



Summary of Draft Documents

EITE No-Cost Allowance Report to Legislature July 2025

BACKGROUND INFORMATION

Report to Legislature on EITE Allocation Report: Overview of Engagement Approach

The Climate Commitment Act (CCA) requires Ecology to submit a report to the legislature by Dec. 1, 2026 that describes an alternative approach for allocating no-cost allowances to emissions-intensive, trade-exposed industries (EITEs) in the Cap-and-Invest Program from 2035-2050. The statute sets a deadline of Dec. 1, 2027 for the Legislature to pass updated legislation on this topic.

As of July 2025, Ecology had prepared and published six draft documents ([found on Ecology's website](#)) that are intended to address the key requirements of the report to the Legislature. Ecology shared these materials and other information to support discussions with the advisory groups and to enable other interested parties to keep track of these deliberations. These six documents and feedback provided by advisory group members and the public will inform the final report. The following information provides a summary of the draft documents.

Draft Documents

[Document 1: Policies for avoiding leakage in carbon pricing programs](#)

This document discusses how to mitigate leakage and maintain the competitiveness of EITEs within carbon pricing programs. Mitigating leakage¹ means ensuring programs support global reductions in greenhouse emissions – not simply result in the displacement of production and emissions to other jurisdictions.

‘Best practice’ policies for mitigating leakage within carbon pricing programs achieve multiple objectives. This includes establishing a level playing field for EITEs vis-à-vis competitors, maintaining incentives for EITEs to decarbonize, and alignment with emissions limits.

The most common leakage mitigation policy is free allocation, and ‘output-based allocation’ is considered ‘best practice’.² Some jurisdictions, such as California, also provide financial support to EITEs for electricity purchases to help mitigate leakage risk.

[Document 2: Methods for developing greenhouse gas benchmarks](#)

This document discusses methods for benchmarking greenhouse gas emissions for EITE facilities. Benchmarking involves the use of metrics to assess the emissions performance or efficiency of industrial activities.

¹ "Leakage" is defined in the CCA at RCW 70A.65.010(43)

² Refer to [Document 1](#) (page 11 line 56) for further information on output-based allocation approaches.

Benchmarking is considered a ‘best practice’ approach for allocating allowances to EITEs in carbon pricing programs because it rewards investment in decarbonization. Product-based benchmarking³ is the most common approach with energy-based benchmarking often used as a fallback.

EITE allocation in Washington does not currently use any conventional benchmarking. Most EITEs have a ‘carbon-intensity baseline’ based on facility-specific emissions and production data during 2015-2019.⁴

[Document 3: Framework for assessing methods for EITE allowance allocation](#)

This document sets out a framework and criteria for assessing policy options to EITE allowance allocation. It was designed to ensure that the assessment process is transparent, evidence-based, and aligned with program objectives. A modified version of this framework was used to review policy options.

[Document 4: Potential methods for allocating allowances to EITEs for 2035-2050](#)

This document describes potential methods (options) for allocating allowance to EITEs from 2035-2050 based upon the review of best practice policies (Documents 1 and 2). The options were grouped under the following four policy design considerations:

- Establish a level playing field for EITEs producing within the Washington
- Identify and target industrial sectors most at risk of leakage
- Maintain decarbonization incentives for EITEs and reward efficient production
- Align with program caps and emissions limits.

The document also included three illustrative examples of how these different options could be combined in the design of the EITE allowance allocation policy for 2035-2050, and identified some other policy design considerations that are relevant to EITE allowance allocation policies.

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

This document sets out the findings from the draft assessment of potential options for allocating allowances to EITEs from 2035-2050. It includes details of how each policy option was assessed against a modified version of the criteria proposed in Document 3.

[Document 6: Draft recommendations](#)

This document sets out nine draft recommendations regarding the approach for allocating allowances to EITEs from 2035-2050. This includes two draft recommendations under each of the four Policy Design Considerations and one draft recommendation addressing environmental justice and economic impacts. The document also includes information on complementary measures that could potentially support EITE decarbonization and emissions limits

³ Refer to [Document 2](#) (page 9 line 39) for more information on product-based benchmarks.

⁴ Refer to [Document 2](#) (page 2, line 5) for more information on EITE allocation baselines.