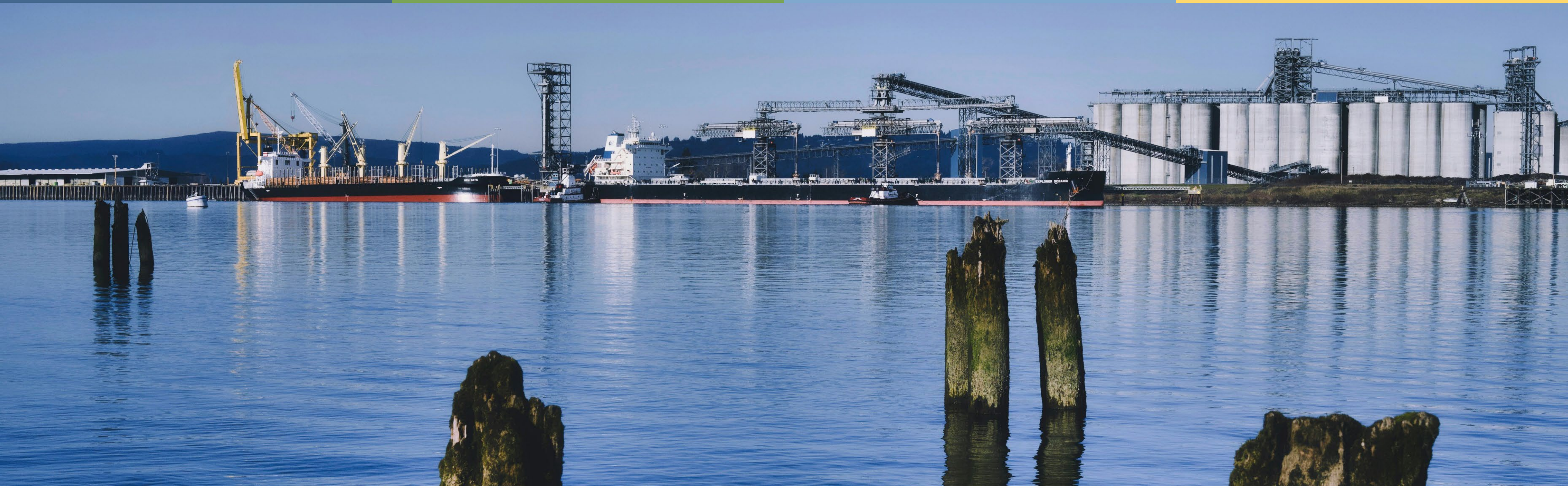


# Cap-and-Invest: Emissions-intensive, trade exposed industries

Report to the Legislature Development

June 11, 2026

# Introductions

- Jihan Grettenberger – Facilitator, Cap-and-Invest Outreach Specialist
- Adrian Young – Cap-and-Invest Industrial Policy Lead
- Isabel Hanify – Cap-and-Invest Industrial Policy Planner
- Anthony Bruma – Air Quality Rule Lead
- Andy Hayes – Cap-and-Invest Policy Section Manager

# Agenda

1. Overview of Cap-and-Invest Program and Initiative to Improve Air Quality
2. Emissions-intensive, trade-exposed industries (EITEs)
3. EITE allowance allocation 2035-2050 and new report to Legislature
4. Next steps

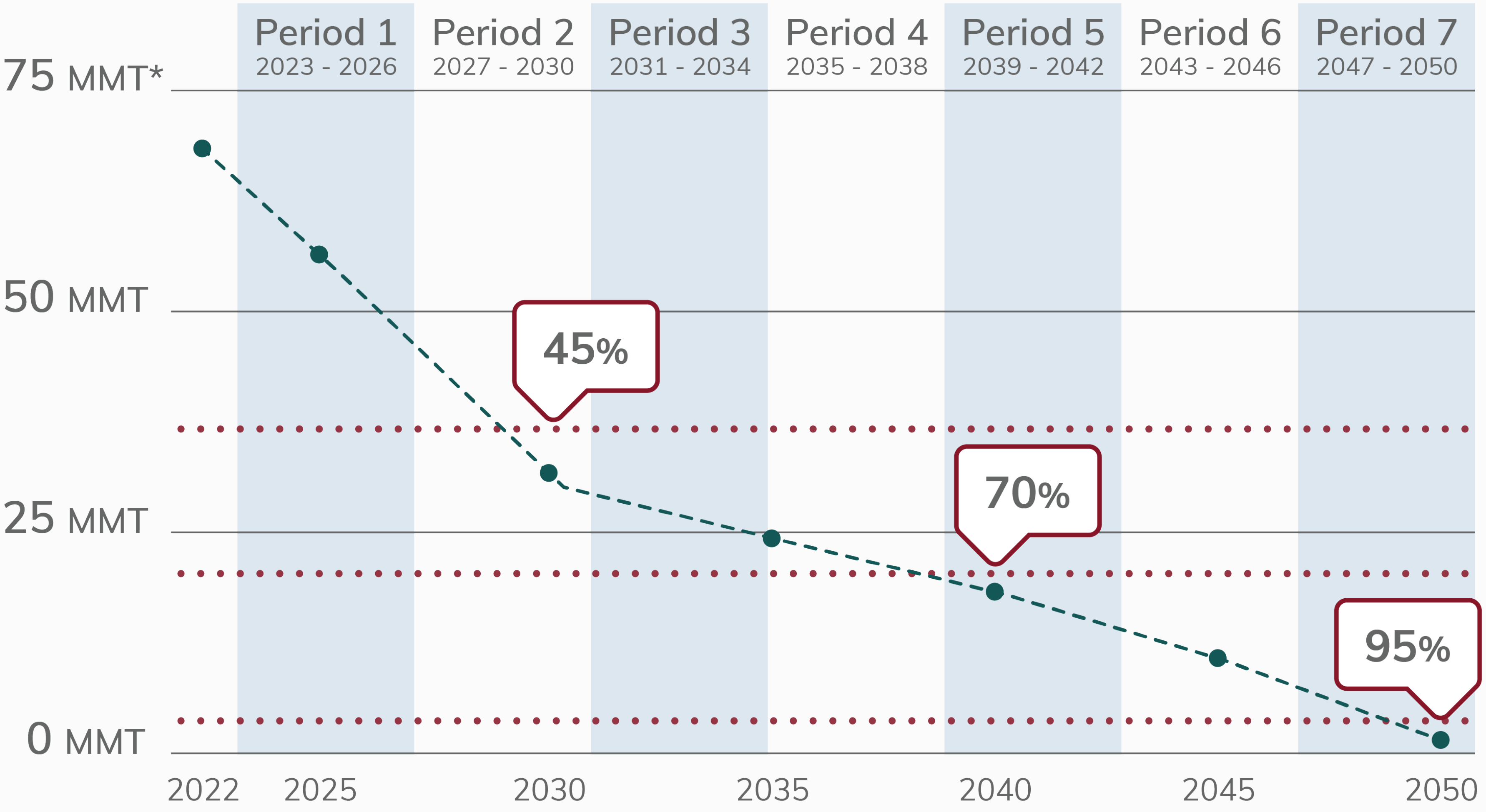
# Climate Commitment Act (CCA)

Cap-and-Invest Program

Initiative to improve air quality

# Cap-and-Invest Program

## Projected greenhouse gas emissions cap over time




*MMT = million metric tons of carbon dioxide equivalent

Reductions based on 1990 emission levels

DEPARTMENT OF ECOLOGY
State of Washington

# Which emissions are covered?

## Covered emissions (~70%)

- Facilities
- Fuel suppliers
- Electricity imports
- Natural gas suppliers

## Not covered (~30%)

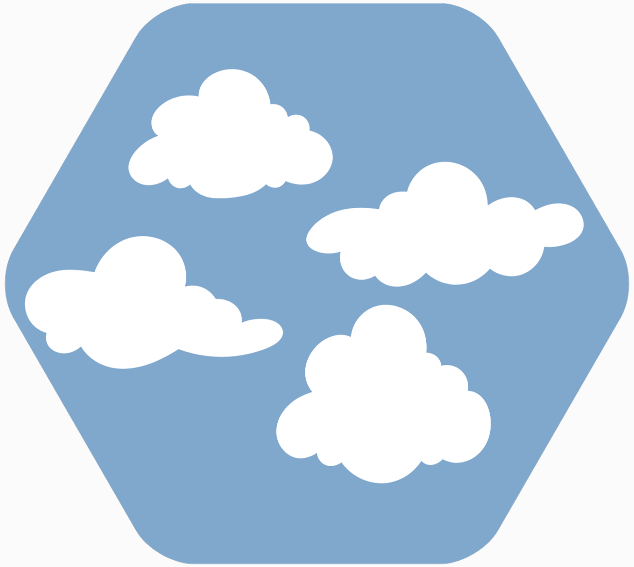
- Combustion of biomass or biofuels⁺
- Fuels used for agricultural operations
- Fuels used for maritime and aviation
- Waste-to-energy*
- Railroads*

*⁺Biomass and biofuels as defined in RCW 70a.65.010*

**will be added to covered emissions in the future*

# Ways to comply

Reduce greenhouse gas emissions



Emissions allowances

Offset credits

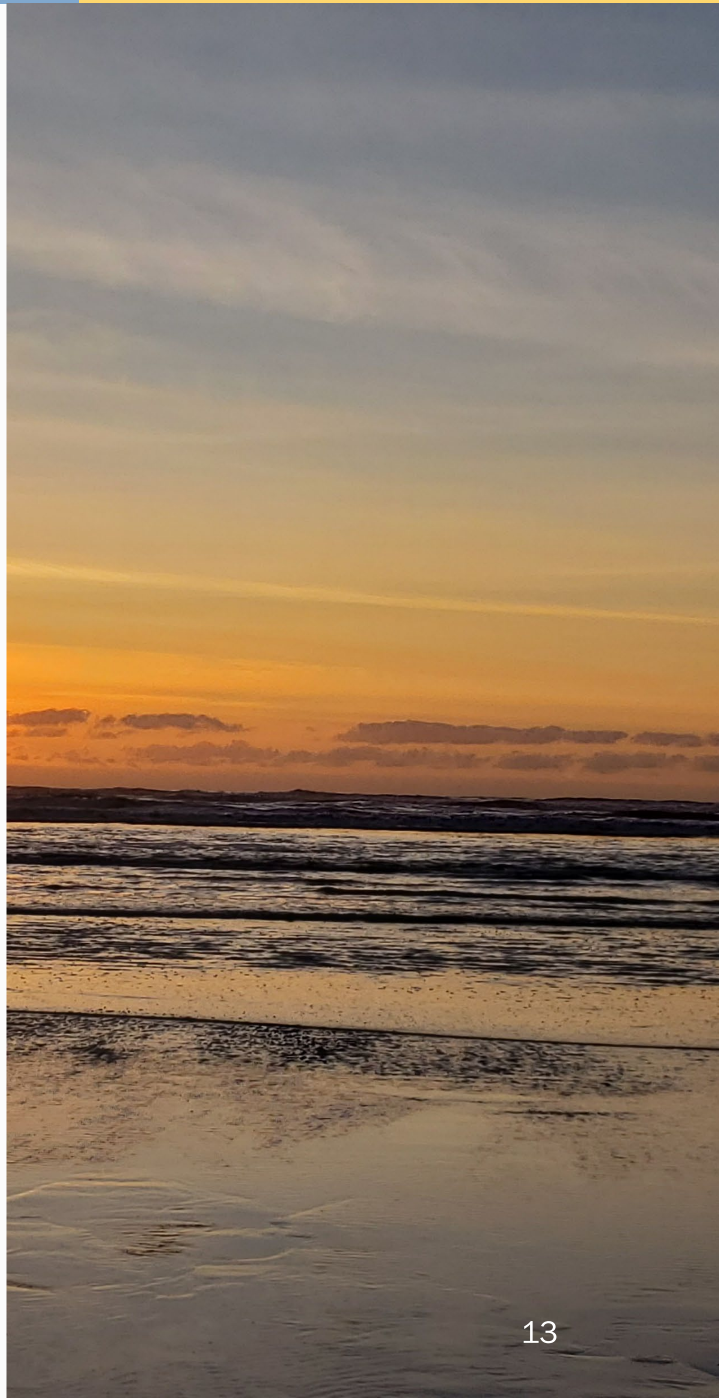
Allowance or offset credit = 1 metric ton of carbon dioxide equivalent

# Introduction to the Initiative to Improve Air Quality

# Initiative to improve air quality

Engaging with 16 overburdened communities, and participating Tribes through Government-to-Government consultation.

- Expanding air monitoring
- Adopting strategies to reduce air pollution
  - Community grant program
  - Rulemaking for more protective air quality standards
- Evaluating and reporting air pollution, greenhouse gas, and health data every two years:
  - 2025 Report



# Initiative to improve air quality

- Ongoing rulemaking:
  - Hosted public workshops to help draft language
  - Shared preliminary draft rule language
  - Held two informal public comment periods
  - We are now in the development phase of rulemaking
- There will be additional ways to engage following rule revisions

# Overview of Emissions-intensive, trade-exposed industries (EITEs)

## Emissions-intensive

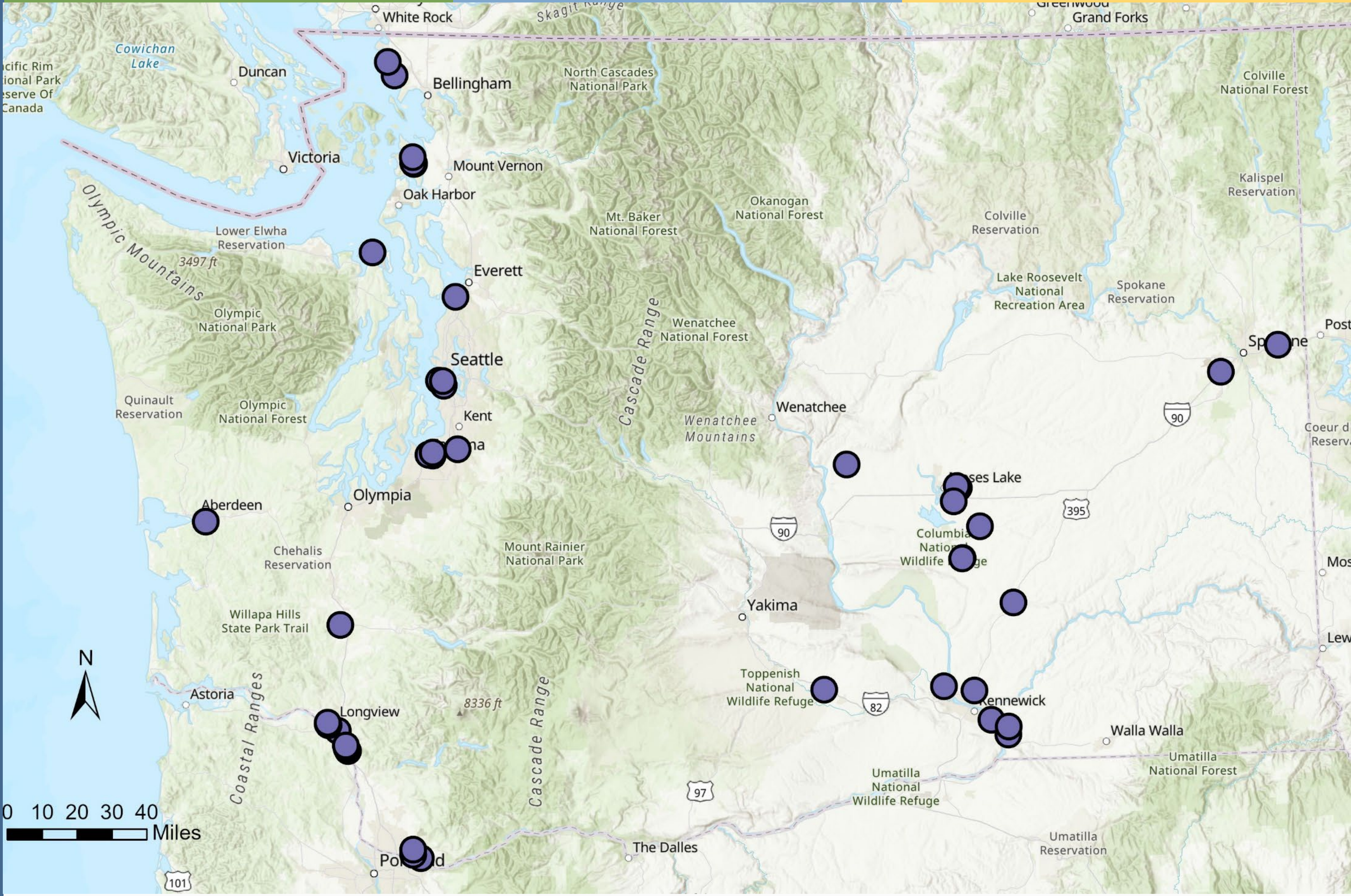
Manufacturing facilities with high energy needs and high greenhouse gas emissions

## Trade-exposed

Face significant competition for their products

~40 facilities qualify as EITES in Washington

# Location of EITE facilities



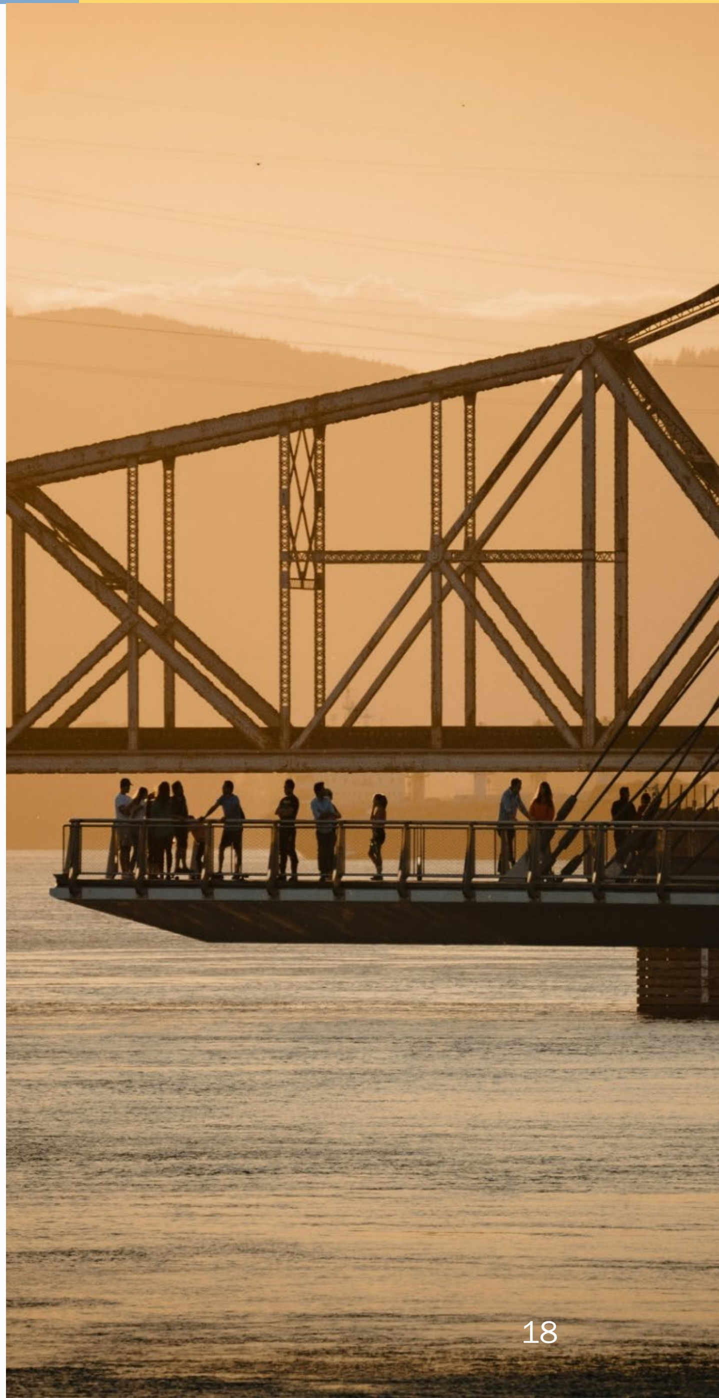

*Data as of Dec. 2024. Information also available on the* [Map of EITEs] and [List of active EITEs]

# Current EITE policy

No-cost allowances until at least 2034

Mitigate leakage of emissions and incentivize early investment in decarbonization

Most carbon trading programs take this approach



# EITE allowance allocation

- Each EITE facility has an "allocation baseline" based on 2015-2019 data:
  - 'Carbon-intensity baseline' = emissions per unit of product
  - 'Mass-based baseline' = average emissions[1]
- EITEs receive allowances each year based on their allocation baseline and verified production[2]
- Total EITE allowances are progressively reduced by the "**reduction schedule**"

**Reduction schedule**

| Years | No cost allowances to EITEs |
|---|---|
| **2023-2026** | 100% of allocation baseline |
| **2027-2030** | 97% of allocation baseline |
| **2031-2034** | 94% of allocation baseline |

1. Only a small number of facilities have an approved 'mass-based baseline'
2. Except facilities with mass-based baselines which are not routinely updated based on production.

# EITEs are subject to the cap



Expected to
reduce emissions

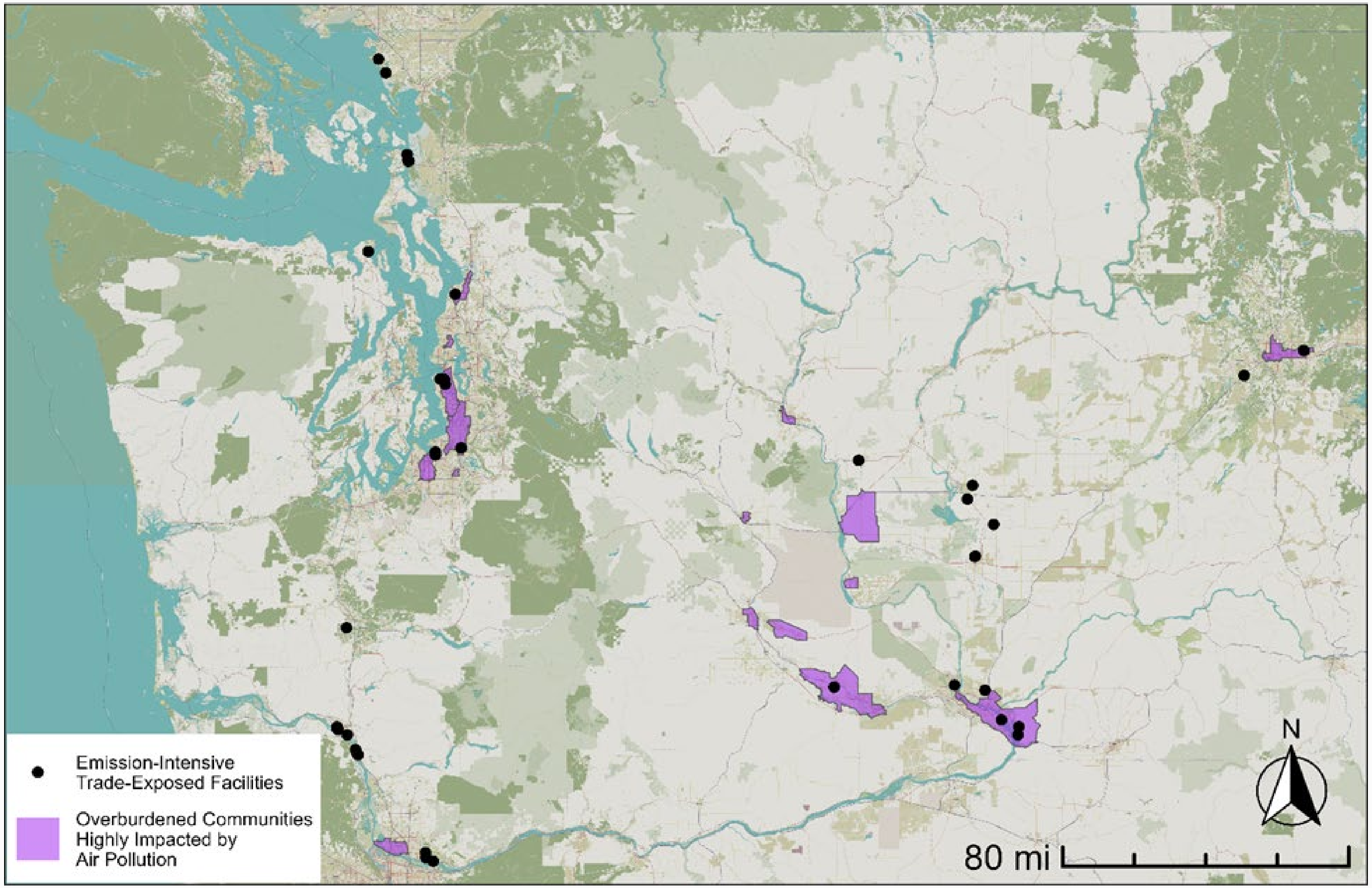
Short-term incentive
to lower emissions

Purchase additional
allowances to meet
compliance

# Environmental justice considerations for EITEs

- EITEs can release harmful pollutants that affect local air pollution
- Allocation policy may influence pace of greenhouse gas emission reductions
- Allocation policy may limit auction revenues
- EITE policy decisions could impact local jobs

# EITE proximity to overburdened communities



# Questions?

# EITE allowance allocation 2035-2050

# EITE allocation for 2035-2050

- Legislature has not specified the reduction schedule for 2035-2050
- In January 2026, Ecology summitted a report to the Legislature with information on policy options for EITE allocation for 2035-2050

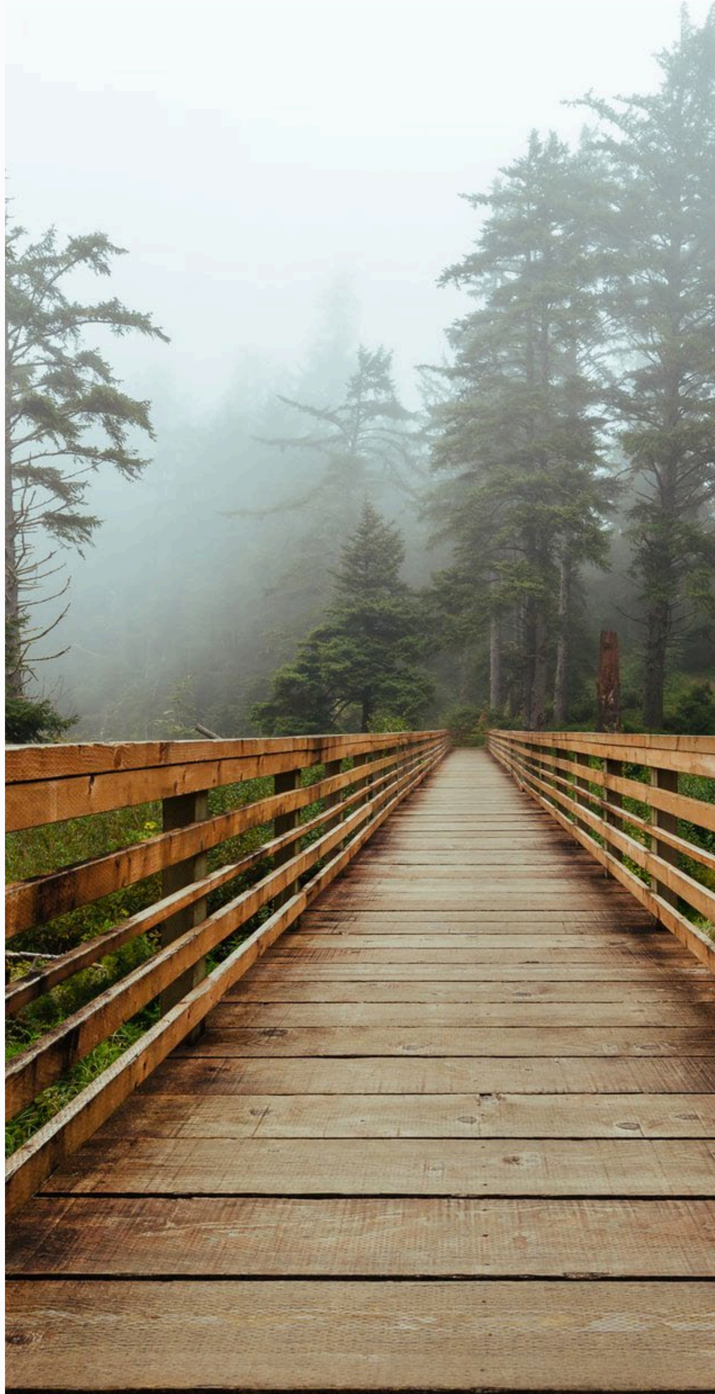
# Key findings from January 2026 report

- No-cost allowance allocation remains the best policy for mitigating leakage risk within Washington.
- Lawmakers need to reduce the number of no-cost allowances given to EITEs from 2035-2050 to maintain the integrity of the Cap-and-Invest Program.
- Washington should consider complementary policies to help address leakage risk and incentivize decarbonization.

# New report for Legislature

Ecology is required to prepare recommendations for:

- How many allowances EITEs should receive from 2035-2050
- Policies and strategies to support the decarbonization of EITEs



# Focus Areas for New Report

### A method for making annual reductions to EITE allowances

Ensure that leakage risk is being mitigated effectively and does not conflict with annual allowance budgets and emission limits

### Criteria and methods for as-needed adjustments to allocation

To address changes in leakage risk and achieve statewide emissions limits

### Implementing an allowance consignment policy

Requires EITEs to invest some of the value of their no-cost allowances in decarbonization projects

### Complementary measures that support EITE policies

Additional state policies or strategies to support the reduction of emissions and decarbonization of EITEs

# Policy and technical considerations

- Anticipated allowance demand from EITEs and other covered entities through 2050
- Potential deployment of emission reduction technologies and strategies by EITEs
- Potential impacts of implementing the recommendations on overburdened communities
- Interactions with other state policies and programs for reducing greenhouse gas emissions

# Timeline and engagement opportunities

### Aug '24 – Jan '26

- Sought input from advisory groups
- Submitted initial report to the Legislature in January 2026

### 2026 Legislative session

- Legislature passed SB 6246, requiring a new report by Dec. 1, 2026

### June – July 2026

- Offer Government-to-Government consultation and host Tribal forum
- Public meeting June 11
- Public comment period June 1 – July 24
- Meetings with EITEs, interest groups, environmental orgs, and subject matter experts

### Aug – Dec 2026

- Prepare recommendations for the Legislature
- Submit report

# Questions?

# Next steps

- Public comment open from June 1 - July 24, 2026
  - Review supporting materials
  - Submit written comments
- Meetings with interested parties in June/July

# Other climate engagement opportunities

## Public events

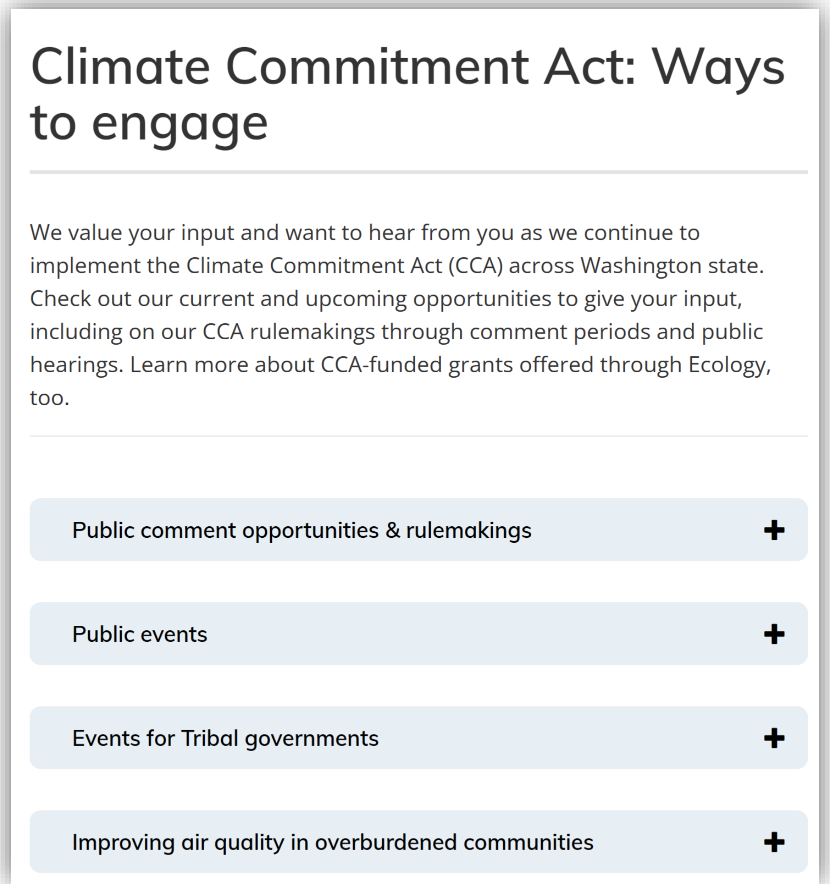
- Cap-and-Invest Program Updates and Linkage rulemaking public hearing: [July 7](#) and [July 13](#)
- [Blue carbon offset exploratory working group](#)

## Comment opportunities

- [Carbon management under the Cap-and-Invest Program](#)
- [Cap-and-Invest Program Updates and Linkage rulemaking](#)

## Ongoing rulemakings

- [U.S. Forest Protocol rulemaking](#)
- [Air quality in overburdened communities](#)



Climate Commitment Act: Ways to engage

We value your input and want to hear from you as we continue to implement the Climate Commitment Act (CCA) across Washington state. Check out our current and upcoming opportunities to give your input, including on our CCA rulemakings through comment periods and public hearings. Learn more about CCA-funded grants offered through Ecology, too.

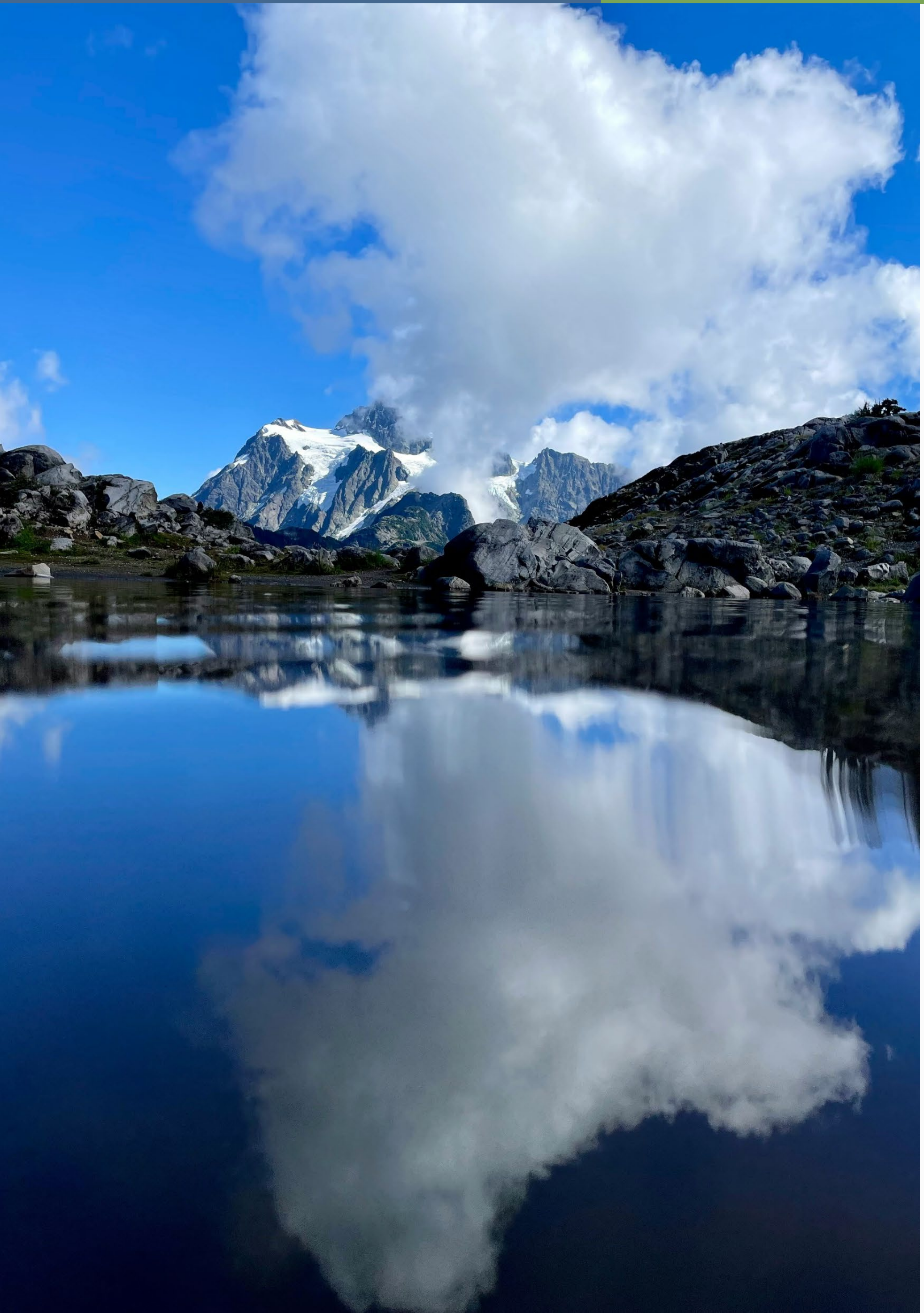
Public comment opportunities & rulemakings +

Public events +

Events for Tribal governments +

Improving air quality in overburdened communities +

More details at **ecology.wa.gov/CCA-engage**.
For updates on public events, sign up for the CCA email list.



# Thank you!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Sign-up for the EITE email list and CCA email list