



EITE Joint Advisory Group meeting #3

June 26, 2025

Agenda

Purpose

- *Present key aspects of the draft materials shared today*
- *Provide an opportunity for clarifying questions and initial comments*

1

Welcome and meeting overview

2

Presentations: *Pacific Northwest Utilities Conference Committee, Energy + Environmental Economics*

3

Document 5 discussion: Review of options for allocating allowances to EITEs for 2035-2050

4

Questions/initial comments on the draft materials

5

Next steps

6

Public comment opportunity

Introductions

Facilitation team – Ross Strategic

- Susan Hayman - Advisory Group Facilitator
- Heather Christopher – Joint Meetings & Policy Advisory Group Support

Ecology staff

- Adrian Young – Cap-and-Invest Industrial Policy Lead
- Andrew Hayes – Cap-and-Invest Policy Section Manager
- Isabel Hanify – Cap-and-Invest Industrial Policy Planner
- Jihan Grettenberger – Cap-and-Invest Outreach Specialist

EITE Industries Advisory Group members

- Adam Diamond – Nutrien
- Brandon Houskeeper– Alliance of Western Energy Consumers
- Brent Downey – Kaiser Aluminum
- Brian Wood– Nippon Dynawave Packaging
- Bryan Vickers– Glass Packaging Institute
- Christopher Collins – HF Sinclair
- Chris Matuszak – Collins Aerospace
- Dallas Scholes – Par Pacific and U.S. Oil & Refining
- David Heller – Cardinal FG Company
- Jackie White – Northwest Pulp & Paper Association
- Jarod Cook – Lamb Weston
- Jessica Spiegel – Western States Petroleum Association
- Jim Verburg – bP America
- Joshua Estes– Association of Western Pulp and Paper Workers
- Russ Simonson (for KC Klosterman) – Ash Grove Cement
- Kristin Marshall – Boeing
- Pamela Barrow – Food Northwest
- Tarah Erickson – Nucor Steel Seattle
- Paul Butkus– Packaging Corporation of America
- Perry Hanson – J.R Simplot Company
- Sally Hurst – TSMC Washington
- Sourabh Pansare – Phillips 66 Company
- Tad Koscielak – Matheson Tri Gas

EITE Policy Advisory Group members

- Altinay Karasapan – Climate Solutions
- Carly Michiels – Washington Public Ports Association
- Dan Wilson – United Steelworkers Union - Local 338
- David Mendoza – The Nature Conservancy
- Donny Donovan – IAM District 751
- Isaac Kastama – Clean and Prosperous
- Kassie Markos – Puget Sound Energy
- Keith Curl-Dove – Washington Conservation Action
- Richard May – SEI Fuel Services (7-Eleven)
- Steve Taylor – Cowlitz Public Utility District No. 1
- *2 delegates from the EITE Industries Advisory Group*

Report timeline and engagement approach

Aug–Dec 2024 (Phase 1)

 **Completed**

- Collected information, and identified factors affecting EITE allocation & decarbonization
- Established advisory groups
- Convene Tribal forum
- Convene public meeting

May–Aug 2025 (Phase 2)

- Develop and test draft findings and recommendations
- Discuss policy impacts
 - Advisory groups
 - Small group meetings
 - Tribal forum
 - Public meeting

Feedback due Sept. 3, 2025

Sept–Nov 2025 (Phase 3)

Ecology prepares and submits final report to the Legislature.



Guest presentation

Crystal Ball, Executive Director (Pacific Northwest
Utilities Conference Committee)

Presentation by Pacific Northwest Utilities Conference Committee:

Northwest Regional Forecast of Power Loads and Resources

The presentation is available at

<https://ecology.wa.gov/Presentation-PNUCC-Regional-Forecast-June-26>

Presentation is not associated with or contracted by Ecology



Guest presentation

Dan Aas, Partner (Energy + Environmental Economics)

Energy + Environmental Economics presentation: Industrial electrification and the PNW electric system

The presentation is available at

<http://ecology.wa.gov/Presentation-E3-Industrial-electrification-June-26>

Presentation is not associated with or contracted by Ecology



Draft materials:

Document 5: Review of methods for allocating allowances to EITEs for 2035-2050

Context

RCW 70A.65.110(4)(a) required Ecology to:

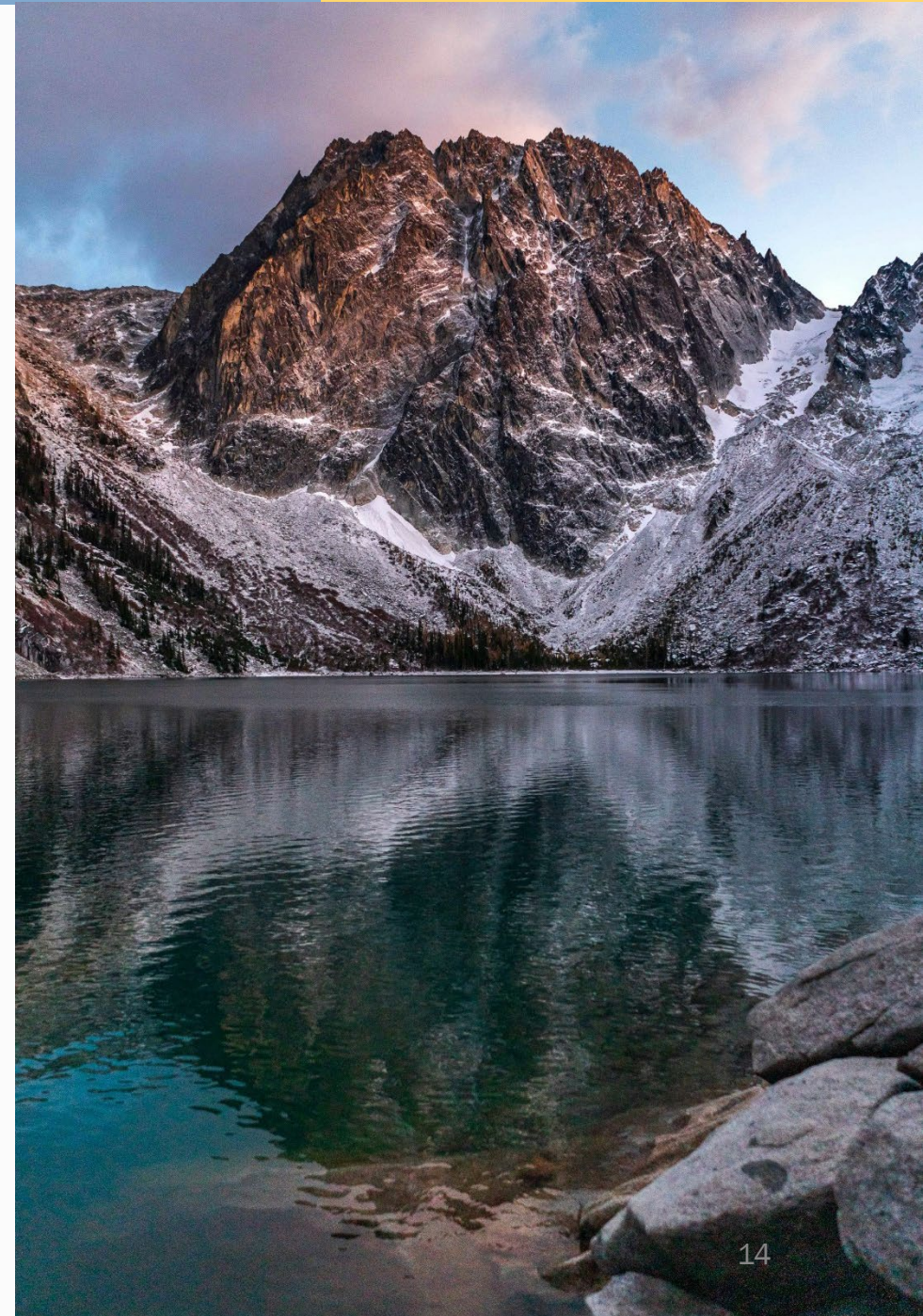
- a) Review global best practices for avoiding emissions leakage
- b) Evaluate benchmarking methods for EITEs
- c) Describe potential approaches for determining how allowances are allocated to EITEs from 2035-2050

Draft materials released today:

[Document 5: Review of options for allocating allowances to EITEs for 2035-2050](#)

Overview

- Document 5 details the draft assessment of potential options for allocating allowances to EITEs from 2035-2050
- Purpose: enable advisory group members to provide feedback on draft assessment findings and key policy design choices that emerged
- Document is structured as follows:
 - Section 1: Context and Background
 - Section 2: Key findings of review of potential options
 - Section 3: Detailed findings and supporting information



Method: Assessment framework

Two-step assessment framework for identifying and assessing potential options for EITE allowance allocation:

- Step 1: Identify viable options using screening criteria
- Step 2: Compare viable alternative options using assessment criteria

Modifications from framework proposed in Document 3:

- Additional Step 2 criterion that considers extent to which options enable facility-specific circumstances to be accounted for
- Numerical scale (-2, -1, 0, 1, 2) used for scoring policy options using the assessment criteria in Step 2

Method: Options assessed

Sixteen options were assessed across four Policy Design Considerations:

1. Establish a level playing field for EITEs producing within the jurisdiction
2. Identifying and targeting assistance for EITEs in Washington that are most at risk of leakage
3. Maintain decarbonization incentives for EITEs and reward efficient production
4. Align with program cap and emissions limits

Options included allowance allocation based on Best Available Technology and sector-based benchmarks/reduction schedules

Staff made certain assumptions about option design to inform assessment
– refer to section 3 of Document 5

Key Findings for Policy Design Consideration 1:

Establish a level playing field for EITEs producing within the jurisdiction

- Two viable options identified:
 - Provide no-cost allowances to EITEs using output-based allocation from 2035 onwards (Option 1a)
 - Implement a state-level carbon border adjustment mechanism (CBAM) by 2035 and phase out allocation (Option 1c)
- Option 1a (output-based allocation) emerges as the preferred option*
- Main drawback on Option 1a is dampening of carbon price impact and effects on price discovery and market liquidity, but these can be mitigated by using other policy options
- This finding underpins the assessment of options under Policy Design Considerations 2-4

Table 1. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 1

Option	Total Positive Scores	Total Negative Scores	Total Neutral Scores
1a: Output-based allocation	4	1	1
1b: Monitor carbon pricing policies	Not deemed a viable option in Step 1, therefore not assessed in Step 2		
1c: CBAM or equivalent policy	3	3	0

*Contingent on being combined with an option from Policy Design Consideration 4

Key Findings for Policy Design Consideration 2:

Identifying and targeting assistance for EITEs in Washington that are most at risk of leakage

- Developing objective leakage risk assessments (Option 2a) not an effective standalone option
- Key choice: whether to implement an assistance factor targeting leakage risk (Option 2b) and/or to extend compensation to purchased electricity (Option 2c)
- Options 2b and 2c would both help mitigate leakage risk if underpinned by accurate leakage risk assessments (i.e. Option 2a) – but each impose new implementation requirements and technical issues to address
- Further details required before a preferred option can be identified, e.g. analyzing data on EITE purchased electricity and associated emissions
- Unclear if any of these are essential options, and viability is contingent on being combined with options from Policy Design Consideration 4

Table 2. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 2

Assessed Options	Total Positive Scores	Total Negative Scores	Total Neutral Scores
2a: Leakage risk assessment	1	1	4
2b: Assistance factor	4	2	0
2c: Purchased electricity allowances	4	1	1

Key Findings for Policy Design Consideration 3:

Maintain decarbonization incentives for EITEs and reward efficient production

- Retaining existing EITE allocation baselines (Option 3a) scored positively on four criteria – so any changes to baselines must provide important additional benefits
- Product-based benchmarking (Option 3c) had more positive scores than alternative options that also involve changes to allocation baselines: i.e. updating allocation baselines (Option 3b) and BAT based allowance allocation (Option 3f)
- Both Option 3c and Option 3f imply significant new implementation requirements, particularly Option 3f
- Enabling benchmarking of new facilities against existing EITEs (Option 3d) would provide only partial benefits
- Consignment of allowances (Option 3e) had high positive scores but imposes new implementation requirements – but could be combined with any other options
- Further work required to assess interactions when combined with options from Policy Design Consideration 4

Table 3. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 3

PDC Options	Total Positive Scores	Total Negative Scores	Total Neutral Scores
3a: Retain current allocation baselines	4	1	1
3b: Update allocation baselines	4	1	1
3c: Product-based benchmarking	5	1	0
3d: New facility benchmarking	3	0	3
3e: Consignment	5	1	0
3f: BAT based allocation	3	2	1

Key Findings for Policy Design Consideration 4:

Align with the program cap and emissions limits

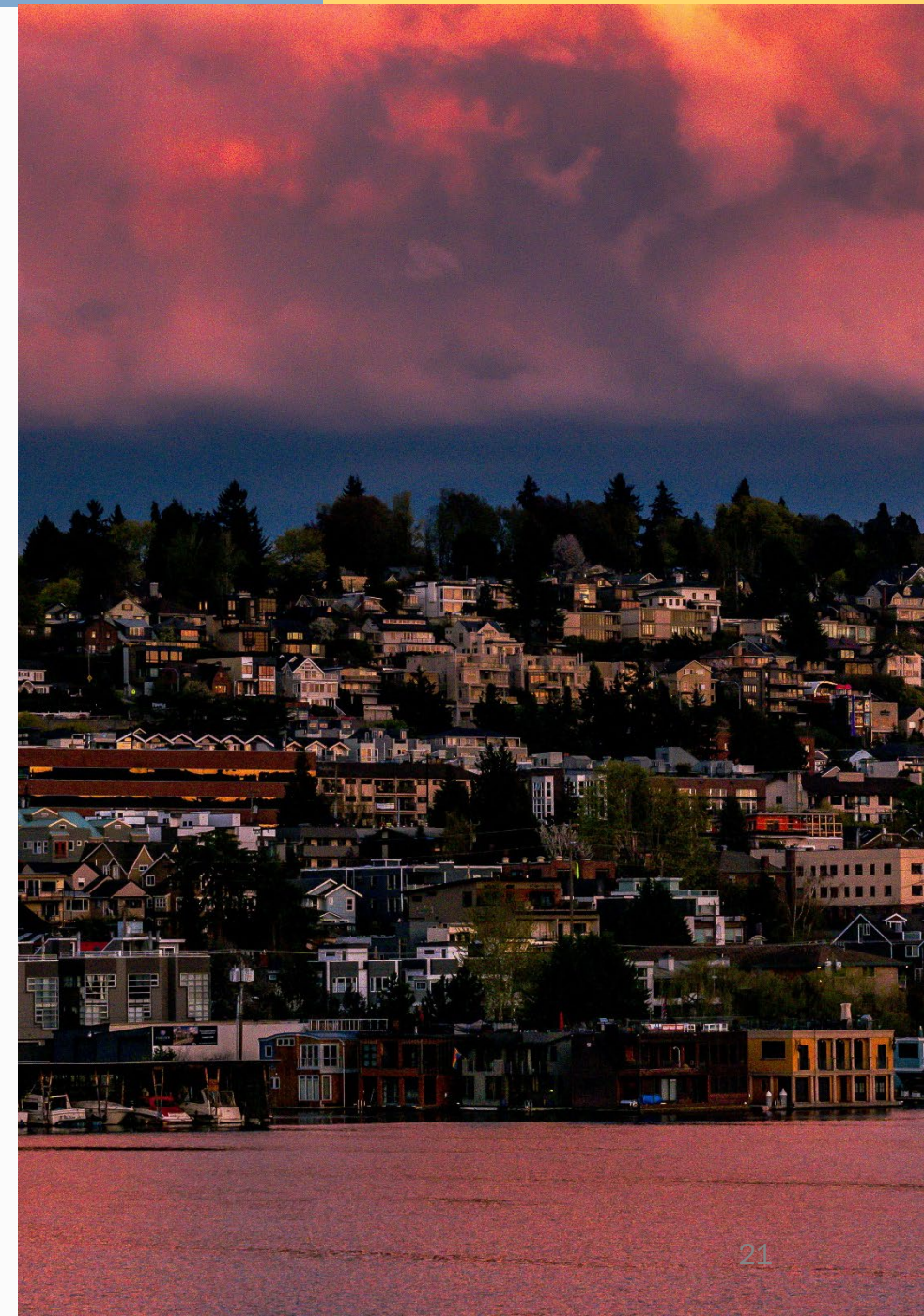
- One of these options must form part of the EITE allowance allocation approach for 2035-2050
- Establishing a cap on allowance allocation (Option 4b) and implementing sector-specific benchmarks based on technical pathways (Option 4d) were both considered unsuitable based on the assessment criteria
- Implementing a cap adjustment factor (Option 4a) scored positively on five of the six criteria, but may increase leakage risk depending on ability of EITEs to decarbonize and international trade and climate policy in 2030s-2040s
- Prioritizing allocations to EITEs producing goods aligned with net-zero emission limits (Option 4c) may help mitigate leakage risk for applicable facilities, but uncertainty remains around the design and efficacy of this approach
- Further policy design details are required before a preferred option can be identified, along with assessment of option combinations

Table 4. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 4

PDC Options	Total Positive Scores	Total Negative Scores	Total Neutral Scores
4a: Cap adjustment factor	4	1	1
4b: Annual allocation cap	2	3	1
4c: Net-zero industry prioritization	3	1	2
4d: Sector-specific benchmarking & reductions	2	2	2

Other considerations/observations

- Need to consider which of combination of options can provide the most overall benefits without imposing excessive implementation requirements
- Preferred options and combinations will require further testing and analysis:
 - E.g. economic impacts and environmental justice outcomes
 - This may result in the re-evaluation of viability or efficacy of certain options or combinations
- Uncertainty around future international trade and climate policy environment affecting EITEs in the mid-2030s and 2040s



Summary

- Continuing to provide no-cost allowance using output-based allocation (Option 1a) emerges as the preferred option and a key assumption guiding the option assessment
- Identifying a preferred option from Policy Design Consideration 4 is critical for ensuring alignment with program cap and emissions limits
- Questions remain about potentially preferred options including:
 - Certain policy design details
 - Implementation requirements
 - How options interact when combined
 - Impacts on economic and environmental justice outcomes





Questions and comments

Next steps

- EITE Policy Advisory Group meeting
 - [July 2 from 9:00 a.m. to 11:00 a.m.](#)
- EITE Industries Advisory Group
 - [July 3 from 9:00 a.m. to 11:30 a.m.](#)
- Interim feedback
 - Email to CCAIEITEIndustries@ecy.wa.gov by July 8 interim deadline
- Final feedback/comment
 - Submit via the [electronic comment platform](#) by Sept. 3



Facility located outside of Washington

Public comment opportunity

Guidelines for providing public comment

- Please use “raise hand” button or share in the chat to indicate that you wish to provide a comment
- Up to two minutes per person
- Please keep the comments related to EITs and the report to the Legislature
- Ecology will not respond to comments in this meeting
- To submit written comments, use our [comment platform](#)





Thank you!

Adrian Young

Cap-and-Invest Industrial Policy Lead

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Resources

- [Meeting materials](#) (draft documents, presentations, recording)
- [Notifications on EITEs and the report](#)
- [EITE Industries webpage](#)