

EXPANDING THE QUÉBEC-CALIFORNIA CARBON MARKET

- The Québec and California cap-and-trade (C&T) systems came into effect on January 1, 2013 and were linked on January 1, 2014.
- Once Ontario joins the carbon market, the WCI carbon market will have a population of 62 million and a GDP of more than 3.7 trillion dollars.
- It is the only carbon market in the world to have been designed, developed and operated by sub-national governments from different countries.
- It provides numerous economic and environmental benefits to all partners.

A successful example of collaboration

A combination of vision, political will, on-going collaboration and a trusting relationship made the harmonization and linking of Québec and California's C&T systems possible. The following are among the many successes achieved by these efforts:

- The harmonization of regulatory frameworks
- Several successful auctions were held, the proceeds from which were reinvested in the fight against climate change
- A successful first compliance period: compliance instruments were surrendered for 100% of Québec's covered emissions.

Linking steps by steps

2008-2010: Guidelines and operating rules designed by WCI partners

2012: Amendments to cap-and-trade regulations to allow the linking of the systems

2013: Implementation of the Québec & California C&T systems Linking agreement between Québec and California (Unanimous approval of this agreement by the Québec National Assembly)

2014: Québec and California link their C&T systems and hold a first joint auction

Broadening the partnership

Alongside the April 2015 Québec Summit on Climate Change, Ontario announced its intention to set up a C&T system and join the Québec-California carbon market. Québec pledged to work with Ontario to achieve this result. The following September, Québec and Ontario signed a cooperation agreement aimed at facilitating Ontario's upcoming membership in the Québec-California carbon market.

Furthermore, during the COP21 in December 2015, Manitoba announced that it would implement, for its large emitters, a C&T system compatible with the Québec-California carbon market. Québec and Ontario then committed in Paris to collaborate with Manitoba in the development of its system by signing a memorandum of understanding to that effect.

Next steps

Having created a winning partnership model with California that will shortly apply to Ontario, Québec continues to work with other North American governments to push for carbon pricing and broaden the WCI market. The WCI C&T model is flexible enough to allow for different types and degrees of linking. It can accommodate different economic circumstances and priorities, as well as particular GHG emission and industrial profiles.

In the future, the WCI carbon market could expand even further by linking with similar markets around the globe. Indeed, the larger the reach of WCI's carbon market, the more effective and the better positioned it will be to contribute to the global effort to fight climate change.