

# Battle over Washington's carbon market hinges on gasoline prices

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The survival of Washington state's carbon market could come down to how much voters believe it's raised gasoline prices.

On the ballot this November is the question of whether to repeal the state's climate law. If a majority agrees, it would kill Washington's cap-and-invest program, one of two economywide carbon pricing systems in the United States. The other is in California.

Supporters of the repeal effort say the regulation has hiked gasoline pump prices 50 cents a gallon. Defenders of the carbon market say new data shows it's now closer to 10 cents a gallon. The true cost is hard to nail down, experts say — though currently, it likely falls closer to the 10 cents figure.

Politically, it may not matter. Most voters probably won't spend much time researching prices, said Aseem Prakash, political science professor at the University of Washington. Instead, he said, it's likely they'll decide based on their own feelings about what they pay at the pump.

"In these political wars, perceptions are important," he said. "The perception is that gas prices have risen, and that message has been reinforced."

Campaign spending will play a role too. Defenders of the carbon market have a significant cash advantage over those who want to repeal it. The defenders have raised about \$11 million and had about \$4.5 million cash on hand as of last month, the most recent data available. Those wanting to repeal the carbon market haven't raised any money since last fall and had no cash on hand.

Washington's carbon market launched in January 2023, about a decade after California opened its cap-and-trade market. It requires big businesses to cut their greenhouse gas emissions on site or buy and submit environmental permits for the pollution. Those "allowances" are sold in quarterly auctions.

The program is part of the state's bid to cut its greenhouse gas emissions 95 percent below 1990 levels by 2050.

The Washington repeal initiative, numbered 2117, landed on the ballot after GOP megadonor Brian Heywood spent \$7 million to fund signature gathering. It came after Washington gas prices briefly rose to the highest cost in the nation last summer.

But there's disagreement on how much the program is to blame for a higher fuel prices.

Hallie Balch, spokesperson for Let's Go Washington — the group supporting the repeal measure — has said the market added 50 cents per gallon to pump prices.

Asked for the source of that calculation, she pointed to sites that included the state legislature's House Republican [page on impacts](#), [a think tank](#) favoring free-market policies and a former state employee who [claims he was forced out](#) for forecasting a 45-50 cent per gallon impact.

Opponents of the market repeal measure argue the 50-cent number is outdated and shouldn't be used.

"The 50 cents was a spike that happened in July of 2023," said Michael Mann, executive director with Clean & Prosperous Washington. "But it's continued to be in the talking points of the supporters of 2117, and it is just factually incorrect."

Washington gas prices hit \$4.61 per gallon in July 2023. But that wasn't the peak of the gas price bubble, which hit \$5.09 per gallon in early September, according to Mann's data.

Asked about the market cost now falling to as low as 10 cents per gallon, Balch responded in an email that "the fact remains that Washington state has some of the highest gas prices in the country. It's costing drivers hundreds to thousands extra per year just to get around."

### **How much has the carbon market affected pump prices?**

It's difficult to assess the price impact of the carbon market because multiple factors affect gas prices, said Caroline Halter, spokesperson for the Washington Ecology Department, which runs the cap-and-invest program.

One of the biggest: the global supply and demand of crude oil.

In addition, regulated companies can make different choices to cut costs. That makes it hard to know what extra expenses they might pass along to consumers, said Joel Creswell, the Ecology Department's climate pollution reduction program manager.

One way to evaluate changes in Washington's gasoline market is to look at Oregon, the state to the south, Halter said.

"Oregon gets more than 90% of its refined fuels from Washington's five refineries," she wrote in an email. "Because of this, gas prices in Oregon have historically tracked with Washington's, with Washington's typically being 5-10 cents higher than Oregon prices."

So one way to estimate the carbon market impact, she said, is to look at the price difference between the states and then subtract 5 to 10 cents.

Price tracking by AAA shows that the current cost of Washington gas is \$4.66 per gallon. That's 21 cents higher than Oregon's \$4.45 pump price.

Using Halter's formula, that would make the carbon market impact between 11 and 16 cents per gallon.

Defenders of the carbon market took a similar approach in a recent analysis. Their work showed that the biggest difference in the price between Washington and Oregon peaked at 38 cents a gallon in May 2023.

The difference has fallen significantly since then. On April 30, about 9 cents separated the two, said Mann with Clean & Prosperous Washington. That's after subtracting 11 cents, which was the difference in price between the two states just before Washington's carbon market went into effect.

Patrick De Haan, head of petroleum analysis at the website [GasBuddy](#), said he'd put the cap-and-invest cost at 12 to 15 cents per gallon, based in part on the price spread over Oregon.

Notably, the repeal effort could be blunting the carbon market's effect on gasoline prices.

The price of environmental permits in Washington's auctions has dropped significantly in recent months. It's now at about \$25 per ton of carbon removal, compared with a peak \$63.03 last year.

Prices plunged in large part because [buyers fear the market will vanish](#) if voters decide to repeal it. That would make allowances worthless if they can't be used beyond this year.

Political spending likely will play a big role in how Washington voters approach the repeal question. And defenders of the carbon market have plenty of money to spread their message.

Donors to the "No on 2117" group [include Amazon, Microsoft and BP America](#), as of the most recent reports filed last month. Billionaire Bill Gates and other former Microsoft executives gave more than \$2 million.

[Earlier this year](#), Washington residents Craig McKibben and his wife Sarah Merner together gave \$1 million. The two are repeat donors to environmental causes. Venture capitalist David Thatcher of Washington gave \$350,000 to the No on 2117 effort.

Heywood's campaign hasn't raised any new money since last fall, has no reported cash on hand and owes more than \$40,000 in debts, loans and other liabilities, according to Washington records.