

Table 1. Scoring and key findings for the Policy Design Considerations and policy options from Document 5: Review of options for allocating allowances to EITEs for 2035-2050

Policy Design Consideration	Option	Description	Total + Scores	Total (-) Scores	Total 0 Scores	Summary of Key Findings
Establish a level playing field for EITEs producing within the jurisdiction	1a: Output-based allocation	Continue using output-based allocation with no-cost allowances as the default method post-2035.	4	1	1	<ul style="list-style-type: none"> Continuing to provide no cost allowance to EITEs using output-based allocation (Option 1a) emerges as the preferred option, contingent on it being combined with an option from Policy Design Consideration 4. Main drawback on Option 1a is dampening of carbon price impact and effects on price discovery and market liquidity, but can be mitigated by other policy options. These findings underpins the assessment of options under Policy Design Considerations 2-4.
	1b: Monitor carbon pricing policies	Monitor carbon pricing and federal policy developments to assess changes in leakage risk.	Not deemed a viable option in Step 1.			
	1c: CBAM or alternative strategies	Implement a carbon border adjustment mechanism (CBAM) or equivalent policy by 2035 and phase out no-cost allowances	3	3	0	
Identifying and targeting assistance for EITEs in Washington that are most at risk of leakage	2a: Leakage risk assessment	Develop an objective approach for assessing leakage risk for EITEs in Washington, including from purchased electricity	1	1	4	<ul style="list-style-type: none"> Key choice is whether to implement an assistance factor that provides a more targeted approach to EITE allowance allocation (Option 2b) and/or to extend leakage risk mitigation to include purchased electricity (Option 2c). Further details required before a preferred option can be identified from this policy design consideration, and unclear if they are an essential part of EITE allowance allocation for 2035-2050.
	2b: Assistance factor	Applying an ‘assistance factor’ that provides differentiated levels of no-cost allowances based on leakage risk.	4	2	0	
	2c: Purchased electricity allowances	Provide no-cost allowances or other compensation to EITEs to address leakage risk from purchased electricity.	4	1	1	
Maintain decarbonization incentives for EITEs and reward efficient production	3a: Retain current allocation baselines	Continue using output-based allocation with facility-specific carbon-intensity baselines as currently prescribed.	4	1	1	<ul style="list-style-type: none"> Retaining existing EITE allocation baselines (Option 3a) scored relatively highly – so any changes to allocation baselines must provide important additional benefits. Product-based benchmarking (Option 3c) scored higher compared to other options that involve changes to allocation baselines, namely Option 3b or Option 3f. Product-based benchmarking (Option 3c) and BAT allocation (Option 3f) imply significant new implementation requirements, particularly Option 3f. Consignment of allowances (Option 3e) scored highly but does not directly impact allocation baselines - also imposes new implementation requirements. Further work required to assess interactions of these option when combined with options from Policy Design Consideration 4 before preferred options could be identified.
	3b: Update allocation baselines	Re-establish allocation baselines using most recent emissions and production data.	4	1	1	
	3c: Product-based benchmarking	Transition to output-based allocation using product-based (or energy-based) benchmarks by 2035.	5	1	0	
	3d: New facility benchmarking	Enable new EITE facilities to be benchmarked against a comparable existing Washington EITE facility.	3	0	3	
	3e: Consignment	Require consignment of some allowance allocation; revenue returned to EITEs for emission reduction projects.	5	1	0	
	3f: BAT allocation	Allocate allowances based on ‘best available technology’ (BAT) assessments with audits and 3–5 year reviews.	3	2	1	
Align with program cap and emissions limits	4a: Cap adjustment factor	Apply a cap adjustment factor to align EITE allocations with annual budgets from 2035 onward.	4	1	1	<ul style="list-style-type: none"> At least one of these options needs to form part of the EITE allocation approach for 2035-2050 in order to align with the program cap and emissions limits An annual allocation cap (Option 4b) and sector-specific benchmarking (Option 4d) scored negatively on two plus criteria, and were both considered unsuitable. Implementing a cap adjustment factor (Option 4a) scored positively on five of the six criteria, but may increase leakage risk depending on EITEs progress on decarbonization and trade and climate policy environment in 2030s and 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 details of the potential design of Option 4a and Options 4c is required before a preferred option can be identified & assessment of option combinations.
	4b: Annual allocation cap	Set an annual cap on total no-cost allowances to ensure it remains within a portion of the annual budget.	2	3	1	
	4c: Net-zero industry prioritization	Prioritize allocations to industries producing goods aligned with Washington’s net-zero goals.	3	1	2	
	4d: Sector-specific benchmarking & reduction schedule	Sector-specific benchmarking and reduction schedules based on technical pathways as proposed by Rocky Mountain Institute (RMI).	2	2	2	