North American Climate Governance, or how States and Provinces can lead the way: The case of the Western Climate Initiative
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North American Climate Governance, or how States and Provinces can lead the way: The case of the Western Climate Initiative

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The last fifteen years marked a turning point in climate governance in North America. After years of tensions surrounding federal inaction in Canada and the United-States (US) regarding the mitigation of greenhouse gases, an increasing number of states and provinces (and for that matter municipal governments too) decided to take leadership and develop their own initiatives to fight against global warming. Transboundary action plans and initiatives were adopted and implemented in many North American regions, including the development of regional carbon markets such as the Western Climate Initiative (WCI) and the Regional Greenhouse Gas Initiative (RGGI). In doing so, Federated states have legitimized their capacity to act internationally and demonstrate their relevance to deal with this global collective action problem. Moreover, it shed light on the reconfiguration of authority associated with the creation of international climate regimes at state level in the North American context (Chaloux 2012, Bruyninckx et al. 2012, Selin and Vandeveer 2009).

Today, one of these initiatives, the Western Climate Initiative, is internationally recognized as a “success story” in the global climate negotiations¹. If it initially showed strong leadership from US states and Canadian provinces, the WCI has undergone several ups and downs during the creation and the implementation process. For example, despite a strong original enthusiasm from several North American Federated states, the real commitment of the initial partners has not been concretized. Serious political social, and economic oppositions were expressed through the negotiation process of this promising North American carbon market. One of the most important challenges at the time was the acceptance of the holistic approach of this market-based policy instrument targeting CO2 emissions by the different jurisdictions (Klinsky 2013, Hamilton 2011, Kahn 2011, Mercure 2011, C2ES 2013). So, in 2011, although provinces of British Columbia, Ontario, and Manitoba maintained their interest in the organization, they decided to postpone the implementation of the cap-and-trade system in their jurisdiction (Vaillancourt 2011, Hamilton 2012), and after much opposition from powerful business interests and important tensions across political parties, all other WCI members have also decided to withdraw from the initiative at the exception of Québec and California.

¹ See for more details, all side events that were organized at COP21 in Paris in 2015, which recognizes the relevance and the significance of Québec-California cap-and-trade system.
Notwithstanding those setbacks, WCI has persisted and began its implementation process in January 2012.

Three years later, what can be said about this new carbon regime created by substate governments? How was implemented this new carbon market and what were the main challenges associated with the implementation process? The objective of this paper is to provide an overview of this new cap-and-trade system developed at a state and provincial levels and explore its prospect of setting new norms, rules and institutions for other subnational North American jurisdictions. More specifically, it will clarify the potential of setting-up long-lasting and constraining environmental regimes by subnational jurisdictions in the North American context, given the practice of federalism in both Canada and the United States. The methodology of this research is based on primary sources (i.e. laws and decrees, formal internal documents, meetings minutes, press releases and government paperwork) secondary sources (i.e. scientific articles and books). In the first section, this paper presents the development of multilevel governance and green paradiplomacy in North America. Then, it situates the emergence of the Western Climate Initiative. Thirdly, we analyse the implementation process of this cap-and-trade system and concludes by a reflection on the recent developments and successes of this green paradiplomatic tool in North America.

1. GREEN PARADIPLOMACY AND MULTI-LEVEL GOVERNANCE IN NORTH AMERICA

The emergence of public concerns about environmental issues started at the beginning of the 1960s, corresponding approximately to the same period of time as the development of green paradiplomacy in North America. New concerns about environmental problems affected different parts of the continent and citizens became aware of the transboundary nature of environmental issues, which affected larger territories than before (Karkkainen 2008). Issues such as acid rain, mercury, and water quality, have fostered the development of cross-border cooperation between different levels of government in the 1970s. Thereby, they encouraged Federated states to implement innovative transboundary environmental policies, which we call green paradiplomacy, and contributed to the development of cross-border institutions and regimes at different levels of government (Bruyninckx et al. 2012, Chaloux 2010, Chaloux and Paquin 2012).

Strongly related to the federal nature of both Canadian and American political systems, green paradiplomacy’s development in North America relied on the expanding role of states and provinces over environmental issues. Their constitutional powers enabled them to assume a certain leadership over several environmental issues, and gave them an opportunity to develop cooperation and collaboration over cross-border environmental issues (Chaloux 2012, Vannijnatten 2004, Selin and Vandeveer 2009, Blatter 2001). Over time, the bilateral and multilateral interactions that have developed along the Canadian-US border became institutionalized through organizations such as the Conference of New England Governors and Eastern Canadian Premiers (NEG-ECP), the Council of Great Lakes Governors (CGLG), the Western Climate Initiative and several other organizations. (Chaloux and Séguin 2012, Chaloux 2012, Vannijnatten 2006, Selin and Vandeveer 2009). North American green paradiplomacy has contributed to the institutionalization of subnational environmental regimes in a cross-border
perspective. It thus appears necessary to report on these new regimes created in North America since their leadership can influence significantly global environmental governance and also to observe the effectiveness of their implementation with the main focus on the Western Climate Initiative.

1.1 CLIMATE CHANGE ISSUE IN THE NORTH AMERICAN CONTEXT

In recent years, people's concerns about global warming have considerably grown in North America. The proliferation of extreme weather events has enhanced the interest of both countries for climate change, but political polarization among political parties at federal level has also rapidly developed over this issue (Lachapelle et al. 2012, Insightsx Research 2012). States and provinces have shown their leadership quite early in order to develop various policies to fight against climate change in response to a relative paralysis at the federal levels to deal with this issue (Rabe 2005, Doran 2006, Tomblin and Colgan 2004, Engel 2009).

In doing so, global warming became an unequivocal priority issue for states and provinces, and they both developed unilateral and multilateral cooperative actions to address the issue of climate change, both within and outside their borders. The development of climate paradiplomacy evolved in this context, and followed a similar path of development than green paradiplomacy in North America, but used mostly a multilateral channel, by notably, the creation of multilateral organizations on both sides of the border (Chaloux 2010, Vannijnatten 2006, Selin and Vandeveer 2009, Blatter 2001).

The overlapping nature of jurisdictional powers related to climate change issue has contributed to legitimize states and provinces’ actions with regard to climate governance, and to promote states and provinces international activities (Eatmon 2009, Andonova et al. 2009, Vannijnatten 2006). In this perspective, there is now a greater recognition of the importance of non central governments in the regulation of environmental and climate issues, since they are the principle actors involved in public transportation, urban planning, health, energy and natural resources management policies. Generally, due to the intermestic nature and increasing complexity of environmental issues, green paradiplomacy has become a new trend for Federated states (Chaloux and Paquin 2012). In fact, it legitimizes their international actions over environmental issues, in a context where Federal governments lack willingness and capacity to implement nation-wide climate policies.

More concretely, subnational leadership over climate change has been exercised in a pragmatic way. At first, Federated states objective was to move beyond federal inaction. Then, they aimed to respond to a favourable public opinion over climate change issue and greenhouse gas (GHG) emissions reduction by contemplating reducing their imports and dependence on fossil fuels as well as developing new economic opportunities. By doing so, they positioned themselves at the forefront of the debate and became, unavoidably, the key players for any future federal regulations with regard to climate change in North America (Klinsky 2013, Andonova et al. 2009).
1.2 EFFECTIVENESS OF ENVIRONMENTAL REGIMES IMPLEMENTATION

The effectiveness issue associated with the implementation of an environmental regime cannot be totally dissociated from public policy, governance and implementation literature. In fact, there is a strong relation among these fields, as this section will demonstrate. With regard to public policy studies, academics concede that the focus was initially on decision-making and not on the implementation of public policies (Bernier 2010, Birkland 2001, Garon and Dufour 2010, Howlett et al. 2009, Pal 2001). According to Hassenteufel, this is in large part because researchers have minimized this stage of the policy cycle, "as though the implementation of decisions were taken for granted" (translated from Hassenteufel 2008). While the tendency to ignore the aspect of implementation is attenuated in a number of public policy research areas, it seems that the issue remains ignored by specialists of paradiplomacy. Indeed, research in this area is barely emerging (Criqueemans 2010, Chaloux 2010; 2016). The presence and multiplication of international agreements by federated states have not been followed by extensive research analysis on the outcome of these tools. Seeing non-central states participating in international agreements as rational actors seeking to promote their interests, scholars have bypassed the interdependence between politics, public administration, and civil society/private sector at the implementation stage, which may, to some extent, contributed to the success or failure of a particular public policy (Lipsky 1980, Howlett et al. 2009, Matland 1995, O'Toole 2000).

Thus, for this case study, the analysis of the implementation of such a regime requires the consideration of other fields of literature. The literature on the issue of implementation is considered more and more fragmented, and there is a need, for a growing number of scholars, to take into account other areas of the scientific literature (O'Toole 2000, DeLeon and DeLeon 2002, Saetren 2005, Conteh 2011). In doing so, it helps to further understand the complexity of this particular stage of the policy cycle. However, the presentation of models remains highly contextualized, and the importance lies rather in the rigor of the approach than in the application of a generalized model.

In this paper, we focus on four particular analytic aspects of the implementation process. First, we individually analyse the legal and administrative implementation of the cap-and-trade system by each official partners and then compared them between them. Second, we focus on the political aspects (and tensions) arising from the choice of instrument by public actors (legislators and governmental actors). Third, the economic and social considerations which may have affected the implementation of the carbon market is included in our analysis. At last, the analysis of these dimensions allows us to go beyond the top-down and bottom-up approaches of the implementation literature, and thus better explain the implementation of this cross-border environmental regime.

2. THE WESTERN CLIMATE INITIATIVE: AN OVERVIEW

Considered as the first cross-border cap-and-trade scheme in North America, the Western Climate Initiative is the second largest carbon market in the world after the EU-ETS (C2ES 2013) and the second carbon market of its kind on the continent created after the Regional Greenhouse Gas Initiative. The latter is a subnational
cap-and-trade system founded in 2003 that focuses more specifically on emissions from power plants in the Northeast of the United States. Nevertheless, the WCI has a much more larger scope than the other initiatives. It has the objective to mitigate greenhouse gas emissions from different economic sectors (i.e. industries, energy, and transportation) by establishing a carbon market between Federated states with a GHG emissions reduction target of 15% below 2005 levels for 2020 (WCI 2010).

2.1 THE EMERGENCE OF A CROSS-BORDER ORGANIZATION

Founded in February 2007, the Western Climate Initiative comprised initially solely US states (i.e. Arizona, California, New Mexico, Oregon, and Washington). However, it quickly attracted the attention of many other Federated states in Canada, the United States, and Mexico. Canadian provinces officially joined the initiative in the following months, allowing the Western Climate Initiative to become an international cross-border initiative. Indeed, British Columbia (April 2007) and Manitoba (June 2007) were the first provinces to join the WCI in Canada. It was then followed by other Federated states such as Utah (May 2007), Montana (January 2008), Québec (April 2008), and Ontario (July 2008) (Associated Press, 2008). Thus, in 2010, the WCI had eleven official members and 14 Federated states with an observer status. If all participants had stayed in the initiative, it would have affected more than 25% of the population of both countries when fully implemented which would have made the WCI the largest carbon market in North America (Hight and Silva-Chávez 2008).
The creation of a wide cap-and-trade system was the central objective of the initiative. States and provinces wanted to establish a wide regulatory framework covering a large part of the GHG emissions produced within their borders from electricity generation, transportation, residential, and commercial fuel use and industries. There are two main reasons that can explain this choice of policy instrument. First, it could reflect the polluters pay principle. Second, it could give to the private sector flexibility in its application, by letting it deciding the most cost-effective ways to achieve the limits fixed by each jurisdiction. Since 2015, the program is fully implemented and it now covers nearly 85 to 90% of GHG emissions in all participating states and provinces (California 2011, Québec 2012b, WCI 2010).

It is also important to note that the Western Climate Initiative goes beyond the unique creation of a carbon market. In fact, several criteria are a prerequisite to the WCI membership. First, states must have adopted their own GHG emission reduction target. Second, they must have implemented an action plan to achieve their GHG emissions goal. Third, states should have adopted the California Vehicle Greenhouse Gas Emissions Standards, and finally, they must be part of the Climate Registry (WCI 2007).

The WCI is also a highly decentralized organization. Each partner fixes its own GHG emissions reduction target, and the collective goal becomes the sum of its parts. There is no imposition of a common target, but rather a target fixed by each jurisdiction to better represent its own particularities. Therefore, it provides a
valuable platform for Federated states wishing to limit their GHG emissions, while participating in the creation of a new carbon market in North America (Western Climate Initiative, 2010).

The program was designed to begin in January 2012, but the ultimate GHG reduction target is planned for 2020. The first year served as a transition period where businesses and industries, covered by the cap-and-trade system, had to register to the Compliance Instrument Tracking System Service (CITSS), a joint registry developed by Québec and California (Québec 2012b). Then, the first compliance period of GHG emission reductions began in January 2013. For this first period (2013-2014), the WCI has covered emissions from power generation, large industrial facilities and mining extraction. These emissions corresponded to approximately 40% of the total GHG emissions covered by the cap-and-trade program when fully implemented (C2ES 2013). In 2015, the program expanded to cover providers of residential and commercial fuels and their transportation, which emit over 25,000 metric tons of CO2 in the atmosphere.

In order to achieve the 2020 GHG emissions goal, the number of allowances issued (carbon credits) is reduced every year. Where some of the allowances are given to different emitters, a minimum of 10% of the allowances is sold through an auction system. It is predicted that an increase of the minimum auction level will reach 25% by 2020.

Table 1 Implementation of the WCI Phases

<table>
<thead>
<tr>
<th>Phases</th>
<th>Sectors Covered</th>
<th>GHG Reduction targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: 2013-14</td>
<td>Power generation, Industrial facilities</td>
<td>California: 2%/year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Québec: stabilization</td>
</tr>
<tr>
<td>Phase 2: 2015-17</td>
<td>Power generation, Industrial facilities, Distributors of transportation fuel, Distributors of natural gas, Distributors of other fuel</td>
<td>California: 3%/year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Québec: 3%/year</td>
</tr>
<tr>
<td>Phase 3: 2018-2020</td>
<td><em>Idem</em> as phase 2</td>
<td>California: between 3%/year</td>
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<tr>
<td></td>
<td></td>
<td>Québec: 4%/year</td>
</tr>
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</table>

2.2 DISSAPPOINTMENT AT THE STARTING LINE

At the approach of the official start of the carbon market in January 2012, the picture for this new initiative changed considerably. The disappointing slow pace of the North American economic recovery, the difficult financial situation of several Federated states, the arrival of new governors and legislators in some of the US states, and the revival of debates on climate science have all played an important role in lowering the priority accorded to the issue of global warming and carbon market (Klinsky 2013). As a result, all US states have withdrawn officially of temporary from the initiative, leaving alone California and the four Canadian provinces in the pursuit of the cap-and-trade system. Furthermore, on the five
remaining members, only the province of Québec and the state of California had achieved the majority of their requirements for the carbon market opening, provided for January 1, 2012, creating some uncertainties about the future of other provinces to fulfill their requirements to establish the cap-and-trade system in their jurisdiction (Klinsky 2013). As well, some delays have occurred in the implementation process in Québec and California (Mercure 2011, Kahn 2011). The next section so thoroughly details these elements.

3. IMPLEMENTATION OF THE WESTERN CLIMATE INITIATIVE

The arrival of the Western Climate Initiative as a new paradiplomatic instrument to regulate climate change has challenged climate governance in North America, by reconfiguring the role of federated authorities over global climate change issues. More specifically, it gave them the opportunity to have a leading role over climate change issue, and to be at the centre of a potential North American carbon market system. The elaboration of the Western Climate Initiative has attracted the attention of multiple Federated states, and had in its apex, as mentioned earlier, four Canadian provinces and seven US states as official members and more than 14 observers from the three North American countries.

Despite the disruptive effects related to US states withdrawal and provinces postponement, the negotiations have continued and moved forward for the remaining members, Québec and California. Three years after the official start of the Western Climate Initiative, what are the progresses of this new carbon market? How can we analyse the effectiveness of the implementation of this environmental regime on the North American continent? In the following sections, we will look in more details into the implementation process of this carbon market-based system by focusing on four main aspects of the implementation: the jurisdictional and administrative, political, economic and social acceptability. Since only Québec and California have fully committed to achieve the requirements to start the carbon trading in 2013, the focus of this analysis will then mostly be on these two partners.

3.1 JURISDICTIONAL AND ADMINISTRATIVE ASPECTS OF IMPLEMENTATION

Unlike many transboundary agreements on environmental issues that have been adopted by Federated states in Canada and the US, the implementation of a carbon market is an extremely complex process. As the main objective of a cap-and-trade system is to internalize the costs of GHG emissions, there is a necessity to build a framework to accurately measure these emissions allowances that will subsequently be exchanged. Thus, to ensure the effectiveness of such a system, the implementation process is much more complex than other kind of subnational agreements. Each member sets a limit or cap on the GHG emissions allowed for its jurisdiction. Then, regulations must be adopted to ensure the compliance of economic sectors to this cap-and-trade system. There should also be an equivalent between tons emitted by each jurisdiction and compliance in each ton of GHGs traded in the market. In other words, a ton of GHG emitted in Québec shall be exactly the same as a ton of GHG emitted in California. Finally, there must be a harmonization of regulations and an establishment of an organization in charge for monitoring,
verifying and coordinating GHG emissions. This organization ensures transparency and consistency in the process of quota allocation and exchange emission credits. In sum, it is now easier to understand the inherent difficulties of implementing such a system at the subnational level in North America.

What can be said three years after the official beginning of the WCI regarding the legal and administrative aspects of the implementation process? If we circumscribe the analysis solely to the case of Québec and California, we note delays in the implementation process concerning initial estimated timelines. The linkage between the two markets was indeed completed in April 2013; approximately a year later than originally planned (Québec 2012a). The next sections look more deeply into the legislative implementation process of each jurisdiction.

California

California has adopted several laws and regulations since the beginning of 2000 to enhance its commitment through GHG reduction and fight against climate change. Related to the Western Climate Initiative, California had adopted, in 2006, the California Global Warming Solutions Act (AB32), which set the 2020 greenhouse gas emissions reduction goal into law (California 2006), which became later the goal included in the Western Climate initiative for this state. In October 2011, the California Air Resources Board (CARB) adopted the regulations related to the implementation of the cap-and-trade program. In January 2012, the cap-and-trade program became effective in the state of California and allowed a transitional period during which the first carbon market auction took place in November 2012 (California 2013).

Despite these advances, some elements have slowed down the linkage between California’s and Québec’s markets. Notably, California’s legislature adopted in June 2012 the Senate Bill 1018, « which requires CARB to notify the governor of any potential linkage with other states or Canadian provinces » (C2ES 2013). This new law has slowed down the implementation process regarding the linkage between California and Québec’s GHG emissions market. However, the linkage was finalized in April 2013 (Mercure 2013).

Québec

Considered as one of the most proactive province on the issue of climate change, Québec joined the Western Climate Initiative in April 2008 and began rapidly the legislative and administrative implementation process. In 2009, the province legislature modified the Environment Quality Act in order to implement a cap-and-trade system (Québec 2009). At the same time than the Copenhagen conference, Québec adopted its GHG emissions reduction target for 2020, in order to fulfill another WCI’s requirement. This target consisted of a reduction of 20% below 1990’s levels for the year 2020, by the decree 1198-2009 (Québec 2012b). In December 2011, the Québec government adopted a new regulation concerning the cap-and-trade program, but it was amended in December 2012 to harmonize it with the one adopted in California.
As mentioned previously, even though the linkage between the two markets completed in April 2013, after the approval of the governor of California, several elements were responsible for delaying the whole process. However, they were able to institute the general structure that would be in charge of monitoring the cap-and-trade, the Western Climate Initiative Inc. (WCI Inc.), which was created in November 2011. The WCI Inc. is in charge of managing allowances and offsets during allowance auctions and between future GHG emissions trading programs of each member as well as providing a tracking system of allowances (WCI, 2011). In doing so, Québec and California institutionalized a pillar in the cross-border climate regime and laid the foundation for the development of this future carbon market. Both Québec and California adopted regulations to delegate the management of some aspects of the cap-and-trade program to this organization (Québec 2012b).

3.2 POLITICAL ASPECTS OF IMPLEMENTATION

Some aspects mentioned above have revealed the difficulties in the implementation of the Western Climate Initiative, including some issues related to political tensions and polarization. On the American side, the political polarization around climate change has contributed to reduce Federated states leeway associated with the implementation of the carbon market by the initial partners. The research of Klinsky is revealing in this regard:

At the time of joining, most WCI state governors were Democrats. The only two exceptions were Governors Schwarzenegger and Huntsman in California and Utah, respectively, both recognized as climate policy supporters [...]. By 2010 – 2011, Arizona, Utah, and New Mexico had Republican governors who did not have strong climate commitments. All these states (plus Montana) had Republican legislative majorities, and all pulled out of cap-and-trade (effectively stopping all climate policy) and crafted legislation that made future climate policy more difficult. In these cases, governors who had championed the climate were replaced, or a wider change in government took place (Klinsky 2013).

Despite a certain polarization of ideas that persists between the Democratic and Republican legislators in the State of California, the carbon market initiative still moved forward. Some delays related to administrative problems and lawsuits from environmental groups have occurred (Kahn 2011). In June 2011, they forced California to push back the implementation of the cap-and-trade system by one year. Québec also delayed its entry into force; moving its first compliance period to January 1, 2013 (Mercure 2011).

On the Québec side, there have been less political polarizations around the issue of creating a regional cap-and-trade system. There seems to have a consensus among political parties on climate change issues and in the establishment of a carbon market. Bills related to the establishment of the carbon market were, indeed, unanimously adopted, which reflects the low polarization of climate change regulations in the province (Québec 2012b). The consensus around the issue certainly has facilitated the acceptability of this policy instrument in the province.
3.3 SOCIAL AND ECONOMIC ASPECTS OF IMPLEMENTATION

When we analyze the implementation process of a public policy or more specifically of a cross-border environmental regime, it is important to go beyond the simple analysis of comparing the results with the initial intentions of policy makers and in isolation from the policy formulation process (Sabatier 2005). More recent literature in this area acknowledges the importance of other factors in the implementation process analysis such as economic actors and public opinion that are involved or affected by the implementation analysis of the policy, which can contribute to facilitate or to hinder the implementation process (Garon and Dufour, 2010; O'Toole, 2000). Therefore, we must look into these aspects since the implementation of that regime may depends mainly on the acceptability of the rules and procedures by the involved stakeholders. Thus, in this section, we focus on the economic and social aspects in order to observe the acceptability of this regime by stakeholders.

California

The choice of a cap-and-trade instrument to reduce greenhouse gas emissions has not been exempt from controversy in California. Some authors highlighted the fact that the effective implementation of a carbon market depends largely on the social acceptability of this choice by the public in general. Even though public concerns about climate change in the US increased over the years (Klinsky 2013), there has been a strong polarization of the issue between political parties and, more importantly, between certain business representatives and civil society. This also occurred in California, where the climate change issues have been highly discussed since in the early 2000s. Republican Governor Arnold Schwarzenegger has then made this issue a priority, and California has adopted innovative and progressive policies to fight against global warming. However, some stakeholders from the business community attempted to stop the development of the carbon market by suggesting a ballot proposition during the midterm elections in 2010. The proposition 23’s goal was to suspend the Global Warming Solutions Act until the unemployment rate reached fewer than 5.5%. The proposition was defeated by a majority of 61.1% against 38.9% (Roosevelt 2010). The referendum results showed that, despite some divergences within the population, an important majority of the population supported the AB32 and that there was a social acceptance of the carbon market instrument in the state of California.

However, months after the referendum, some environmental groups also tried to block the implementation of the cap-and-trade system, for other kind of reasons. They intended a lawsuit against the California Air Resources Board and claimed that the carbon market did not reduce GHG emissions locally and, consequently, argued that the carbon market was not the appropriate solution to reduce pollution. The Supreme Court of California defeated the lawsuit, but, according to Klinsky, « the case brought attention to the political importance of local co-benefits and alternative policy goals » (Klinsky 2013). Although delayed by the tensions between the economic and environmental groups, the implementation process of the carbon market in California has nevertheless moved ahead.
Québec

In Québec and Canada, the debate on climate science has never been the subject of considerable controversy. While some concerns could be felt about the possible economic costs related to a carbon market, there is a consensus on the importance of taking action against global warming. A recent survey, conducted in June 2012, showed a strong consensus (98%) of Canadian about the reality of climate change, and its relation with human activity (54% of Canadians believe climate change is partially related to human activity and natural climate variation and 32% believe that climate change is occurring because of human activity) (Insightrix Research, Inc., 2012). This reality is also widely shared in Québec. Civil society and private sectors have supported the policymaking process around the creation of the cap-and-trade system. In 2009, the briefs presented during the parliamentary committee on Bill 42 have shown that businesses and environmental groups seemed favourable to the establishment of a carbon market under certain conditions (CPEQ, 2009; FCCQ, 2009; Équiterre et Fondation David Suzuki, 2009;). However, after Ontario’s decision to delay the implementation in 2011 and the withdrawal of most US states from the WCI, some business representatives started asking for the project to be on hold. For Québec’s Manufacturers and Exporters representatives, the process of consultation with the industry was considered too short and they were afraid that the absence of other significant jurisdictions such as Ontario may harm the competitiveness of Québec’s industries (MEQ, 2013). The Federation of Chambers of Commerce of Québec followed the same direction by arguing that the partnership with California over the cap-and-trade system was not sufficient to protect enterprises’ competitiveness even though trade with California was far less important than with Northeastern states (not included in the WCI) (FCCQ 2012). Despite the concerns outlined by the representatives of the industries and commerces, Québec government has continued to move forward.

4. MOVING FORWARD: HIGHLIGHTS OF WCI’S RECENT DEVELOPMENTS

After the implementation completion of the WCI, the clouds gradually dispersed for Québec and California, and now the cap-and-trade has the wind in its sails, for various reasons. First of all, the evaluation of the first compliance period showed a high level of conformity from emitters of both sides of the border. Secondly, several states and provinces renewed their interest in joining the cap-and-trade in a short term. And thirdly, as we approached of the Paris Conference on climate change (COP21) in 2015, there was an increasing interest all over the globe for this carbon market, and it resulted in multiple interventions, notably during the COP-21, where several actors recognized this cap-and-trade as a success story. The following subsections look more deeply into those recent developments.

4.1 EVALUATION OF THE FIRST COMMITMENT PERIOD (2013-2014)

One of the first elements that appeared to enhanced confidence through the cap-and-trade system, and so, the choices made by Québec and California, was the conformity report made at the end of the first commitment period of 2013-2014. Emitters were in the obligation to submit, for November 2nd, 2015, a number of compliance units (credits) equal to their GHG emissions for the first compliance period. This process was achieved and it indicated a high level of conformity. In
Québec, all 55 covered entities met the market’s first two-year compliance period (Québec, 2016a). On California’s side, 99.8% of companies did the same (California, 2015). Only two covered entities did not fulfill their requirement at the time.

This success has sent a strong message to carbon market critics and potential partners. First, almost all industries had committed to this system and did not try to bypass it. Therefore, it showed their will to comply with the regulations in place, and that they are really in the process of planning and internalizing the costs of carbon emissions in their business models and productions. Second, the prices of GHG emission units were maintained, and they even increased, and there is no sign of a market collapse as it was the case with the European market. Therefore, it showed the robustness of this regime and its potential to reduce GHG emissions on the North American territory.

4.2 NEW PLAYERS IN THE CAP-AND-TRADE REGIME

Another recent development is the renewed interest of several states and provinces from Canada, US and Mexico to join this cap-and-trade system. In April 2015, the government of Ontario officially announced that it would join the WCI by 2017 (Ontario, 2015a). It was then followed by Manitoba, in December 2015, during the Paris Conference on climate change (COP21) (Ontario, 2015b). With those two new members, the WCI increases its GHG emission coverage and economic influence in North America. When fully implemented by those new members, the WCI will cover more than 65% of Canada’s population and 1.156 trillion dollars in GDP, or about 60% of the Canadian’s GDP (Ontario, 2015b).

But this renewed interest for the WCI did not only come on the Canadian side. Indeed, several states from the East and West coasts are now considering joining or rejoining the WCI. For instance, in October 2015, the Governor of New York announced its willingness, alongside its partners of the Regional Greenhouse Gas Initiative (RGGI), to explore the possibility to collaborate and even link both carbon markets, which would enhance the stability and the cost-effectiveness of this economic tool in North America (New York, 2015). And also, there seems to have interest coming from the state of Washington and Oregon to explore the possibility to rejoin the initiative in the future (Szabo, 2015).

In sum, the arrival of those two new official members, as well as the renewed interest of other US states has certainly enhanced the relevance of this subnational cap-and-trade system. And more importantly, it contributed to justify the central role of federated states in the North American climate governance.

4.3 COP-21 AND THE INTERNATIONAL RECOGNITION OF THIS SUCCESS STORY

The recognition of the WCI and its relevance as an effective tool to mitigate greenhouse gas emissions have crossed North American borders, as the world converged in Paris for the 21st Conference of the Parties of the UNFCCC in the late 2015. During the COP-21, several actors (i.e. IISD, IETA, ISO, UNFCC/NAZCA, etc.) organized conferences and side events to learn and understand more about
this particular cap-and-trade system\textsuperscript{2}, which seems to be a success story, according to many observers (Gavel, 2015). This scheme developed at subnational level was strongly recognized as a credible effort to mitigate greenhouse gas emissions at global level. So three years after its official beginning, this cap-and-trade system could demonstrate its revelance, and there are now strong signals that it will continue to operate for the next decades.

CONCLUSION

The creation in 2007 of a multisectoral cap-and-trade system at subnational level was an ambitious, if no reckless initiative at the time in North America. Despite a strong initial interest of more than eleven jurisdictions, it was quickly turned down by most of states and provinces, leaving California and Québec alone in the elaboration of what would become the largest carbon market of the continent. It sure could have resulted in a failure for this type of economic instrument to mitigate greenhouse gases in North America. But in fact, it has do just the opposite and in spite of this setback, they decided to continue the implementation process, and in 2013, the two markets were officially linked, and the real test of this cap-and-trade system began.

Even if we cannot, for the moment, evaluate extensively the robustness of this cap-and-trade system, this paper highlighted some key elements that further studies should deepen in a near future. As well, it showed that states and provinces, again, want to be at the forefront of climate action. And finally, it demonstrated the attractiveness of this cap-and-trade system and its potential to durably reconfigure North American climate and environmental governance.

\textsuperscript{2} For more details of the numerous side events, see: http://unfccc.int/meetings/paris_nov_2015/meeting/8926/php/view/seors.php
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