California Governor Jerry Brown will allow the state's Air Resources Board to link its cap-and-trade program to reduce greenhouse gas emissions with a Quebec cap-and-trade program modeled after California's. Brown sent a letter to CARB today making four findings that he is required to decide before allowing the linkage to go forward. CARB must still take several steps before the systems fully link but has continually expressed its intent to expand its cap-and-trade program beyond California borders. If the state goes forward as expected the linkage between the American state and the Canadian province will mark the first time two cap-and-trade programs have been linked together. In practical terms, as CARB explains, "Linking two such programs means that compliance instruments (i.e., emission allowances and offset credits) issued by two jurisdictions can be used interchangeably for compliance in either jurisdiction."

California's cap-and-trade program was adopted by CARB as part of its implementation of the state's Global Warming Solutions Act. The Act, passed as AB 32 in 2006, contemplated that the state consider linking its regulatory efforts with those of other states and countries:

> The Legislature anticipated the possibility of linking with programs in other jurisdictions, finding that "national and international actions are necessary to fully address the issue of global warming," and directing ARB to consult with other states and nations "to facilitate the development of integrated and cost-effective regional, national, and international greenhouse gas reduction programs."

Though CARB has worked closely with Quebec for more than a year to develop regulations that would allow the jurisdictions to link, the California Legislature slowed that effort last year when it adopted SB 1018 last June. SB 1018 requires the Governor to make four findings before allowing any cap-and-trade linkage to proceed. The four findings include

1) that the jurisdiction with which California seeks to link has program requirements to reduce greenhouse gases that are at least as stringent as California's, including for program offsets; the Governor found that Quebec's program is more stringent than California's in its emission reductions limit and that it has many program elements that are nearly identical to the state's;

2) that the state be able to enforce its laws against regulated entities within Quebec to the maximum extent permitted under the U.S. Constitution; Brown found that the linkage will not limit California's enforcement authority against its own emitters and that — even though California cannot enforce against Quebec regulated parties that are located solely within Quebec — Quebec has sufficient regulatory authority to enforce against its own emitters;

3) that Quebec have enforcement authority at least as strict as California's authority; Brown found that Quebec does in fact have such authority;

4) And finally, that linkage will not impose any significant liability on California; Brown found that legal immunities that limit lawsuits against the state will not be abridged in any way and that Quebec's rigorous enforcement program will provide further protection against any state liability.

Before linkage can go forward CARB must still adopt final regulations, something that will likely occur shortly. Once that happens California and Quebec will work together to ensure a smooth transition to linkage. But the real hope on California's part is that this linkage is just the first of many such linkages so that the state can be at the forefront of creating a cap-and-trade market across multiple jurisdictions. The central aim is to expand the size of the market for emissions reductions in order to lower overall compliance costs and to persuade additional states and provinces — and ultimately even countries — to follow California's lead in cutting carbon emissions. Today's linkage decision is a big and important step in that direction.

linkage means that allowances and offsets of each program can be used to satisfy legal obligations