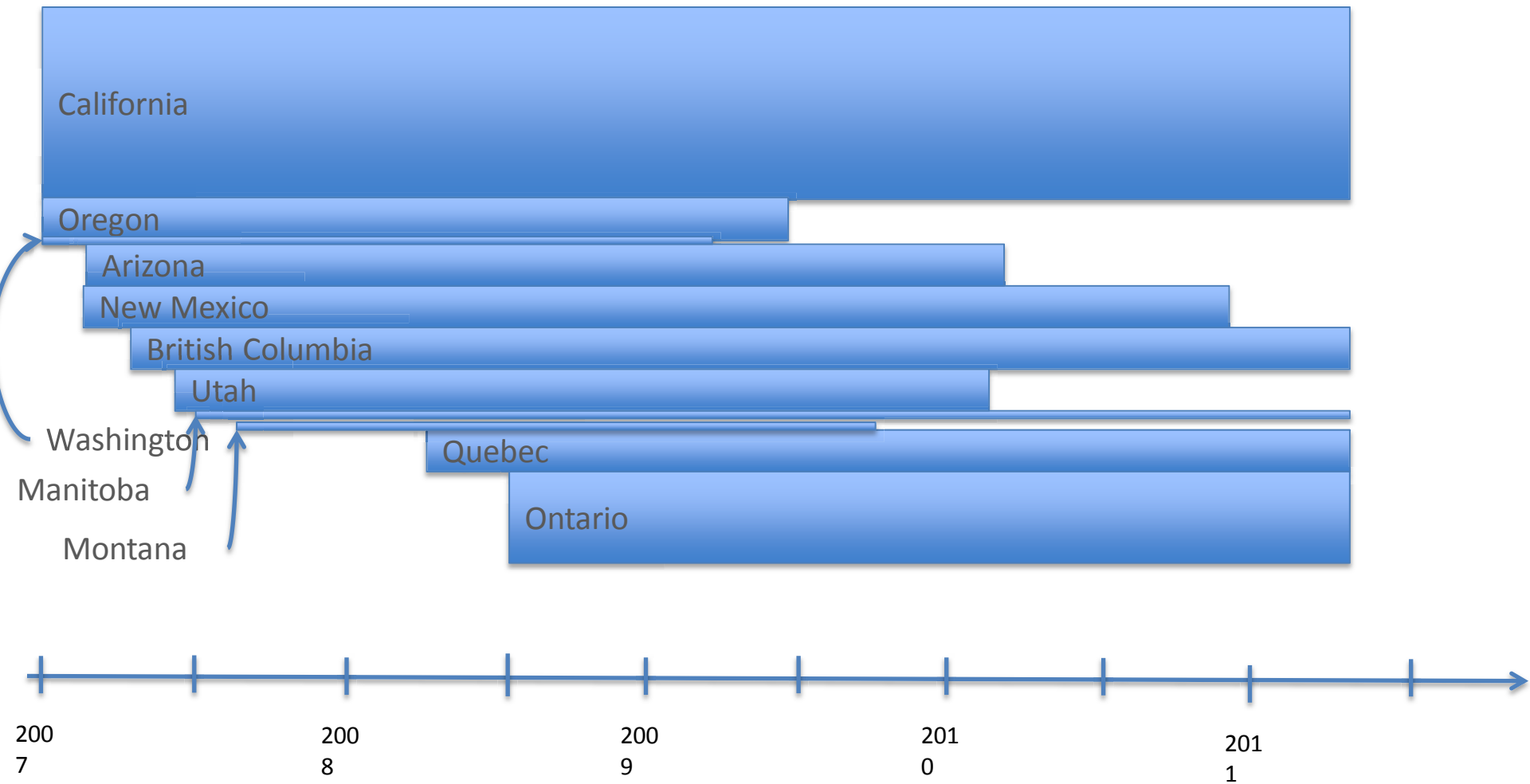
Any Climate Mechanism Needs Agreement on the Goal



Local or Global Benefits?



And thus it fell apart



Lessons

- At this stage --- Do not depend on NA cap and trade to fund/expand new mechanisms or markets!
- Without some pull from top, bottom-up is unstable
 - Collection action logic depends on believability and momentum
- Attention needs to be paid to balance within bottom-up structure, unsustainable if unbalanced
- Don't forget – need to have some agreement on the necessity for the mechanisms
- Local-global tensions about the benefits of emission reductions are real in some communities, and its NOT just about GHGs