

# **Report on the collaboration between Washington State and the UK Government on climate change**

## **Introduction and Overview**

In September 2013, Washington State Governor Jay Inslee and UK Minister Gregory Barker of the Department of Energy and Climate Change signed a Joint Declaration strengthening co-operation between Washington State (WA) and the UK on low carbon policies (Annex 1). The Joint Declaration directed WA and UK officials to carry out a work programme of joint discussions on tackling climate change and encouraging low carbon development, and to report back with recommendations.

As instructed, joint discussions were organized to exchange information, compare policies and programs, and consider lessons learned. As summarized below, detailed discussions were conducted on carbon emissions trading, clean technology investment, building energy efficiency and clean transportation. More general discussions were held on the effect of climate change on the insurance industry and the risks to infrastructure, and on development of advanced energy storage systems.

These discussions were timely and helpful, and both informed and encouraged further action in WA.

In April 2014, Governor Inslee issued an Executive Order directing further work on many of these topics. The Order created the Carbon Emissions Reduction Taskforce (CERT), comprising a wide range of WA experts to develop recommendations for a carbon market system to implement in the state. The UK visit in May 2014 to brief the Taskforce in depth on emissions trading was the highlight of the joint collaboration to date.

In light of this expanding work, WA and UK staff believe continued collaboration between the State and DECC is timely and mutually beneficial.

This joint report by Washington State and DECC summarises our discussions and presents Governor Inslee and Minister Barker with recommendations for a second phase of the work programme.

## **Summary of recommendations for future collaboration**

The lessons learned over the period of collaboration have been mutually beneficial and we would propose to Governor Inslee and Minister Barker to continue collaborating in the most productive and useful areas. Continued collaboration will be highly relevant to the key topics being addressed this year under the Governor's Executive Order and support our national and international objectives for tackling the very real threat of climate change.

Based on our conclusions above, we propose **three main areas** of focus for the next phase. We further propose a soft end date of late summer 2015, when we will provide a second progress report on our joint collaboration.

1. **Carbon markets** – the expansion of carbon markets globally continues apace, with China developing a regional approach to trading in addition to the next phase of the EU ETS and other countries launching new schemes, such as South Korea, in 2015.
  - As the most productive area to date, we propose continuing to share our experience to help support analysis, project design and development in WA, particularly leading up to and during the next WA legislative session. We also suggest exploring ways of sharing progress with the Pacific Coast Collaborative, as part of their joint climate action plan, with a view to supporting and encouraging other US states to consider action.
2. **Clean technology investment and innovation** – both WA and the UK believe tackling climate change and spurring technological advances grow our economies and create new jobs. The global market for low carbon goods and services is estimated to be over £3 trillion in value and the Confederation of British Business (CBI) estimated that one third of the UK's economic growth in the 2011-12 financial year was likely to have come from green business.<sup>1</sup>
  - To support this growing sector, we propose continued strategic engagement on investment mechanisms to foster links on key topics such as renewables deployment.
3. **Clean transportation fuels and policies** – as people in WA and the UK travel more than ever before, the need to address the global challenge of reducing the carbon intensity of our transport is pressing.
  - Collaboration between WA and the UK in this area could help address this challenge and increase the focus on key areas, demonstrating progress to others. We suggest focusing work over the coming months on knowledge sharing on biofuels, clean jet fuels and clean fuel standards, and congestion reduction in cities.

### Further recommendations:

1. **We advise continuing to monitor developments across other workstreams**, and hold discussions as and when relevant and timely. There may also be other rapidly developing areas we could usefully address together, as resources and priorities on both sides allow.
2. **It will be important to showcase progress made to the wider Pacific Coast Collaborative and other states**, to ensure they are engaged in areas

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<sup>1</sup> [http://www.cbi.org.uk/media/1552876/energy\\_climatechangerpt\\_web.pdf](http://www.cbi.org.uk/media/1552876/energy_climatechangerpt_web.pdf)

of work which may help them address their own clean technology and emissions reductions goals. We will also explore options for when Washington State colleagues visit the UK to demonstrate findings.

3. **Similarly, we will reach out to wider stakeholders and interested parties** such as agencies, academics, civil society and business, where we feel their input is needed or would be beneficial to their work.

## An overview of our work

Over nine months, our respective policy leads and external experts addressed four of the six topics listed below in depth, assessing the value of each workstream given our priorities, timelines and resources. We have also made plans to address the remaining two workstreams in a lighter fashion, and to retain an overview which allows for further collaboration on these topics as and when this is helpful.

Progress against our six topics, to end of June 2014, is outlined below:

1. **Market-based mechanisms to reduce carbon emissions, including lessons learned by the United Kingdom as a result of its experience as a participant in the European Union Emissions Trading Scheme, including how cap and trade fits with other mechanisms to reduce emissions, market regulations, and technical considerations around linking markets.**

- **Action so far:** This topic provided the forum for our most detailed and productive discussions. We held technical teleconferences between experts, and identified the key questions facing Washington State concerning market based mechanisms. Building on the momentum generated by the Governor's newly-formed Carbon Emissions Reduction Taskforce, UK officials travelled to Washington State to participate in a series of workshop on 15 and 16 May 2014, to discuss the UK's experience of carbon markets, focusing particularly on the practicalities and lessons learned from design and implementation phases of the EU ETS.
- The workshops also included discussions with a wide group of stakeholders, including: conversations with the business groups such as the Washington Clean Tech Alliance; meetings with academics at the University of Washington on climate science and the state context; and discussions with state officials (from Oregon and Washington) and agencies on the UK context. The event generated interest in local media. A list of coverage is available in Annex 2.
- **Impact:** Our conversations so far have kick-started work, and helped shape the Taskforce's thinking on the best options for a carbon market in Washington State. However, much work remains around the design of an appropriate and workable system, in conjunction with stakeholders. Information provided in the workshops is helping Washington prepare the detailed budget and legislative proposals necessary to move a program forward over the course of 2014.
- **Proposed next steps:** The UK to continue to collaborate with WA on this

topic and provide links to expertise at key points. In particular, UK can provide review and advice as WA develops its carbon market legislation for the legislative session that convenes in January 2015. The project has also generated interest with other senior US interlocutors which supports our international climate change ambitions, and we will continue to foster these links.

**2. Clean technology investment to accelerate the transition to a clean energy economy and advance clean technology innovation, development, and deployment, through public funds and leveraged private investment.**

- **Action so far:** Encouraging investment in the many forms of clean technology is a priority for both WA and UK. We held several informative and detailed teleconferences with representatives from DECC and the Green Investment Bank (GIB) on the design, set up and function of the bank, and how it is being used in the UK to stimulate private finance. We also discussed ways of adapting the bank's model, and other approaches.
- In tandem with this, we've considered reform of the electricity market in the UK as a tool for the transition to more diverse and cleaner domestic energy supplies, and stimulating investment in low-carbon technologies.
- **Impact:** This area has generated great interest amongst WA businesses and appetite remains for further conversations on policies to support pilot deployment schemes, and the growing number of jobs in the clean technology sector. Information on UK energy market reforms helped inform WA's current effort to expand solar energy incentives.
- **Proposed next steps:** WA and UK continue to share knowledge on the different aspects of their green economies, and ideas for the new clean technology investment, looping in external experts. In particular, UK has expertise and experience to offer as WA designs an expanded and permanent clean energy investment fund.

**3. Enhancing building energy efficiency and public awareness of potential savings, as well as technical policy tools (appliance standards; on-bill financing; net-zero buildings; building code; point-of-sale disclosure) to incentivize this.**

- **Action so far:** WA and the UK share many similar challenges in this area, due to age of housing stock, inefficient use of energy, and susceptibility to flooding, requiring crossover of policy solutions. We explored models such as the UK's Green Deal in detail, and wider energy efficiency strategies.
- **Impact:** We've enhanced our understanding of each parties' challenges, and identified areas where we can continue to usefully collaborate and share ideas, such as the smart grids and low-income weatherisation programmes.
- **Proposed next steps:** Continue to share information on key topics. DECC to provide links to policy leads, including smart meters and grids and the next phase of the Green Deal. Under the Governor's Executive Order, WA will

develop enhanced programs for energy efficiency in buildings, agriculture and industrial uses, and will seek UK's review of these proposals.

#### **4. Clean transportation fuels and policies that help reduce overall carbon intensity of fuel mix.**

- **Action so far:** WA's expertise in this area has been of great interest to UK colleagues, at the Department of Transport as well as DECC. For WA, clean transportation is an imperative area of focus, as almost half of the carbon emissions in the state derive from transportation.
- **Impact:** One of our most successful workstreams, our in-depth policy and knowledge sharing sessions have been welcomed by all participants. Topics of particular ongoing interest include innovation and deployment of aviation biofuels, electric vehicle consumer incentives and infrastructure, and clean fuel standards and related programs. Increased expertise in this area may have far-reaching effects and can inform our work both internal and with other jurisdictions.
- **Proposed next steps:** Continue to hold focused teleconferences at the request of both groups and consider how to best share ideas developed. As directed by the Governor, WA is currently developing several enhanced programs related to clean transportation, including: electric vehicle incentives and support, and requirements for the sale of zero emission vehicles, clean fuel standards to reduce the carbon intensity of transportation fuels, and programs to secure transportation alternatives, including transit oriented development, variable system controls and demand management.

#### **5. Climate risks in insurance policies and climate resilient infrastructure.**

- **Action so far:** Interest from the US and the UK in this rapidly developing area is increasing, including from business constituencies, local governments and communities considering their long-term sustainability. Extreme weather has increased interest from a wider group of stakeholders both in the US and UK, welcoming new initiatives, many in incipient phases.
- The Washington State Insurance Commissioner is working with his counterparts in New York and California to document how the insurance industry is addressing climate change, and to encourage the industry to take action. WA is also a member of the West Coast Infrastructure Exchange, which is looking at how to address climate in infrastructure planning and investment.
- **Impact:** We explored this topic through discussions on climate resilience, including the UK's National Adaptation Plan (NAP), and the UK's response to recent severe flooding. The NAP outlines that research is needed to increase the understanding of climate change impacts on growth and the economy, including on investors and insurers. WA compared the NAP to their state climate adaptation plan.

- **Proposed next steps:** Work within industry on both sides of the Atlantic is gathering pace and as such will require ongoing consideration. A number of initiatives have already been taken by the insurance industry to increase understanding of climate risk and we will monitor these.

**6. Developing advanced energy storage.**

- **Action so far:** Initial information gathering on this topic is still underway. There is great interest from UK counterparts in this area keen to learn from US experience and the need to increase technological innovation. Seventy-five percent of the electricity generated in WA derives from renewable sources, including both hydropower and wind.
- On July 8, 2014, Governor Inslee announced awards of over \$14 million in match funding to three projects to demonstrate the benefits and uses of utility-scale battery energy storage systems.
- **Proposed next steps:** Monitor the development of the storage industry on both sides of the Atlantic over summer 2014 via discussions with policy leads and relevant academics.

**This report and these recommendations are submitted to Governor Inslee and Minister Barker for their comments and approval.**

<hr style="width: 40%; margin-left: 0;"/> <p><b>FOR THE</b></p> <p><b>Department of Energy and Climate Change (DECC)</b></p> <p><b>United Kingdom of Great Britain and Northern Ireland</b></p> <p><b>14 July 2014</b></p>	<hr style="width: 40%; margin-left: 0;"/> <p><b>FOR THE</b></p> <p><b>State of Washington</b></p> <p><b>United States of America</b></p> <p><b>14 July 2014</b></p>
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**JOINT DECLARATION  
BETWEEN  
THE STATE OF WASHINGTON, UNITED STATES OF AMERICA  
AND  
THE DEPARTMENT OF ENERGY AND CLIMATE CHANGE OF  
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN  
IRELAND  
CONCERNING STRENGTHENING CO-OPERATION ON LOW  
CARBON POLICIES**

Minister Gregory Barker of the Department of Energy and Climate Change (hereinafter referred to as DECC) of the United Kingdom of Great Britain and Northern Ireland visited Washington State in the United States of America and called on the Honorable Jay Inslee, Governor of Washington, on 19 September 2013.

During the meeting, both sides EXCHANGED ideas on the shared challenge of tackling climate change and advancing low carbon development, and APPROVED a wide range of common understandings.

**THE PARTICIPANTS HAVE:**

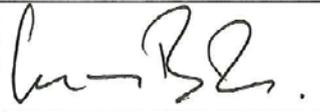
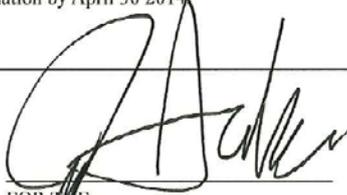
REALISED the importance of tackling climate change in the context of sustainable development and economic growth, the important role of Washington as a leader on low-carbon policies in the U.S., and of the potential for ENHANCING co-operation in tackling climate change and low-carbon development.

DECIDED to deepen co-operation, knowledge and best-practice sharing in the following areas to achieve the common goal of assisting each other in low-carbon development:

1. Market-based mechanisms to reduce carbon emissions, including lessons learned by the United Kingdom as a result of its experience as a participant in the European Union Emissions Trading Scheme, including how cap and trade fits with other mechanisms to reduce emissions, market regulations, and technical considerations around linking markets.

2. Clean technology investment to accelerate the transition to a clean energy economy and advance clean technology innovation, development, and deployment, through public funds and leveraged private investment.
3. Enhancing building energy efficiency and public awareness of potential savings, as well as technical policy tools (appliance standards; on-bill financing; net-zero buildings; building code; point-of-sale disclosure) to incentivize this.
4. Clean transportation fuels and policies that help reduce overall carbon intensity of fuel mix.
5. Climate risks in insurance policies and climate resilient infrastructure.
6. Developing advanced energy storage.

DECIDED to appoint staff members from the State of Washington and the Department of Energy and Climate Change of the United Kingdom of Great Britain and Northern Ireland, with support from the Foreign and Commonwealth Office of the United Kingdom of Great Britain and Northern Ireland, to implement this Joint Declaration by means of regular discussion. These discussions will take place over the time period September 2013 – March 2014, with the intention of evaluating progress made and the benefits of continued coordination by April 30 2014.

	
FOR THE	FOR THE
Department of Energy and Climate Change (DECC)	State of Washington
United Kingdom of Great Britain and Northern Ireland	United States of America
19 September 2013	19 September 2013

## Annex 2

### **PRIOR NEWS COVERAGE**

#### **September 2013 Signing of Joint Declaration**

##### **Transportation Issues Daily**

[\(Photo\) Governor Inslee and Greg Barker](#)

Many Seattleites showed up to hear Greg Barker, the UK Minister of Energy and Climate Change talk about his conservative government's actions and achievements.

##### **Washington Clean Tech**

[Gov. Inslee Signs Joint Declaration with UK Govt. to Strengthen Partnership in Combating Climate Change](#)

Gov. Jay Inslee and UK Energy and Climate Change Minister Greg Barker signed "joint declaration" that will allow for greater collaboration as the UK and Washington state work on market-based solutions to climate change. The agreement could lead to greater cooperation among western U.S. states and the UK, too.

##### **Seattle Weekly**

[Inslee Signs Climate Coalition with UK, New Landmark EPA Limits](#)

Locally, Governor Inslee has announced the signing of [a new joint declaration](#) with UK Energy and Climate Change Minister Greg Barker. The declaration acts as the start of a new international partnership between Washington State and the UK to collaborate on a number of fronts in the effort to reduce the effects of climate change.

##### **Associated Press**

[Inslee, UK Minister Barker sign climate agreement](#)

Gov. Jay Inslee United Kingdom Energy and Climate Change Minister Greg Barker have signed a clean energy partnership agreement. The declaration signed Thursday seeks greater collaboration on reducing carbon emission, energy efficiency strategies and clean transportation.

#### **DECC's May 2014 Presentation to Gov. Inslee's Carbon Emissions Reduction Task Force**

##### **Crosscut**

[Governor Jay Inslee looks to climate lessons from Europe, Asia](#)

The Washington governor's task force is exploring how to make a cap-and-trade program work well in Washington.

##### **Associated Press**

[UK Delegation offers advice on carbon pollution](#)

A delegation from the United Kingdom is in Seattle Thursday to give state officials advice on reducing carbon pollution. The UK group is meeting with Washington Gov. Jay Inslee and his newly formed panel, which is charged with recommending a market-based system to reduce greenhouse gas emissions.

##### **Bonney Lake Courier Herald**

### [Governor and UK continue clean energy partnership](#)

Washington Gov. Jay Inslee and a delegation of United Kingdom officials will meet in Seattle and Olympia this week as they continue to work under a clean energy partnership signed by the two governments last year.

### **Press Release, UK delegation visit**

Gov. Jay Inslee and United Kingdom officials will meet in Seattle and Olympia this week as they continue to work under a clean energy partnership signed by the two governments last year.

The UK delegation will join the meeting of the governor's Carbon Emissions Reduction Taskforce which is advising the governor on market based mechanisms for reducing carbon pollution. The UK delegation will brief the taskforce on carbon markets worldwide. The UK funded a consultant who will brief the taskforce.

The joint declaration signed in Seattle last September called for Washington state and the UK to enhance their collaboration on market-based mechanisms for reducing carbon emission, clean energy investments, energy efficiency strategies, clean transportation and more.

The agreement was signed by the governor and UK Energy and Climate Change Minister Greg Barker.

"This collaboration has already proven itself useful in as we begin to craft the best possible program to fight climate change," Inslee said. "I want to offer my sincere thanks to the Minister and his government for investing in our success. This is an opportunity for us to work together to show the world that tackling climate change and creating sustainable jobs go hand in hand."

The UK is currently implementing a groundbreaking energy bill to decarbonize its electricity sector by 2050. This forms part of a suite of measures to fulfill the UK's ambitious emissions reduction targets.

"The UK government is committed to building a low carbon future as part of our long-term economic plan for jobs and growth," said UK Energy and Climate Change Minister Greg Barker. "Washington State has clearly shown that it is stepping up to the challenge in the global fight against climate change. I welcome our continued partnership in sharing the skills and expertise needed to tackle this most crucial of issues."

The governor's taskforce was created by his climate change Executive Order issued late last month. The group meets Thursday morning in Seattle.

The UK delegation will also meet with the Washington Clean Technology Alliance and with the members of the governor's cabinet and senior staff, and will conduct a technical workshop on implementing a carbon market.

**Statement by Governor Inslee launching the Climate Legislative and Executive Workgroup, 30 Jan 2014**

**Climate Change**

It will come as no surprise to anyone that I also believe we must advance when it comes to addressing climate change.

Over the course of last year, I had the privilege to work directly with your appointed representatives on the Climate Legislative and Executive Workgroup. We were charged by you to recommend specific actions to ensure our state meets its statutory commitments to reduce carbon pollution.

The key word here is *actions*.

The independent review conducted for the climate workgroup concluded that while we have made progress, our statutory limits on carbon pollution will not be met without additional actions.

By the end of next week, we will finalize the report of the climate workgroup and submit our best thoughts on next steps. I am committed to a set of actions to secure the additional carbon pollution reductions by the required dates.

Rest assured, we will move forward. Going backward is not an option. Inaction is not an option. Whether you care about our environment or our economy, or hopefully both, tackling climate change makes sense. If we stop fighting over whether to act and instead work together on how to act, we can innovate our way to a better future.

That's what we need to do now. I look forward to working with you on the policies.