Joint EITE Advisory Group meeting summary

Meeting notes for Thursday, June 26, 2025 | 10:00 a.m. – 12:00 p.m.
References: Zoom recording; Meeting presentation

1. Welcome and get settled

- 24 out of 33 advisory group members attended the meeting.
- The facilitator welcomed participants and introduced the facilitation team from Ross Strategic and Ecology. The primary goals of the meeting were to hear presentations from the Pacific Northwest Utilities Conference Committee (PNUCC) and Energy and Environmental Economics (E3) on regional context on electricity system trends and industrial decarbonization– and to provide an opportunity for clarifying questions or comments on Document 5: Review of options for allocating allowances to EITEs for 2035-2050.
- Members were reminded that interim feedback on the presented documents is due on the Monday after each advisory group meeting (Tuesday, July 8th for this meeting due to the July 4th holiday) and the final deadline for feedback is September 3, 2025.

2. Guest presentations

Crystal Ball, Pacific Northwest Utilities Conference Committee (PNUCC)

Crystal Ball shared findings from PNUCC's 2025 Northwest Regional Forecast, which aggregates electric utility data from Washington, Oregon, Idaho, and Montana. The forecast provides a shared, system-wide view of electricity demand and future resource needs across the region. PNUCC is a trade association that includes investor-owned and public power utilities, as well as industry partners such as Energy Northwest. Key highlights from the presentation include:

- Regional firm load growth forecasts for 2025 remain consistent with last year's outlook, reflecting sustained growth largely driven by electrification and rising demand from data centers and AI.
- Utilities are experiencing growing uncertainty and pressure to acquire new resources, but many projects face delays due to long permitting timelines, transmission congestion, and evolving federal policies.
- The region's long-term resource mix continues to shift, with 5,100 megawatts added since 2020 (mainly wind and solar), though recent additions also include natural gas and batteries.
- Despite new additions, utilities are falling short of projected needs, increasing the risk of resource shortfalls during peak demand, particularly in winter and summer.
- Natural gas remains the second-largest resource behind hydropower and plays a crucial role during peak periods. However, both gas and electricity systems are operating near capacity.
- The electricity and natural gas systems are highly interdependent and are both nearing full capacity. Expanding either system requires significant investment and coordination.
- The Northwest region faces increasing risks to resource adequacy and grid reliability. If utilities are unable to acquire or site enough new resources, the Northwest may experience system shortfalls, particularly under extreme weather conditions.
- Key takeaways included: projected resource needs have not changed, utilities face mounting challenges, and reliability risks are growing due to resource acquisition constraints and system interdependence.

Q&A and Discussion

- *Question: An advisory group member asked whether data centers are the primary driver of increasing electricity demand and what other drivers exist.*
    - *PNUCC Response:* Data centers are indeed a major driver, fueled by increasing reliance on cloud computing and AI. Additional demand is coming from the electrification of transportation and buildings.
- *Comment/Question:* A member commented that some analyses recommend full industrial electrification, which can be difficult to implement if the grid lacks stability. They asked if there is information available to support conversations around the tension between electrification and grid constraints. They also asked for confirmation that the grid has historically been stable.
    - *PNUCC Response:* It is true that the grid has historically been stable. However, utilities are under pressure to build new electrical energy generation facilities to both meet growing demand and replace retiring resources (the next presenter (E3) will provide more detail on grid capacity and resource outlooks).
- *Question:* Another member asked about the gap between needed and planned capacity expansion, noting that utilities would need to add 5 gigawatts (GW) per year moving forward, compared to only 1 GW per year in recent years.
    - *PNUCC Response:* Interconnection queues are congested, and there are local-level siting and permitting delays. PNUCC predicts the need to reach an unprecedented 30,000 MW nameplate capacity by 2035. Current infrastructure and processes are not keeping pace with those targets.
- *Question:* A member asked about the projected cost of building the future electric system.
    - *PNUCC Response:* PNUCC does not ask utilities for cost estimates, but other studies (including E3's) indicate that while decarbonization is possible at a reasonable cost, expenses have increased in recent years.

Dan Aas, Energy and Environmental Economics (E3)

Dan Aas from Energy and Environmental Economics (E3), a climate-focused consultancy, presented findings from E3's recent work on industrial electrification and resource adequacy in Washington State. His presentation focused on policy pathways for reducing emissions in the industrial sector, and the scale of transformation needed in the electricity system to meet decarbonization goals. Key highlights from the presentation include:

- Washington is well-positioned for industrial decarbonization due to relatively low electricity prices, a power grid heavily supplied by hydroelectricity, and an industrial sector with lower average heat requirements that are more conducive to electrification.
- E3's recent report with the Center for Applied Environmental Law & Policy (CAELP) examined emissions reduction potential and cost-effectiveness across a subset of industrial facilities, particularly those producing steam. These represent about 20% of industrial gas demand. The report explored multiple technologies and policy mechanisms.
- Two categories of industrial policy mechanisms were evaluated:
    - Policies that reduce upfront capital costs (e.g., tax credits, low-cost financing)
    - Policies that reduce ongoing operating costs (e.g., carbon pricing, production tax credit)

    - The analysis found that operating costs, particularly the price of electricity relative to gas, are the dominant factors driving cost-effectiveness.
- Washington ranks as the most promising state in terms of cost-effective electrification due to low electricity prices and the state's industrial profile.
- Electricity demand in Washington and the U.S. is expected to more than double by 2050 due to data centers, AI, and electrification of transportation, buildings, and industry.
- The legacy power system (centralized thermal power) is shifting to a decentralized renewable system, which brings challenges related to reliability and scale. Committed resources are unlikely to meet projected load without additional investments.
- The cost of clean energy projects has risen significantly, with power purchase agreements (PPAs) for wind and solar doubling since the pandemic. This raises the stakes for infrastructure expansion and planning.

Q&A and Discussion

- *Question:* A member asked how one of the policy recommendations (making natural gas more expensive than electricity) would work in Washington, given that industries here compete in a global market. They noted that these working groups are focused on reducing carbon leakage post-2035.
    - *E3 Response*: The intent isn't necessarily to increase the cost of natural gas directly, but to influence the relative cost between gas and electricity through mechanisms like carbon pricing or incentives. The goal is to improve the economics of electrification while being mindful of competitiveness concerns.
- *Question:* Another member asked whether there were ideas about where funding could come from to support electrification subsidies.
    - *ES Response:* The report initially assumed federal funding would be a key source, but current political conditions make that unlikely. At the state level, carbon pricing revenues could potentially fund such incentives.

3. Draft materials for discussion

- Ecology staff provided an overview of the document released on the morning of June 26th, which details the draft assessment of potential options for allocating allowances to EITEs from 2035-2050. This analysis builds on the options identified in Document 4 and integrates advisory group feedback received in early June. Key highlights from the presentation include:
    - Ecology staff used a two-step assessment framework originally introduced in Document 3, modified based on early-June advisory group feedback. Revisions included adding an additional Step 2 criterion that considers extent to which options enable facility-specific circumstances to be accounted for and shifting to a numerical scale (-2, -1, 0, 1, 2) used for scoring policy options using the assessment criteria in Step 2
    - The two-step evaluation framework was used to assess 16 policy options across four key policy design considerations. Ecology identified two foundational pathways: continuing output-based allocation or implementing a state-level carbon border adjustment mechanism (CBAM). The assessment also highlights the need to combine options, particularly from Policy Design Consideration 4, to ensure consistency with overall program caps and emissions limits.

  - Ecology emphasized that while some options scored favorably, many carry significant implementation challenges, and any preferred combination will require further analysis including analysis of economic and environmental justice impacts. The findings in Document 5 are preliminary and intended to guide further feedback from advisory group members.
  - Ecology is particularly seeking comments from advisory group members on which options (or combinations of options) they view as most viable and beneficial, to help guide Ecology's development of the final report to the Legislature.
- References: Document 5: Review of options for allocating allowances to EITEs for 2035-2050

4. Member questions or initial comments on draft materials

- *Question:* A member asked where Ecology landed on consignment, nothing that it feels like something that might be more viable before 2035.
  - *Ecology Response:* Ecology responded that consignment was evaluated under Policy Design Consideration 3. It scored relatively well overall but comes with implementation requirements. Because it doesn't directly affect the total number of allowances distributed, it's somewhat of an outlier—but could be used in combination with other options. Ecology is seeking feedback on its potential role.
- *Question:* Another member asked how Ecology evaluated the concern that Option 1A (output-based allocation) may impact market liquidity.
  - *Ecology Response:* Ecology explained that this concern is based on prior analysis (Document 1), which found that free allocation can dampen the carbon price signal. This can reduce price discovery and market liquidity, and those tradeoffs were factored into the scoring criteria.
- *Question:* A member asked how a carbon border adjustment mechanism (CBAM) might function at the state level.
  - *Ecology Response:* Ecology responded that CBAM was evaluated at a high level due to the lack of established examples. Challenges include data limitations around imports and exports. Ecology referenced previous documents outlining these issues and emphasized that the assessment is based on currently available information.
- *Question:* A member asked for confirmation that the two presenters from the May 29th meeting, ERG and RMI, would submit final materials by the end of the month.
  - *Ecology Response:* Ecology confirmed that RMI's final report is expected by the end of the month, and ERG's should be submitted soon.
  - The member emphasized the importance of clear communication about availability of these reports, especially since reviewing the ERG report will require significant effort.

5. Next Steps

- Ecology staff reminded members and attendees how to submit comments using the CCAEITEIndustries@ecy.wa.gov email and Public Comment Form. Although members are not required to provide written feedback, Ecology highlighted that the option is available.
- Interim feedback from members on the materials presented at the joint meeting is due the Monday following each advisory group meeting (Tuesday, July 8 for this round of meetings).
- The online public comment platform will close on September 3rd, 2025.

- Upcoming Meetings include:
  - EITE Policy Advisory Group: July 2 from 9:00 a.m. to 11:00 p.m. (meeting link)
  - EITE Industries Advisory Group: July 3 from 9:00 a.m. to 11:30 a.m. (meeting link)
  - EITE Joint Advisory Group meeting #4: July 24 from 10:00 a.m. to 12:00 p.m. (meeting link)

6. Public comment opportunity

- Facilitators made space for public comments and noted that members of the public may also provide written comments by email at CCAEITEIndustries@ecy.wa.gov.
- There were no public comments made during this meeting.

Resources and Assistance

- Contact Adrian Young at CCAEITEIndustries@ecy.wa.gov
- EITE Industries Advisory Group webpage
- EITE Policy Advisory Group webpage
- Cap-and-Invest EITE webpage
- Public Comment Form