



STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

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October 9, 2019

Dr. E. Elaine Placido
Cowlitz County
207 Fourth Avenue N
Kelso, WA 98626-4187

Re: Cowlitz County Permit SL 16-0975
Port of Kalama and Northwest Innovation Works – Applicants
Incomplete Shoreline Conditional Use Permit #1056

Dear Dr. Placido:

On September 11, 2019, the Department of Ecology (Ecology) received a letter from Cowlitz County (County) in which the County concluded that no further County action or decision was warranted on the subject shoreline conditional use permit (CUP) to construct and operate a marine facility to manufacture and export methanol (the Project) at the Port of Kalama (Port). The County based this conclusion on its determination that the Final Supplemental Environmental Impact Statement (2019 Supplemental EIS), prepared by the County and the Port and issued on August 30, 2019, “did not identify new shoreline impacts or materially change the County’s analysis of the project’s impacts under the County’s Shoreline Master Program or [the State Environmental Policy Act-SEPA].”

Ecology previously issued a CUP for the Project on June 8, 2017. The Shorelines Hearings Board reversed the CUP and a shoreline substantial development permit (SDP) issued by the County, concluding that the Final Environmental Impact Statement (FEIS) was inadequate under SEPA. The Port and the County appealed that decision to Cowlitz County Superior Court. The Superior Court affirmed the Board’s determination that the FEIS was inadequate, but also ruled that the SDP and CUP were “not vacated, but...Cowlitz County and Ecology must review the SEIS and determine whether, or not, the Permits must be modified, conditioned, or denied based on the analysis in that document.”

By law, Ecology must review all CUPs for compliance with the following:

- 1) The Shoreline Management Act (RCW 90.58)
- 2) Ecology’s Conditional Use Permit approval criteria (WAC 173-27-160)
- 3) The Cowlitz County Local Shoreline Master Program

After reviewing CUPs for compliance, Ecology must decide whether to approve, approve with conditions, or disapprove them.

Our Determination:

We have determined that based on the information contained in the 2019 Supplemental EIS, the permit submittal is incomplete and therefore cannot be evaluated by our department as a “complete submittal,” as provided in WAC 173-27-130. Specifically, Ecology requires additional information on the following items contained in the 2019 Supplemental EIS, in order to evaluate whether the Project is consistent with the review criteria for CUPs provided in WAC 173-27-160:

1. In-State Greenhouse Gas Emissions Mitigation Plan

The County notes that the project proponent, Northwest Innovation Works (NWIW), “has agreed to voluntarily mitigate for all in-state [greenhouse gas] emissions attributable to their project through voluntary development of a [greenhouse gas] mitigation program, the framework of which is described in the [2019 Supplemental EIS].” Based on this voluntary mitigation, the 2019 Supplemental EIS concludes that the Project will have no unavoidable significant adverse impacts on the state level. *See* 2019 Supplemental EIS at 3-38.

On December 28, 2018, Ecology provided comments on the in-state greenhouse gas mitigation proposed in the Draft Supplemental Environmental Impact Statement (2018 Draft SEIS) for the Project. We subsequently reviewed a draft version of the Voluntary Mitigation Plan (VMP) framework contained in the 2019 Supplemental SEIS, and provided additional comments on the VMP framework in meetings with NWIW, the Port, and the County. Consistent with those comments, and in order to complete our evaluation of the CUP, you must provide the following information:

- 1) A list of the greenhouse gas emissions intended to be covered by the Project’s final greenhouse gas mitigation plan, using Table A-1 as provided in WAC 173-441-040.
- 2) A more detailed description of the quantification methods that NWIW proposes to use to measure in-state greenhouse gas emissions associated with the Project, using the reporting framework provided in WAC 173-441-030(4) and WAC 173-441-120(3).
- 3) The specific criteria NWIW intends to use to determine whether to employ a mitigation activity or program, using WAC 173-442-150 as a guide.
- 4) A list of the specific protocols that NWIW intends to initially use for the Project’s final greenhouse gas mitigation plan, using WAC 173-442-160 as a guide.
- 5) An explanation of how carbon sequestration projects could reliably meet the 1:1 greenhouse gas emissions reduction described in Table 1-1 of the 2019 Supplemental EIS.
- 6) An explanation of how NWIW proposes to select appropriate out-of-state carbon markets as mitigation for in-state emissions, using WAC 173-442-170 as a guide.
- 7) A detailed description of the role of cost effectiveness in determining NWIW’s selection of greenhouse gas mitigation activities and programs, including an explanation of how the use of cost effectiveness will not affect the quality of the mitigation program intended to be utilized by NWIW.

2. Greenhouse Gas Emissions Analysis in the 2019 Supplemental EIS

The County determined that the Project will have no significant unavoidable adverse impacts based on the 2019 Supplemental EIS's conclusion that the Project would result in a net reduction of global greenhouse gas emissions due to anticipated global methanol market displacement. In support of this conclusion, the 2019 Supplemental EIS states in Table 1-1 that the Project will displace approximately 14.10 million metric tons of direct and indirect emissions from coal-to-methanol production facilities.

On December 28, 2018, Ecology provided detailed comments on the greenhouse gas emissions analysis in 2018 Draft SEIS. We also provided additional feedback and elaboration on our comments in several in-person meetings with NWIW, the Port, and the County. In both our written comments and in meetings, we explained that the conclusion of no unavoidable significant adverse impacts was not supportable without a more robust sensitivity analysis of alternative methanol production methods and end uses. Consistent with those comments, and in order to complete our evaluation of the CUP, you must provide the following information:

- 1) An improved explanation of how the 2019 Supplemental EIS's conclusion that the facility will displace global methanol production is consistent with the 2019 Supplemental EIS's statement that global demand for methanol is projected to increase.
- 2) A detailed sensitivity analysis that examines the high, low, and median ranges of the following variables:
 - a. Final end use of the methanol in which it is combusted as fuel;
 - b. Upstream natural gas emissions for gas supplied to the Project, using a variety of natural gas leak rates, at a minimum including the rates used in the report by the Stockholm Institute cited in Ecology's December 28, 2018, comments on the 2018 Draft SEIS.
- 3) A comparison of other displacement technologies in addition to coal-to-methanol facilities, including at a minimum:
 - a. Natural gas-to-methanol-to-olefin facilities;
 - b. Naptha-to-olefin facilities.

What Happens Next?

In accordance with WAC 173-27-130(5), Ecology will not make a final permit decision on the CUP submittal for the Project until the information identified above is received by Ecology and the permit submittal is deemed complete.

Please send us the requested information on or before November 7, 2019. If we do not receive the required materials by this date, we must return this incomplete permit to you. Please send the materials to:

Perry Lund
Department of Ecology Southwest Regional Office
PO Box 47775
Olympia, WA 98504-7775

Dr. E. Elaine Placido
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If you have any questions, please do not hesitate to call me at (360) 407-7260.

Sincerely,



Perry J Lund, Section Manager
Shorelands and Environmental Assistance Program
Southwest Regional Office

By certified mail 9489 0090 0027 6093 6862 19

cc: Mark Wilson, Port of Kalama
Brian Carrico, WSP
Vee Godley, NWIW
Emily Nelson, AAG