



EITE Industries Advisory Group Meeting

Meeting notes for Thursday, July 3, 2025 | 9:00 – 11:30 a.m.

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

Draft materials for discussion

Document 5: Review of methods for allocating allowances to EITEs for 2035-2050 sets out the draft findings from the staff review of potential options for allocating allowances to emissions-intensive, trade exposed industries (EITEs) from 2035-2050 to avoid leakage and maintain the competitiveness of EITEs within the Cap-and-Invest Program. The purpose of the document is to support discussions with advisory groups and enable interested parties and the public to provide feedback on the draft findings and information.

Welcome and introductions

- 10 of 23 industries advisory group members attended the meeting,
- The meeting began with a welcome, introductions, and housekeeping. The facilitator reviewed the purpose of the meeting, which was to gather feedback on Ecology's draft materials (Document 5 and the summary table shared June 30), with the goal of helping shape the policy options for inclusion in the upcoming legislative report. The facilitator emphasized that this meeting marks a key point in Phase 2 of the engagement process, offering advisory members a focused opportunity to provide input.
- The facilitators led members in a brief icebreaker via Zoom chat.

Joint meeting #3 recap

- The facilitator provided an overview of the third joint advisory group meeting held on June 26. The meeting included presentations from Pacific Northwest Utilities Conference Committee (PNUCC) and Energy and Environmental Economics (E3). Crystal Ball from PNUCC shared insights from regional power planning studies, highlighting existing electricity resources, projected demand growth, and the emerging gap between supply and need. She also raised concerns about resource adequacy and long-term reliability. Dan Aas from E3 focused on industrial electrification and the capacity of the Pacific Northwest electric system. Dan discussed current resources and projected needs, noting the evolving role of natural gas in power generation and industrial use. Following the presentations, Ecology introduced and walked through Document 5. Advisory group members had an opportunity to ask clarifying questions and share initial feedback on the scoring and key findings.
- Following the Joint meeting #3 recap, the facilitator invited members to share any observations from the presentations or discussion, or any prepared comments in response to Document 5. No members requested to do so.

Discussion of draft materials

- To facilitate feedback and discussion on Ecology's draft assessment of post-2035 allowance allocation options (Document 5), the facilitation team used a combination of an interactive polling tool (Poll Everywhere) and the Zoom chat function. The intent of these tools was to enable Industry Advisory Group members to respond to open-ended questions and upvote comments or questions submitted by others, with the goal of identifying areas of alignment or concern across the group and generate a focused discussion. Prior to the exercise, the

facilitator explained the context for Document 5 and noted that it builds on earlier drafts by incorporating feedback and outlines 16 policy options across four design considerations.

- The facilitation team walked through each of the four Policy Design Considerations in a more structured, one-at-a-time manner than was done in the Policy Advisory Group meeting the day before. First, members were presented with the key findings for each of the four Policy Design Considerations, and time was provided for discussion. Members were then presented with a table that detailed the results of the step 2 assessment for the viable options evaluated for each policy design consideration, with discussion following. The same process was used for the remaining three policy design considerations
- This process modification was made in response to feedback from Policy Advisory Group members that Document 5's content is dense and warranted more step-by-step review and discussion. Participants were asked to share their questions and thoughts on each of the four policy design considerations. Member poll responses, chats, and discussions are captured below.

Policy Design Consideration 1: Establish a level playing field for EITEs producing within the jurisdiction

- *Question:* A member shared a question through Poll Everywhere regarding the impact of allowance allocation on price discovery.
 - *Ecology Response:* Ecology responded that more auctioned allowances lead to more robust price discovery, as auction participation reflects market value. By contrast, when allowances are given at no cost to entities like utilities or EITEs, that reduces the pool of auctioned allowances and potentially limits price discovery.
 - *Member Response:* The member noted that a secondary market already exists in Washington and asked how allowance allocation might impact that market. They also asked how linking Washington's market to California and Québec might change things and whether that had been factored into Ecology's assessment of Policy Option 1A (output-based allocation with no-cost allowances).
 - *Ecology Response:* Ecology acknowledged that they had approached the analysis assuming a standalone Washington market and agreed that linkage could change dynamics and would be worth exploring further.
- *Comment/Question:* Another member raised a concern about the viability of Option 1C (Carbon Border Adjustment Mechanism (CBAM) and phase out of no-cost allowances). They noted that there are significant legal uncertainties and that it's an untested approach in the U.S. Given the many pressing priorities that need attention in the program, they questioned whether 1C was worth investing time and resources into.
 - *Ecology Response:* Ecology agreed that Option 1C presents major implementation challenges, such as determining a point of regulation for imports. They noted that many options would require further work, and that Ecology was seeking feedback on where the focus should be.
- *Question:* A member asked if CBAM would involve assessing carbon emissions of products produced outside the state and imposing an import tax.
 - *Ecology Response:* Ecology confirmed that it would be similar to the EU model—placing a carbon price on imports from jurisdictions without comparable carbon pricing.
 - *Member Response:* The member expressed concern that such a policy would violate the U.S. Constitution, citing the Commerce Clause and a recent Supreme Court

- decision that would make such a state-level approach unconstitutional. They noted CBAM might be possible at the federal level but not at the state level.
- *Ecology Response:* Ecology acknowledged they hadn't conducted a detailed legal analysis of CBAM, as it was somewhat outside the scope of their current mandate.
 - *Member Responses:* Several members agreed that implementing CBAM at the state level would be extremely difficult, if not impossible.
 - *Comment:* Another member voiced support for the predictability of Option 1A, and its importance for long-range planning. They noted that 1A was a middle-ground solution that provided needed stability.
 - *Comment:* A member added that an analysis of CBAM should account for potential impacts on consumers in Washington, such as price increases. They also noted that if Washington adopted CBAM and eliminated free allocations, exporters might be disadvantaged unless they were compensated for higher compliance costs. They said it was important to consider both imports and exports and suggested that exporters might need credits to remain competitive. They also noted their support for Ecology's direction on Option 1A.
 - *Ecology Response:* Ecology responded that these concerns were part of the reason Ecology scored the options the way they did. The EU model of CBAM, which they had used as a conceptual reference, does not provide compensation for exports. That limitation was one reason CBAM was scored lower on certain criteria.

Policy Design Consideration 2: Identifying and targeting assistance for EITEs in Washington that are most at risk of leakage

- *Question:* A member asked whether there was a specific reason Ecology needed to submit the report so soon. They explained that they do not have the expertise to evaluate the policy options, and need more time for appropriate experts to complete this review.
 - *Ecology Response:* Ecology responded that the goal of this process is not to finalize a complete policy but rather to narrow down the list of options that are worth exploring further.
- A member shared a question through Poll Everywhere, asking how Option 2C (purchased electricity allowances) would apply if a facility was decarbonizing by switching to a cleaner fuel rather than electrifying.
 - *Ecology Response:* Ecology explained that the compliance obligation would be reduced if a facility switched to a cleaner fuel source.
- *Comment:* A member commented on the relationship between Option 2B (assistance factor) and Option 2C. They noted that not all facilities can be electrified and asked whether these two options were mutually exclusive.
 - *Ecology Response:* Ecology clarified that they are not mutually exclusive; they could be implemented separately or together. Ecology was looking for feedback on whether there is merit in pursuing one or both approaches.
 - *Member Response:* The member suggested that using both options might be beneficial.
 - *Comment:* Another member expressed support for pursuing both options as well. They emphasized the importance of ensuring electrification is not weighted more heavily than other forms of decarbonization, like fuel switching, so that industry has flexibility.

- The facilitator returned to the more complex scoring table from Document 5. Ecology added that leakage mitigation would be a central consideration in developing an assistance factor and the role of purchased electricity.
- *Comment:* A member shared their concerns about how the scoring was done. They noted that everyone will have different opinions about what each score should be and suggested that Ecology send the table to all advisory group members and have them fill it out.
 - *Ecology Response:* Ecology replied that scoring is difficult without the assumptions Ecology used. Ecology is more interested in qualitative feedback.
 - *Member Response:* The member noted that there might be value in showing three versions of the scoring (one from Ecology, one from the Policy Advisory Group, and one from the Industry Advisory Group) to reflect that perspectives differ.
 - *Ecology Response:* Ecology is willing to consider that suggestion. Time is short, however, to conduct such a member-scoring process.
- *Comment:* Another member emphasized concerns about the current timeline, expressing that it may limit the ability of industry stakeholders to provide thorough input. They noted that without sufficient time for engagement, there's a risk that the final report may not fully reflect industry perspectives.
 - *Ecology Response:* Ecology emphasized they would not ignore feedback; rather, if they receive many different scores without a shared methodology, it would be difficult to reconcile them.
- *Note:* Ecology sent a follow-up email to all advisory group members on July 8 addressing these questions about the scoring used for the draft assessments in Document 5, how Ecology intends to use feedback, and the timeline for submitting the report.

Policy Design Consideration 3: Maintain decarbonization incentives for EITEs and reward efficient production

- Ecology opened the discussion by noting that options retaining existing baselines generally scored higher in the assessment, though options involving changes also performed well but had drawbacks.
- *Comment:* A member emphasized the need to update Washington's baselines, arguing the current approach penalizes early action and doesn't reflect sector-specific realities. They suggested Washington follow California's lead in setting industry-wide baselines. They noted that their facility is unique in size and operations, and the current system is not well-suited to facilities like theirs.
 - *Ecology Response:* Ecology asked if a product-based approach would help.
 - *Member Response:* The member responded that California's method (benchmarking by industry) works better in larger states but would be harder in Washington with fewer facilities. They suggested that a performance target, perhaps based on Best Available Technology (BAT), might be a better path.
 - *Ecology Response:* Ecology noted that a BAT approach would impose additional compliance burdens but could be considered.
- *Comment:* Another member shared concerns about using Washington's already efficient facilities as a benchmark, warning it could raise the compliance bar unfairly and increase leakage risk.
 - *Ecology Response:* Ecology noted that in sectors with only one or two facilities, a facility would be benchmarked against itself. They explained product-based

benchmarking can help disaggregate production, allowing for multiple benchmarks within a sector or facility, which may improve calibration of allowance allocation.

- *Comment:* Another member highlighted the complexity of this topic and noted their support for updating baselines, emphasizing how much will change by 2034. They cautioned against switching to product-based benchmarking, saying it's extremely complex and still evolving in California.
- *Comment/Question:* Another member raised concerns about Option 3E (consignment), which scored well but would require clear guidelines to ensure proceeds benefit EITE projects and not a general fund. They asked if other jurisdictions have modeled this.
 - *Ecology Response:* Ecology cited Québec's program as an example and shared a link ([Projects eligible for payment from consigned funds](#)). Ecology noted consignment could help identify supporting actions and attract investment by spotlighting decarbonization opportunities.
- *Comment:* A member pointed out that 3E requires both consignment and emissions reduction project use and questioned what happens if permitting blocks implementation. They suggested more flexible language.
 - *Ecology Response:* Ecology agreed and said a rulemaking process would likely be needed to define criteria and address such issues.
- Ecology invited thoughts on the BAT-based approach, which had drawn interest during the Policy Advisory Group meeting.
 - *Comment:* A member shared that BAT looks different at older facilities and retrofits aren't always feasible. They emphasized that technological capacity varies by facility, and creative solutions may be needed.

Policy Design Consideration 4: Align with the program cap and emissions limits

- Ecology opened the conversation by explaining that one of the core challenges is ensuring allocations for EITE facilities and utilities fit within the overall cap of the program. Ecology noted that Option 4A (cap adjustment factor) has emerged as a potentially preferred approach but emphasized that Ecology has not yet specified what it would look like.
- *Comment:* A member noted that this topic requires consultation with economists, whose opinions tend to evolve frequently. They acknowledged that Option 4B (annual allocation cap) could offer more certainty if paired with more sophisticated company staff. They added that Option 4D (sector-specific benchmarking and reduction schedules) may also be viable but would require some updates and adjustments. They suggested a hybrid approach that draws from several options might be most appropriate.
- *Comment:* Another member emphasized the need for more time to review this option in detail. They noted that while all policy design considerations discussed so far require careful consideration, this one stands out as particularly complex and consequential, and echoed the call for additional internal conversations before providing detailed feedback.
 - *Ecology Response:* Ecology acknowledged this complexity, reiterating that they have not yet defined the specific design of the cap adjustment factor, which makes it difficult for stakeholders to fully evaluate. Ecology is aware that more work is needed to flesh out this option before a recommendation can be made.
- *Comment:* A member noted that Option 4C (net-zero industry prioritization) is particularly problematic for them due their wariness of the concept of "net zero."
- *Comment:* Another member echoed similar concerns about 4C and also flagged 4D as challenging. They explained that even within a single sector, facilities vary significantly—in

terms of the age of equipment, the markets they serve, and the technologies they've already adopted or are evaluating. This diversity makes sector-specific benchmarking difficult to apply fairly. They noted that some facilities have already made large investments while others are just beginning to assess what's feasible within their systems.

- *Ecology Response:* Ecology reflected that it seems like Option 4A is emerging as the most viable path forward, depending on how it is ultimately designed. Ecology also flagged the broader uncertainty around how global and domestic trade and climate policy might evolve in the 2030s and 2040s, which adds to the challenge of assessing any of these options today.
- The facilitator asked whether participants had any alternative policy options they would like Ecology to consider, either now or in writing before the next meeting. Ecology echoed this request and noted that Ecology would be open to evaluating any new suggestions using the same framework. No additional options were suggested at this meeting.

Next Steps

- The facilitator provided members with an overview of the next steps, including the following upcoming meeting:
 - [Joint Advisory Group Meeting #4](#): July 24 from 10:00 a.m. to 12:00 p.m.
- Members were also reminded to submit interim feedback on Document 5 by July 8.

Public comment opportunity

- The facilitator invited anyone wishing to make public comments to speak up. No public comments were provided at this meeting.
- The facilitator thanked members and attendees for their engagement and closed the meeting.

Resources and Assistance

- [Cap-and-Invest EITE webpage](#)
- Contact the Industrial Policy team at CCAEITEIndustries@ecy.wa.gov
- [EITE Industries Advisory Group webpage](#) | [EITE Policy Advisory Group webpage](#)
- [Public Comment Form](#)