

July 14, 2008

Governor Chris Gregoire  
Office of the Governor  
PO Box 40002  
Olympia, WA 98504-0002

Dear Governor Gregoire,

The undersigned public interest organizations, representing faith, social justice and environmental communities, write today to express the elements of any cap and trade program that we collectively find most important. We are united in our belief that the urgency of the climate crisis requires real solutions now so that we can avoid the worst impacts of climate change. We are pleased with the leadership role that Washington has played in shaping the Western Climate Initiative (WCI) and we look forward to seeing the design features below reflected in the draft released by the WCI partners in mid-July.

**Cap and trade policy must be fair.** Climate change is deeply unjust; low-income communities, who contribute the least to the problem, will disproportionately suffer its worst impacts. The WCI must create a program that addresses this inequity. A fair climate policy will have these essential features:

1. *The policy will auction pollution allowances, not give them away for free.* Auctioning, as opposed to giving away allowances for free, will protect consumers by ensuring that the value generated by limiting global warming pollution goes to people and not polluters. The European experience with emission trading has shown that regulated entities will charge consumers the value of an allowance whenever possible, regardless of how it was acquired, leading to massive windfalls at the expense of consumers. The WCI should learn from the European experience and auction 100% of pollution allowances.
2. *Auction proceeds will be used in the public interest.* Our atmosphere is a public trust that belongs to us all and auction proceeds should compensate the public for its use. All auction revenues should be used in the public interest, including a combination of direct payments, tax breaks and investments that speed and ease the transition to our clean energy future and protect communities, fish and wildlife from the impacts of climate change that are already unavoidable.
3. *Set guidelines to assure proceeds are properly targeted toward people with lower and moderate incomes.* The Congressional Budget Office finds that lower income households spend a larger percentage of their income on energy-intensive goods. Therefore we support establishing specific guidelines to assure the goal of protecting low- and moderate- income households is met. These guidelines should include direct payments using existing policy mechanisms like the Washington Working Families Rebate.

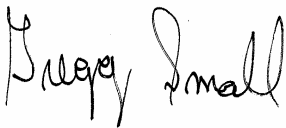
**Cap and trade policy must be effective.** An economy-wide system for reducing global warming pollution is essential to avoid the worst impacts of climate change and make the

transition to a clean energy economy. As low-income and working-class families suffer most from climate impacts like heat waves and floods, we need the WCI to support a policy without loopholes that damage the effectiveness of the program. An effective climate policy will:

1. *Strictly limit carbon offsets.* In a cap and trade program the vast majority of pollution reduction should come from capped sectors. Where offsets are allowed, the WCI should set limits so that not more than 10% of emissions reductions requirements are met by offsets. These limits will preserve the integrity of the cap on pollution and speed the development of the co-benefits of the cap and trade program, like cleaner air and new employment opportunities in clean energy.
2. *Avoid offramps.* We support the Western Climate Initiative's goal of reducing pollution at the lowest cost possible. However, the only program we can support is one that recognizes the threat climate change poses to our communities and rejects cap-busting loopholes. The commitment to reduce emissions to safe levels must be firm.

We look forward to continuing to support the WCI in its efforts to develop global warming solutions that protect our communities and promote broadly-shared prosperity.

Sincerely,



Gregg Small  
Executive Director  
Climate Solutions



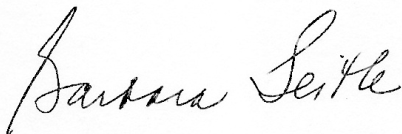
Maya Baxter  
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Statewide Poverty Action Network



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Washington Environmental Council



Michael Ramos  
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Church Council of Greater Seattle



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Bill LaBorde  
Program Director  
Environment Washington

cc: Senate Majority Leader Lisa Brown  
House Speaker Frank Chopp  
Senator Phil Rockefeller  
Representative Dave Upthegrove  
Jay Manning  
Juli Wilkerson  
Janice Adair  
Tony Usibelli  
Matt Steuerwalt