

Report to Legislature on EITE Allowance Allocation 2035-2050

Document 3: Framework for assessing methods for EITE allowance allocation



The Washington Department of Ecology (Ecology) is preparing a report about no-cost allocation to emissions-intensive, trade-exposed Industries (EITEs) under the Cap-and-Invest Program.

EITEs are important local industries and manufacturing facilities that produce a variety of products including paper, food, building materials, glass, and airplanes. In establishing the Climate Commitment Act (CCA), the Legislature recognized that EITEs faced unique challenges in reducing their greenhouse gas emissions in the early years of the Cap-and-Invest Program.

The Legislature decided to issue allowances at no cost to these industries through to 2034 and didn't specify the approach to providing no-cost allowances to EITEs for 2035-2050. Ecology is required to prepare a report to the Legislature that offers information and recommendations on how best to proceed. This report will include consideration of:

- Best practices for avoiding leakage (when EITEs relocate or limit their operations)
- Different approaches for measuring the emissions generated by EITEs per unit of production
- Opportunities and barriers for decarbonizing EITEs in Washington
- How to allocate no-cost allowance to EITEs from 2035-2050
- Implications for environmental justice outcomes, local air quality, statewide emissions limits, and revenues generated by Cap-and-Invest auction

Further information on EITEs can be found at Ecology's website: [Emissions-intensive, trade-exposed industries](#).

Opportunities to provide report input

Ecology is providing multiple engagement opportunities to make sure EITEs, Tribes, covered entities, community organizations, and other interested parties can provide input into the development of Ecology's report to the Legislature. This includes establishing two advisory groups – [EITE Industries Advisory Group](#) and [EITE Policy Advisory Group](#) – as well as hosting forums for Tribes, the public, and community organizations.

Ecology is specifically seeking feedback on the approach for allocating no-cost allowances from 2035-2050 as well as understanding the potential impacts on individuals and communities where EITE facilities are located. Comments may be submitted through the [electronic platform until Sept. 3, 2025 at 11:59 p.m.](#)

To stay updated on the progress of the report, the advisory groups, and public meetings, sign up for the [EITE Industries email list](#).

Document 3: Framework for assessing methods for EITE allowance allocation

Disclaimer

This document sets out the draft framework for assessing potential methods for emissions-intensive, trade-exposed (EITE) allowance allocation within the Cap-and-Invest Program. The purpose of the document is to support discussions with advisory groups and enable interested parties and the public to provide feedback on the draft framework and information.

The draft findings and information in this document do not represent the official position of Ecology or the Legislature on any policy or issue mentioned in this document. The final report will incorporate feedback received from advisory group members and other interested parties.

This is the third document with draft materials that Ecology has released to date as follows:

- [Document 1: Best practice policies for avoiding leakage](#) (May 1, 2025)
- [Document 2: Methods for developing greenhouse gas benchmarks](#) (May 1, 2025)
- [Document 3: Framework for assessing potential methods for EITE allowance allocation](#) (May 29, 2025)
- [Document 4: Potential methods for allocating allowances to EITEs from 2035-2050](#) (May 29, 2025)

Section 1: Context and Background

1. RCW 70A.65.110(4)(a) requires Ecology to describe alternative methods for determining the amount and schedule of allowances to be provided to EITEs from 2035-2050.
2. Identifying alternative methods for EITE allowance allocation requires a framework for assessing different policy options. Drawing on good practices for assessing regulatory impacts of policy proposals, Ecology has developed a proposed framework to support the assessment of alternative methods for EITE allowance allocation for 2035-2050.
3. This document is structured as follows:
 - a. Section 1: Context and background
 - b. Section 2: Draft framework for assessing methods for EITE allowance allocation, including an illustrative example of the framework
4. This document should be read in conjunction with [Document 4: Potential methods for allocating allowances to EITEs](#), which identifies potential methods for allocating allowances to EITEs from 2035-2050 for the purpose of avoiding leakage and maintaining the competitiveness of EITEs in Washington.
5. The purpose of this document is to enable advisory group members and other interested parties to provide feedback on the assessment framework, which will be used by Ecology to assess the options set out in Document 4. In particular, **Ecology is seeking feedback on whether the proposed assessment criteria reflect the considerations that are important to interested parties, and if there are any additional criteria that should be considered.**

Section 2: Draft framework for assessing methods for EITE allowance allocation

6. Developing a suitable framework for identifying and assessing potential options for EITE allowance allocation is essential to ensuring that the assessment process is transparent, evidence-based, and aligned with the objectives of the Cap-and-Invest Program.
7. Ecology staff have identified potential methods for EITE allowance allocation (Document 4). Therefore, the focus of this framework is to support a systematic and consistent assessment of these options and to enable advisory groups to provide input and feedback on the assessment. The framework will help inform the development of recommendations to the Legislature, ensuring that every option is compared and that the rationale for proposed allocation methods for 2035-2050 is clear and well understood.
8. Ecology has established a proposed framework for systematically assessing potential methods for EITE allowance allocation in two steps:
 - a. Step 1: Screening criteria for identifying viable options
 - b. Step 2: Criteria for comparing viable alternative options.
9. Some criteria in this framework reflect the objectives and statutory requirements of the CCA, while others were included based on good practices for regulatory impact analysis¹, a review of relevant policy documents from other jurisdictions, and/or previous input from advisory groups.

Step 1: Criteria for identifying viable alternative methods

10. The first step in the framework is to determine which options are viable by applying a set of screening criteria as set out in Table 1. Each criterion is paired with a yes or no question to facilitate the initial screening and to help determine whether an option is compatible with fundamental design principles of the Cap-and-Invest Program and the CCA.

Table 1 – Proposed screening criteria and assessment questions for Step 1

Criterion	Assessment Question
Aligns with Ecology’s Cap-and-Invest allowance budgets (and statewide emission limits) and auctioned allowance requirements	Will the option ensure total no-cost allowances remain within the program cap and/or annual budget limits established in RCW 70A.45.020 and align with auctioned allowance requirements established in RCW 70A.65.100?
Provides for new market entrants	Does the option enable new, eligible EITE facilities to access no-cost allowances?
Maintains flexibility for compliance	Does the option allow EITEs to identify least cost compliance strategies, including the purchasing, banking, and selling of allowances?
Compatible with market linkage	Is the proposed policy option compatible with plans to link Washington’s Cap-and-Invest market with those in California and Quebec?

¹ [OECD, 2015](#); [OECD, 2020](#); [Robinson et al., 2017](#)

11. If an option receives a “yes” on all the questions, it is considered a viable option and moves forward to the next stage of assessment. Options that do not meet these criteria are not considered viable options in the analysis. If the answer to a question is unclear, the option may also move forward, and the criterion may be visited following further assessment.

Step 2: Criteria for comparing viable alternative options

12. After identifying viable alternative options through the initial screening, Step 2 involves the assessment of each viable option against additional criteria as set out in Table 2. The criteria are intended to provide a uniform assessment for each option and help Ecology staff and advisory group members understand how each option performs against the same standards.

Table 2 – Proposed criteria and assessment approach for Step 2

Criterion	Description	Assessment Question
Mitigates emissions leakage	The option mitigates emissions leakage and maintain competitiveness of EITEs.	To what extent does the option include mechanisms to identify and mitigate emissions leakage and maintain competitiveness of EITEs?
Maintains incentives for decarbonization	The option maintains incentives for innovation and decarbonization, and rewards low carbon/efficient production within Washington.	To what extent does the option maintain incentives for EITEs to reduce emissions intensity of production within Washington? (e.g. through benchmarking, consignment linked to emissions reductions, or other explicit requirements).
Supports market functionality	The option supports a well-functioning carbon market, including liquidity, stability, price signals, price discovery.	To what extent does the option support stable, competitive, and efficient market operations?
Minimizes administrative / implementation costs and technical requirements	The option minimizes administrative and implementation costs and reduces technical complexity for EITE industries.	To what extent does the option require agency resourcing to implement/can be implemented using existing administrative systems, and additional technical requirements for EITEs?
Provides clarity, objectivity, and predictability	The option provides clarity, objectivity, and predictability for covered entities and other interested parties	To what extent does the option provide clear, objective, and transparent methods to determine future allocations, and enables EITEs to plan for compliance?

13. Based on the available data and any feedback from advisory groups, each option will be assigned a rating using a standardized scale. This approach helps to identify and evaluate the potential impacts, benefits, and challenges associated with each option.

14. The proposed standardized scale that will be used for assessing options is as follows:

- ++ the option fully meets or significantly advances the criterion
- + the option partially meets or advances the criterion
- 0 the option neither advances nor hinders the criterion
- the option partially fails to meet the criterion
- the option significantly fails to meet the criterion

15. When assessing each option using the proposed criteria and standardized scale, Ecology staff will use best available data, including quantitative and qualitative data, to answer the assessment questions. If there is insufficient or incomplete data, Ecology may apply professional judgement in assessing options.

16. Ecology staff intend to use this assessment approach when sharing the draft findings of its review of options for EITE allowance allocation for 2035-2050 on June 26, 2025.

Illustrative application of the assessment framework

17. To demonstrate how the assessment framework will be applied, Table 3 provides a sample table that evaluates four hypothetical viable options using the Step 2 criteria. This illustrative example is designed to show how each option can be systematically compared across multiple factors using the qualitative rating scale.

Table 3 – Sample table evaluating four hypothetical viable options using Step 2 criteria

Criterion	Viable Option 1	Viable Option 2	Viable Option 3	Viable Option 4
Mitigates emission leakage	++	++	+	--
Maintains incentives for decarbonization	+	-	+	-
Supports market functionality	0	--	--	+
Minimizes administrative / implementation costs and technical complexity	-	0	+	0
Provides clarity, objectivity, and predictability	+	--	0	+

Other considerations in assessing policy options

18. In addition to the proposed criteria in Step 1 and 2, there are other important considerations that should be taken into account when assessing proposed policy options and their compatibility with other policies and objectives. Some of these considerations include:

- a. **Economic impacts:** What are the potential economic impacts of the proposed policy option for industries, communities, and the state as a whole?
- b. **Environmental justice outcomes:** Is the proposed policy option consistent with the environmental justice requirements in the CCA? Does the option cause environmental harm or affect the equitable distribution of environmental benefits to an overburdened community or a vulnerable population?

19. These considerations generally require sufficient detail about the design of policy options before they can be adequately assessed, for example as part of a cost-benefit analysis or Environmental Justice Assessment. These types of assessments are usually undertaken once preferred options have been identified, i.e. after the completion of the two-step assessment process proposed above.
20. Ecology is collecting data to enable these economic and environmental justice considerations to be assessed to the extent possible as part of its report to the Legislature. Staff also intend to complete a preliminary Environmental Justice Assessment guided by Ecology's approach for meeting its obligations under the HEAL Act.²

References

OECD. (2015). Regulatory Policy in Perspective: A Reader's Companion to the OECD Regulatory Policy Outlook 2015, OECD Publishing, Paris, <https://doi.org/10.1787/9789264241800-en>.

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Robinson, L.A., Hammit, J.K., and Baxter, J.R. (2017). Guidelines for Regulatory Impact Analysis. Office of the Assistant Secretary for Planning and Evaluation, US Department of Health and Services.

Washington Department of Ecology. (2025). Environmental Justice Assessments. <https://ecology.wa.gov/about-us/who-we-are/environmental-justice/heal/environmental-justice-assessments>

² [Washington Department of Ecology, 2025](#)