



EITE Industries Advisory Group meeting summary

Meeting notes for Thursday, May 8, 2025 | 9:00 – 11:00 a.m.

References: [Zoom recording](#); [Meeting presentation](#)

Draft materials for discussion

Document 1: [Best practice policies for avoiding leakage](#) provides a review of ‘best practice’ policies for avoiding leakage and economic harm to businesses in carbon pricing programs. The document discusses the primary policies that have been used to address leakage under carbon pricing programs, e.g., the allocation of free or ‘no cost’ allowances to EITE industries, and compares Washington’s approach with other jurisdictions.

Document 2: [Methods for developing greenhouse gas benchmarks](#) provides a review of methods for developing greenhouse benchmarks for EITE facilities within carbon pricing programs. The document discusses key design considerations for establishing benchmarks for EITEs and the methods used in other jurisdictions, such as product-based benchmarking, including the potential role of best available technology assessments.

1. Welcome and introductions

- 10 out of 23 Industries Advisory Group members attended the meeting, in addition to one person who joined on behalf of an absent advisory group member.
- The meeting began with a welcome, introduction to the facilitator (Ross Strategic) and Ecology staff, and a brief icebreaker to demonstrate use of the polling tool.

2. Joint meeting #1 recap

- The facilitator provided an overview of the first joint advisory group meeting held the previous week. This meeting included a presentation of two draft documents: one on best practice policies for avoiding emissions leakage and the other on benchmarking methods for EITEs under carbon pricing programs. The purpose of the meeting was to give advisory group members the opportunity to ask clarifying questions and begin reviewing the draft findings.
- Advisory group members were also reminded of the EITE process, including collection of interim feedback on the presented documents, which is due on the Monday after each advisory group meeting (May 12th for this meeting), as well as a public comment tool.

3. Discussion of draft materials

- The facilitator reviewed the purpose and content of the two draft documents shared in advance of the meeting. To structure the group’s input, the facilitator introduced a Mural board exercise and invited members to provide written feedback using virtual sticky notes under four guiding questions:
 - Which draft findings in the report do you find most compelling and why?
 - What are other important policy design aspects related to leakage or benchmarking that were not covered in the two documents?

- *What are other examples of global best practice policies that should be considered by Ecology?*
- *Are there any specific characteristics of Washington EITEs or the Cap-and-Invest Program that need to be considered when reviewing best practice policies?*
- Members were given time to engage with the Mural board, which served as a foundation for the rest of the discussion.

Document 1: Best practice policies for avoiding leakage

Member feedback and comments on draft findings in the first document included:

1. Which draft findings in the report do you find most compelling and why?
 - *Comment:* One member emphasized the simplicity of using NAICS codes for benchmarking refineries, highlighting that relying on only five refineries could lead to anti-competitive risks. They highlighted a threshold of ten refineries as a safer benchmark to avoid such risks. Two other members agreed with this comment, one noting that California's benchmarking in 2012 involved 10-12 refineries, which helped navigate anti-trust issues more effectively.
 - *Comment:* A member highlighted that the most effective method for addressing leakage risk is the allocation of no-cost allowances to EITE industries. They argued that this approach is preferable to the Carbon Border Adjustment Mechanism (CBAM), which the European Union (EU) is currently experimenting with in select sectors. They noted that the outcomes of the EU's CBAM experiment are yet to be fully understood and emphasized that ensuring competitiveness through no-cost allowances is a more reliable strategy.
 - *Ecology Response:* noted that this statement aligns with statements in the paper that no-cost allocation seems to be the best practice for a state like Washington.
 - *Comment:* Another member expressed concerns about the feasibility of implementing CBAM due to potential legal and other challenges. They highlighted that such a mechanism could face issues related to the commerce clause, referencing cases in California where attempts to tax energy supplies were found to conflict with the clause. They emphasized that adopting an untested approach like CBAM could expose the program to significant legal risks.
 - *Comment:* Another member pointed out that while it involves adding a carbon price to goods entering the state, there needs to be a clear strategy for handling exports. They suggested that this aspect requires further discussion to ensure comprehensive planning.
2. What are other important policy design aspects related to leakage or benchmarking that were not covered in the two documents?
 - *Comment:* One member raised a concern about the types of projects that jurisdictions fund using consigned no-cost allowances for EITE industries. They noted that while there is some information about Québec, Canada's approach, it is crucial to ensure that funds intended to prevent leakage are used effectively at the facility level for reduction options. They emphasized that facilities highly susceptible to leakage need these funds for deploying technologies and conducting long-term feasibility studies. They pointed out

the challenge of facilities having to compete for funding at the headquarters level, which could impact their long-term viability. They pointed to the need to look at more jurisdictions that are implementing this.

- *Ecology Response*: acknowledged the importance of this discussion and mentioned that Québec uses consigned no-cost allowances for a small portion of their projects and clarified that the value of these allowances is still consigned at the facility level, but that the funds may be moved elsewhere if they are not being used by the facility.
 - *Comment*: One member highlighted that while the document mentions selling allowances to justify projects, it would be extremely beneficial if the program could help raise initial capital for investments. They elaborated on the need to consider how some of this capital could be used for investment purposes. Another member added that the document references practices in Québec and emphasized the importance of obtaining permits for these projects within the state. They cautioned that if the funds are restricted to specific projects, it could pose problems, advocating for flexibility in how the money is used.
 - *Ecology Response*: Agreed with the initial member comment, noting that raising capital for investments is not thoroughly explored in the current paper and could be addressed in future discussions. He pointed out the uncertainty regarding the future value of no-cost allowances, which is a challenge that needs to be acknowledged.
 - *Comment*: Another member noted that phase out rates should vary for different industry types given that not all industries can phase out at the same rate. They shared that there should be some thought about how the phase out rates should be applied.
 - *Ecology Response*: agreed that this will be an important consideration for policy design and determining whether there's differentiation and what that might be.
 - *Comment*: One member referred to Section 2 Item 21. a) in the document, which mentions that Washington does not have a designated approach to monitor leakage risk over time. The member argued that this might be something that could be developed, drawing from the example of the annual fuel forecasts employed by Washington's Clean Fuels Standard and Oregon's Clean Fuels Program. They emphasized that the approach to this should not be "set it and forget it", and that leakage risk can change one way or the other and occur even when we're trying to prevent it. Given the uncertainty about what leakage will ultimately look like in the future, they advocated for measuring success over time and making adjustments along the way.
 - *Ecology Response*: agreed about the uncertainty around monitoring leakage risk and that it is still early in the implementation of these policies in other jurisdictions, and welcomed any ideas on alternative ways to track leakage risk.
3. What are other examples of global best practice policies that should be considered by Ecology?
- No members from the Industries Advisory Group provided comments that directly addressed to this question.

4. Are there any specific characteristics of Washington EITEs or the Cap-and-Invest Program that need to be considered when reviewing best practice policies?
 - *Comment:* One member expressed caution about directly adopting California's approach to leakage and Cap-and-Invest programs, citing recent events where California has been losing industry—a scenario Washington aims to avoid. They emphasized the importance of considering and protecting Washington's unique economic context and not simply transplanting policies from other jurisdictions like the EU or California. They noted that the document seemed to lean towards adopting external policies without sufficient customization.
 - *Comment:* Another member also commented on the differences between Washington products from those in other states, noting the agricultural products from California as an example, which have different production measures and require unique policy design to prevent leakage risk.
 - *Ecology Response:* underscored the necessity of identifying and incorporating unique aspects of Washington into the policy design and highlighted the purpose of the advisory group: to explore and develop a policy tailored to Washington's specific market and industrial landscape.
 - *Comment:* A member raised a point about the unique situation in Washington where certain EITE sectors have only one entity operating within the state, such as the steel industry represented by Nucor. They noted the importance of considering similarities with other jurisdictions that implement benchmarking and EITE programs, but emphasized Washington's distinct context.
 - *Ecology Response:* acknowledged the importance of this point and explained that if there is only one facility in a sector, then benchmark would likely be based solely on that facility, rather than comparing it to others in different jurisdictions, in order to account for the specific conditions associated with producing within Washington.
5. Other Comments:
 - *Comment:* One member inquired about how linkage to California would be integrated into the recommendations. This member also raised questions about the cap adjustment factor, emphasizing the need for careful consideration of its implementation post-2034 to avoid a significant initial impact. They questioned how the adjustment factor would be managed if two refineries were to shut down and elaborated that the document mentioned the cap adjustment factor and stressed the importance of methodical implementation to prevent a large impact in the first year. They highlighted the need to adjust the factor in response to potential refinery closures.
 - *Ecology Response:* acknowledged these points and noted that details of each would be explored in subsequent meetings.

Document 2: Methods for developing greenhouse gas benchmarks

- Advisory group members were asked the same four guiding questions to prompt feedback on the second document. Key comments raised by members include:
 - *Comment:* One member noted that they found the document's finding about sector-level benchmarking for facilities in WA versus other states and jurisdictions with similar emissions profiles to be particularly compelling. The member did not elaborate on this comment.
 - *Comment:* Another member asked for examples of an efficiency benchmark under "fixed-sector benchmarking?"
 - *Ecology Response:* posted a link to the European Commission's [Update of benchmark values for the years 2021-2025 of phase 4 of the EU ETS](#) in the chat.
 - *Comment:* One member raised concerns about the feasibility of implementing a Best Available Technology (BAT) based approach for EITE industries with multiple GHG emission sources within a single site. They elaborated that using product or energy-based allocation methods would require a holistic consideration of these sources, which would be challenging.
 - *Ecology Response:* responded by expressing interest in hearing reflections from other sectors and noted that the BAT approach has not been used for EITE allocation in other jurisdiction and would necessitate extensive work and additional analysis by facilities.
- *Polling exercise:*
 - To close out the session, Ross Strategic facilitated a live polling exercise using Poll Everywhere. The goal of the activity was to gather initial feedback from advisory group members on key discussion topics related to emissions leakage and benchmarking. Participants were asked to respond to three questions, each reflecting their views following the day's discussion:
 - *Based on today's discussion, do you think EITE allocation should more directly target leakage risk from purchased electricity as part of future EITE allocation policy in WA?*
 - In response to this question, 80% of members answered yes, however it was noted that this topic wasn't explicitly discussed during the meeting.
 - *Based on today's discussion, do you think the adoption of benchmarking for new and/or existing EITEs should be part of future EITE allocation policy in WA?*
 - In response to this question, 75% of members answered no, several noting that they needed more information and discussion around this issue before making an assessment.
 - *Based on today's discussion, do you think best available technology (BAT) as a basis for EITE allowance allocation has a role in future EITE allocation policy in WA?*

- In response to this question, 75% of members answered no, several noting that they needed more information and discussion around this issue before making an assessment.

4. Next Steps

- The facilitator reminded members and attendees how to submit comments using the CCAETEIndustries@ecy.wa.gov email and [Public Comment Form](#). Ecology noted that members are not required to provide written feedback, but the option is available.
- Interim feedback from members is due the Monday following each advisory group meeting (May 12th for this meeting).
- The online public comment platform will close on September 3rd, 2025.
- Upcoming Meetings include:
- Joint Advisory Group Meeting: May 29: 10:00 a.m. to 12:00 p.m. ([meeting link](#))

5. Public comment opportunity

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

6. Resources and Assistance

- Contact Adrian Young at CCAETEIndustries@ecy.wa.gov
- [EITE Industries Advisory Group webpage](#)
- [EITE Policy Advisory Group webpage](#)
- [Cap-and-Invest EITE webpage](#)
- [Public Comment Form](#)