

Québec 



**AGREEMENT ON
THE HARMONIZATION
OF CARBON MARKET PROGRAMS
FOR REDUCING GREENHOUSE GAS EMISSIONS**

June 2026

THE GOUVERNEMENT DU QUÉBEC

THE GOVERNMENT OF THE STATE OF CALIFORNIA

AND

THE GOVERNMENT OF THE STATE OF WASHINGTON

Hereafter collectively designated as the “Governments”,

WHEREAS, the Governments share a common interest and purpose in collaborating to reduce greenhouse gas emissions in response to the global threat to the well-being and prosperity of their residents posed by climate change and air pollution;

WHEREAS, the Governments have adopted their own greenhouse gas emissions reduction targets or limits, their own greenhouse gas emissions reporting programs, and their own carbon market programs for reducing greenhouse gas emissions, including declining annual caps on emissions over time;

WHEREAS, the Gouvernement du Québec and the California Air Resources Board have linked their respective carbon market programs since January 1, 2014;

WHEREAS, the Gouvernement du Québec and the California Air Resources Board agree to terminate the *2017 Agreement on the harmonization and integration of cap-and-trade programs for reducing greenhouse gas emissions* and to replace it with the current agreement, upon this agreement coming into effect;

WHEREAS, the Government of the State of Washington has been operating a cap-and-invest program since January 1st, 2023.

WHEREAS, the Governments are participants in, and each appoints governing board members of, the Western Climate Initiative, Inc. (WCI, Inc.), a non-profit corporation incorporated in October 2011 that provides administrative and technical services to its participants to support and facilitate the implementation of each of their carbon market programs for reducing greenhouse gas emissions;

WHEREAS, the Governments share a common interest in working jointly and collaboratively toward the harmonization of their greenhouse gas emissions reporting programs and of their carbon market programs for reducing greenhouse gas emissions because harmonization helps reduce greenhouse gas emissions more effectively and provides other important benefits;

WHEREAS, the Governments recognize that the harmonization of their greenhouse gas emissions reporting programs and their carbon market programs is to be attained by means of regulations adopted by each in accordance with their respective legal frameworks;

WHEREAS, the Governments have developed constructive working relationships among their respective staff and officials, and have demonstrated the willingness and ability to share information, expertise and lessons learned, and harmonize their program regulations and operations, including by enabling staff to collaborate through workgroups to jointly develop proposed harmonized approaches on program design for consideration by each;

WHEREAS, the Governments further recognize that this Agreement is intended to facilitate continued consultation, using and building on existing working relationships during the implementation and the operation of their respective programs, and supporting the development of any proposed program changes with the objective of maintaining and developing harmonized approaches that may be considered by each;

WHEREAS, the Governments further recognize the importance of effective and timely public consultation regarding their respective carbon market program's design and operations, including proposed changes to those designs or operations;

WHEREAS, the Governments further recognize that this Agreement does not, will not, and cannot be interpreted to restrict, limit, or otherwise prevail over relevant national, state, or provincial obligations, if applicable, or their sovereign right and authority to adopt, maintain, modify, repeal, or revoke any of their respective program regulations or enabling statutes;

WHEREAS, the Governments are committed to using the proceeds from their carbon market programs to further reduce pollution caused by greenhouse gas emissions, adapt to climate change impacts, expand clean transportation options, encourage the clean energy transition, and improve public health, quality of life and economic opportunity, particularly for disadvantaged and overburdened communities and vulnerable populations, as may be directed by their respective program regulations or enabling statutes;

WHEREAS, the Governments share a common interest in continuing to support equitable outcomes and reduce environmental and health disparities, as may be directed by their respective program requirements;

WHEREAS, the Governments further recognize that reducing and avoiding leakage helps achieve net reductions in global greenhouse gas emissions;

WHEREAS, the Governments each wish to further harmonize their greenhouse gas emissions reporting programs and their carbon market programs for reducing greenhouse gas emissions;

THEREFORE, to collaborate in the achievement of their respective goals in the fight against climate change through the harmonization of their greenhouse gas emissions reporting programs and carbon market programs for reducing greenhouse gas emissions,

THE GOVERNMENTS AGREE TO THE FOLLOWING:

CHAPTER I

GENERAL PROVISIONS

SECTION 1

OBJECTIVE

The objective of this Agreement for the Governments is to work jointly and collaboratively toward the harmonization of their respective greenhouse gas emissions reporting programs and carbon market programs for reducing greenhouse gas emissions.

The intended outcome of the harmonization, if all necessary steps have been taken in accordance with their respective legal frameworks, is to enable the Governments under their own statutory and regulatory authority to:

- a) achieve the harmonization of their regulations for reporting of greenhouse gas emissions and regulations for carbon market programs such that the regulations will be compatible between them;
- b) provide for the equivalence and interchangeability of compliance instruments issued by the Governments for the purpose of compliance with their respective carbon market programs;
- c) apply the accounting mechanism principles outlined in Section 13 that provides for a transparent and data-driven calculation that attributes to the Governments their respective portion of the total greenhouse gas emission reduction achieved jointly by their harmonized carbon market programs, the

results of which will allow them to appropriately recognize corresponding opposite emission impacts when assessing their progress towards meeting their respective greenhouse gas emissions reduction targets or limits, and to avoid double counting or double claiming of emission reductions;

- d) permit the transfer and exchange of compliance instruments between participants registered with the Governments' respective carbon market programs using a secure common registry;
- e) develop compatible market requirements for the Governments' respective carbon market programs to ensure no registered participants in a Government's program are disadvantaged relative to registered participants in another Government's program;
- f) allow for planning and holding joint auctions of compliance instruments;
- g) enable the sharing of information to support effective administration and enforcement of the Governments' statutes and regulations.

The Governments will report to the public on the status of achieving this objective.

SECTION 2

DEFINITIONS

For the purposes of this Agreement:

“Auction” means the process in which a Government sells a determined number and type of compliance instruments by offering them up for bid, taking bids, and then distributing them to winning bidders according to its regulation;

“Carbon market program” means a Government's program for reducing greenhouse gas emissions using declining annual caps on emissions over time, including cap-and-trade and cap-and-invest programs;

“Common auction platform” means the electronic auction system used to conduct auctions jointly;

“Common registry” means the secured electronic data system used jointly by the Governments in which covered entities and general market participants are registered, and in which compliance instruments are recorded, exchanged, and tracked, and from which compliance instruments are remitted to the Governments for compliance;

“Compliance instrument” means an emission unit, an allowance, an early reduction credit, an offset credit or any other type of instrument issued by one of the Governments that can be acquired by a registered participant and used to fulfill a carbon market program’s compliance obligation. A compliance instrument corresponds to the emission of one metric ton of CO₂ equivalent greenhouse gas;

“Covered entity” means an entity, including opt-in entities, with an obligation to surrender compliance instruments for its greenhouse gas emissions under one of the Government’s statutes and regulations for the applicable carbon market program for reducing greenhouse gas emissions;

“General market participant” means a person or an entity who does not have compliance obligations but nevertheless participates in one of the Government’s carbon market programs for reducing greenhouse gas emissions;

“Greenhouse gas” means carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) or nitrogen trifluoride (NF₃), as well as other greenhouse gases publicly identified as such by any Government’s statutes and regulations;

“Greenhouse gas reporting program” means a Government’s program requiring data reporting and third-party verification of greenhouse gases emitted by certain emitting entities;

“Offset protocol” means a documented set of procedures and requirements to quantify greenhouse gas emission reductions or removals of greenhouse gases stemming from offset projects and enabling the Governments’ issuance of offset credits, as adopted by the Governments’ respective regulations to that effect;

“Program” means a Government’s carbon market programs and a Government’s greenhouse gas reporting programs;

“Registered participant” means a covered entity or a general market participant who is registered in the Governments’ common registry.

CHAPTER II

HARMONIZATION PROCESS

SECTION 3

CONSULTATION PROCESS

The Governments will endeavor to consult each other regularly and constructively to achieve the objective of this Agreement. Consultations will build on existing working relationships and will enable the Governments' staff to work constructively with one another through workgroups under the direction of their respective officials.

The topics of the collaboration and the joint work include, but are not limited to, those of the Sections in this Chapter.

SECTION 4

REGULATORY HARMONIZATION

The Governments agree to continue to examine their respective regulations for the reporting and verification of greenhouse gas emissions and for their carbon market programs in order to promote continued harmonization of their respective programs to achieve the objectives outlined in Section 1.

In the case where a difference between certain elements of their respective programs is identified, the Governments will determine if such elements need to be harmonized. If so determined, they agree to consult each other regarding a harmonized approach.

The Governments may consider making changes to their respective programs, including changes or additions to greenhouse gas emissions reporting regulations, carbon market program regulations, and program-related operating procedures. To support the objective of harmonization of the programs, the Governments agree to discuss any proposed changes or additions to those programs. The Governments acknowledge that sufficient time is required to enable effective public review and comment prior to adoption under their respective laws. The Governments' public processes for making program changes will be respected.

In the event that program situations arise that require rapid or emergency program changes or other actions by one or all of them, the Governments agree to work to harmonize such changes to maintain harmonization and to eventually resolve conflicting situations.

SECTION 5

OFFSET PROTOCOLS AND CREDITS

In order to achieve harmonization of their carbon market programs, the Governments agree that any offset protocols in each of their respective carbon market programs should require that all offset emission reductions and greenhouse gas removals that may lead to the issuance of offset credits achieve the essential qualities of being real, additional, quantifiable, permanent, verifiable, and enforceable.

A Government may make changes to the offset components of its program, including by adding additional offset protocols, revising offset protocols, or changing procedures for issuing offset credits. To support the objective of maintaining the harmonization of the programs, the Governments agree to discuss any proposed changes. The Governments acknowledge that sufficient time is required to enable effective public review and comment prior to adoption of any changes. The Governments agree to consult each other regarding offset changes that may affect harmonization, or that may have other impacts on any of the Governments. Each Government's public process for making program changes will be respected.

SECTION 6

MUTUAL RECOGNITION OF COMPLIANCE INSTRUMENTS

In order to achieve harmonization of their carbon market programs, mutual recognition of compliance instruments issued by the Governments may occur as provided for under their respective carbon market programs and in accordance with their respective legal frameworks.

If one of the Governments determines that a compliance instrument that it has issued should not have been issued or must be voided, it will endeavor to notify the others in a timely manner. The Governments recognize and respect the authority of each other to take actions to recover or void compliance instruments that have been surrendered or that are held by registered participants.

SECTION 7

TRADE OF COMPLIANCE INSTRUMENTS

In order to achieve harmonization of the Governments' carbon market programs, trading of compliance instruments in the common registry among registered participants in the Governments' respective carbon market programs may occur as provided for under their respective carbon market programs and in accordance with their respective legal frameworks.

SECTION 8

JOINT AUCTIONS

In order to achieve harmonization of the Governments' carbon market programs, the auctioning of compliance instruments by their respective carbon market programs may occur jointly and in accordance with harmonized procedures developed by the Governments, as provided for under their respective carbon market programs and in accordance with their respective legal frameworks.

The Governments will work collaboratively to harmonize policies and procedures related to, inter alia, requirements for eligibility for auction participation, publication of auction-related information, processes for auction participation, purchase limits by auction participant type, bidding processes, dates of auctions, and financial requirements.

SECTION 9

COMMON REGISTRY AND COMMON AUCTION PLATFORMS

The Governments agree to work together to further develop and use, as appropriate, secure common electronic platforms in order to ensure carbon market program compatibility and integrity, including, but not limited to, the goal of a common registry platform and common auction platform.

The common registry and common auction platforms will be available in English and French, and, as warranted, in other official languages of future Candidate Governments, and allow for recording and performing transactions in all of their respective currencies. The common registry and common auction platforms, or other common electronic

platforms, will conform to the requirements of the Governments' statutes, regulations, and operating procedures.

CHAPTER III

OPERATION OF THE AGREEMENT

SECTION 10

SUPERVISION AND ENFORCEMENT

The Governments agree to work cooperatively to maintain market integrity, including preventing fraud, abuse, and market manipulation, and to ensure the reliability of the joint auction and their respective carbon market programs. They agree to work cooperatively in applying their respective carbon market program requirements governing the supervision of all transactions carried out among registered participants of each of their respective carbon market programs and of any auction or reserve sale.

The Governments agree to keep each other informed, to the extent permitted by law, of any investigation pertaining to, but not limited to, acts or omissions on the part of any of its registered participants or other persons regulated under their respective programs, and of any violation, penalty or fine, or decision rendered following such investigations.

The Governments agree to facilitate the sharing of information to support the effective administration and enforcement of their respective statutes and regulations, in accordance with their applicable privacy laws and regulations and the provisions of Section 15 hereunder.

SECTION 11

COORDINATED ADMINISTRATIVE AND TECHNICAL SUPPORT

The Governments agree to continue coordinating administrative and technical support for their respective carbon market programs through the non-profit corporation WCI, Inc. and in accordance with their respective legal frameworks.

If one of the Governments wishes to consider approaches other than WCI, Inc. for coordinating any of the administrative and technical program support, it will consult the others with the objective of jointly developing a harmonized approach.

SECTION 12

CONSULTATION COMMITTEE

To facilitate the harmonization process of the programs and the operation of the Agreement, the Governments agree to create a Consultation Committee composed of one representative from each Government. This Consultation Committee will meet as needed to ensure timely and effective consultation in support of the objectives of this Agreement.

The Consultation Committee will:

- a) monitor the implementation of all measures to effectively harmonize the Governments' programs;
- b) recommend measures to improve the harmonization of the Governments' programs, when needed; and
- c) address any other issues at the request of one or more Governments.

The Governments will endeavor to provide the Consultation Committee updates in a timely manner on each area of activity as needed under this Agreement. If the Consultation Committee identifies or becomes aware of differences between the Governments regarding how to maintain the harmonization of their programs, the Consultation Committee will strive to resolve the differences in accordance with Section 18.

The Governments' public processes for making program changes will be respected, as appropriate under their respective laws.

SECTION 13

ACCOUNTING MECHANISM AND TREATMENT OF EMISSIONS REDUCTIONS

In order to ensure clarity and transparency in how greenhouse gas reductions from carbon market programs are counted toward their respective emission reduction targets or limits, the Governments agree to apply the accounting mechanism adopted and made public by the Gouvernement du Québec and the State of California in 2022, as appropriate.

This accounting mechanism provides for a transparent and data-driven calculation that attributes to each of the Governments its portion of the total greenhouse gas emission reductions achieved collectively by their harmonized carbon market programs. The

accounting mechanism is based on the proportional method of the net flows of surrendered and retired compliance instruments, except with regards to offset credits, where the origins of surrendered and retired offset credits created by the Governments are used to calculate net flows. It builds on broadly accepted principles and criteria, namely those pertaining to environmental integrity and robust accounting, with an emphasis on transparency and on avoiding double-counting. It ensures a high level of transparency and careful and secure management of confidential and market-sensitive information.

To avoid the double counting or double claiming of emission reductions between the Governments, those that register a negative net flow of compliance instruments agree to account for that reduction when assessing their progress toward meeting emission reduction targets or limits, while those that register a positive net flow of compliance instruments agree to appropriately recognize corresponding opposite emission impacts when assessing their progress toward meeting their respective emission reduction targets or limits.

The Governments agree to make publicly available the results of the calculation stemming from the accounting mechanism, leading to corresponding opposite emission impacts, in a timely manner after compliance instruments are surrendered to fulfill compliance obligations following the end of a compliance period.

CHAPTER IV

MISCELLANEOUS PROVISIONS

SECTION 14

CONSISTENCY WITH CURRENT LAW

The Governments acknowledge that this Agreement does not modify any existing statutes and regulations, nor does it commit them or their respective regulatory or statutory bodies to create new statutes or regulations in relation to this Agreement, and agree that the provisions of the Agreement will not be interpreted by the Governments as amending any agreement or provision of an agreement entered into or to be entered into by any of them.

SECTION 15

CONFIDENTIALITY OF INFORMATION

To support and enhance the administration, including the analysis, operation and supervision, and the enforcement of their respective programs, the Governments agree to arrange to share information collected or developed under their respective programs to the extent permitted by law. Nothing in this Agreement requires the Governments to breach privacy or confidentiality obligations or requirements prohibiting the collection, use, or disclosure of information to which they are bound under their own laws, nor compromise the security with which information is held, nor disclose confidential information such as commercially sensitive or personal information.

When information is shared between the Governments, each of them will endeavor to protect the information they disclose and collect, in accordance with their respective privacy and other applicable laws, and take measures to such end, particularly with respect to the mode of communication, use, control, management, and destruction. Shared information is to be used solely for the purposes of meeting the objectives of this Agreement.

If confidential information must be communicated, under a law or following a court order, by one of the Governments to an entity that has not signed this Agreement, the Governments will endeavor to notify each other as soon as possible.

The Governments will endeavor, as warranted, to develop separate agreements to govern the sharing and protection of information.

SECTION 16

PUBLIC ANNOUNCEMENT AND CONSULTATIONS

The Governments agree to keep each other informed in advance, to the extent reasonably possible, of any public announcement and consultations related to their respective programs.

The procedural requirements of the Governments will be respected, including appropriate and effective openness and transparency of their public consultations.

The Governments agree to prepare and, if possible, make public jointly any announcement concerning the harmonization of their programs.

CHAPTER V

FINAL PROVISIONS

SECTION 17

DURATION OF THE AGREEMENT

Each Government will notify the other Governments in writing as soon as possible after having completed all its internal requirements necessary for the Agreement to come into effect. Once the Governments have provided notice to each other that their internal requirements have been completed, they will mutually agree in writing to a date for the Agreement to become effective, and the Agreement will be effective on that date. For California, the effectiveness of this Agreement is contingent on the Governor of California making findings on linking with another government, as required under California Government Code section 12894.

The Agreement will remain in effect until terminated upon unanimous written consent of the participating Governments, or when enough Governments terminate their participation in the Agreement under Section 22, such that only one or no Government remains. If a Government has terminated its participation or is deemed to have terminated its participation under Section 22, its consent is not required to terminate this Agreement.

SECTION 18

RESOLUTION OF DIFFERENCES

Any difference that may arise in relation to the interpretation or application of this Agreement will be resolved through consultations between the Governments, which will endeavor in good faith to resolve such differences.

SECTION 19

AMENDMENTS

Any amendment to this Agreement will be in writing and requires the written consent of the participating Governments.

An amendment that the Governments have all agreed to and that has been authorized in accordance with their applicable legal requirements will become part of this Agreement beginning on the date of its coming into effect. Such an amendment will become effective on the day when the Governments have all provided notice to each other in writing that their internal requirements have been completed and they are prepared for the amendment to take effect.

SECTION 20

ADDITIONAL GOVERNMENTS

Recognizing that the Governments welcome effective, timely, and meaningful action to reduce greenhouse gas emissions by other governments, a Candidate Government may be added to the Agreement if the Candidate Government has adopted programs that can be harmonized with the Governments' programs.

The internal requirements of the Governments and the Candidate Government for joining this Agreement will be respected.

The Governments and the Candidate Government will memorialize any joining of this Agreement by signing the Addendum found in Annex 1 in English and French.

As warranted, the Addendum may be executed in the Candidate Government's official language, and all versions will have the same effect.

SECTION 21

ANNEXES

Any annexes to this Agreement constitute an integral part of this Agreement.

SECTION 22

PROCEDURE FOR TERMINATING PARTICIPATION IN THE AGREEMENT

Any of the Governments may terminate its participation in this Agreement by giving written notice of intent to terminate to the others. If one of the Governments intends to terminate its participation in this Agreement, it will endeavor to give at least 30 days' notice prior to the next scheduled joint auction, if joint auctions are occurring, and match the

effective date of termination with the end of a compliance period, if the Governments allow for mutual recognition and trading of compliance instruments.

If one of the Government's behavior and actions in harmonized carbon market programs prompt the others to agree that it intends to terminate its participation in this Agreement without giving written notice, and that this termination may adversely impact the integrity and functioning of the market, the other Governments may take appropriate actions to protect their environmental integrity and deem that Government to have effectively terminated its participation in this Agreement. If such a case arises, the other Governments may send a written notice to that Government deeming it to have terminated its participation in the Agreement as of the date of the notice.

The Governments will endeavor to give notice to registered participants and the public if a Government terminates its participation or is deemed to have terminated its participation.

If one of the Governments terminates its participation in the Agreement or is deemed to have terminated its participation in the Agreement, the Agreement will remain effective for the remaining Governments.

SECTION 23

NATURE OF THE AGREEMENT

This Agreement is a voluntary initiative. It creates no legally cognizable or enforceable rights or remedies, legal or equitable, in any forum whatsoever. In addition, the pledges in this Agreement are not conditioned upon reciprocal actions by any of the Governments; each of the Governments retains full discretion over implementation of its pledges in light of its individual circumstances, laws, and policies; and each Government is free to terminate its participation in the Agreement.

SECTION 24

AVAILABILITY OF PERSONNEL AND RESOURCES

This Agreement does not involve the exchange of funds, nor does it represent any obligation of funds by any of the Governments. All costs that may arise from activities covered by, mentioned in, or pursuant to this Agreement will be assumed by the Government that incurs them, unless otherwise expressly stated in a future written arrangement in accordance with applicable laws. All activities undertaken pursuant to this

Agreement are subject to the availability of funds, personnel, and other resources of each Government.

The personnel designated by each of the Governments for the execution of this Agreement will work under the orders and responsibility of the Government that designated the personnel and any other organization or institution to which the personnel already belongs, at all times maintaining any preexisting employment relationship only with the Government that designated the personnel and organization or institution, and not with any other Government.

SECTION 25

COMPLIANCE WITH APPLICABLE LAWS

This Agreement shall be construed consistent with all applicable laws, and activities undertaken in connection with this Agreement will be subject to, and shall be undertaken in a manner consistent with, all otherwise-applicable laws.

SECTION 26

EFFECT OF JUDICIAL ORDER

In the event that any term or provision or application of the Agreement is invalidated by a court having jurisdiction over one of the Governments, all other terms and provisions and applications of the Agreement are intended to remain in effect. In the event that a court with jurisdiction over one of the Governments determines that it may not enter into this Agreement, the others not affected by such ruling intend to remain in this Agreement with each other.

SECTION 27

LANGUAGES

The original English and French texts of this Agreement have the same effect.

Should a Candidate Government that has neither English nor French as its official language join the Agreement according to Section 20, the translated text of this Agreement in the Candidate Government's official language would have the same effect as the original English and French texts of this Agreement.

ANNEX 1 – [STANDARD FORM]

ADDENDUM

TO

**THE AGREEMENT ON THE HARMONIZATION
OF CARBON MARKET PROGRAMS
FOR REDUCING GREENHOUSE GAS EMISSIONS**

WHEREAS the Governments [THEIR NAMES], entered, on [DATE], into the Agreement on the harmonization of carbon market programs for reducing greenhouse gas emissions, hereinafter the “Agreement”;

WHEREAS [CANDIDATE’S NAME], hereinafter the “Candidate Government”, wishes to join the Agreement in accordance with its Section 20;

**THE GOVERNMENTS AND THE CANDIDATE GOVERNMENT AGREE TO
THE FOLLOWING:**

The Candidate Government consents and accepts to join the Agreement.

The Governments unanimously consent that the Candidate Government joins the Agreement.

Upon signature by all of this addendum, this addendum constitutes an integral part of the Agreement.

The Candidate Government will join the Agreement, and this Agreement will become effective with regard to the Candidate Government pursuant to the process provided in Section 17.

The original versions of this Addendum in English, French, and, as warranted, the official language of the Candidate Government, have the same effect.

The translated text of the Agreement in the Candidate Government’s official language, as warranted, is attached to this Addendum.

THE GOVERNMENTS AND CANDIDATE GOVERNMENT SIGNATURES