DEPARTMENT OF ECOLOGY
State of Washington

EITE Industries Advisory Group meeting

July 3, 2025

Agenda

Purpose

Discuss and provide feedback on draft materials shared June 26

Reminders

- ***Members:*** *Please rename yourself as needed and include your affiliation*
- ***Attendees:*** *please use chat only for Zoom technical issues*

1. Welcome and introductions
2. Joint meeting #3 recap
3. Discuss draft materials:
   - Document 5: Review of methods for allocating allowances to EITEs for 2035-2050
4. Next steps
5. Public comment opportunity

Introductions

Facilitation team – Ross Strategic

- Susan Hayman – Joint Meetings & Advisory Group Facilitation
- Heather Christopher– Advisory Group Support

Ecology staff

- Adrian Young – Cap-and-Invest Industrial Policy Lead
- Andrew Hayes – Cap-and-Invest Policy Section Manager
- Isabel Hanify – Cap-and-Invest Industrial Policy Planner
- Jihan Grettenberger – Cap-and-Invest Outreach Specialist

EITE Industries Advisory Group members

- Adam Diamond – Nutrien
- Brandon Houskeeper– Alliance of Western Energy Consumers
- Brent Downey – Kaiser Aluminum
- Brian Wood– Nippon Dynawave Packaging
- Bryan Vickers– Glass Packaging Institute
- Christopher Collins – HF Sinclair
- Chris Matuszak – Collins Aerospace
- Dallas Scholes – Par Pacific and U.S. Oil & Refining
- David Heller – Cardinal FG Company
- Jackie White – Northwest Pulp & Paper Association
- Jarod Cook – Lamb Weston
- Sophia Steele (for Jessica Spiegel) – Western States Petroleum Association
- Jim Verburg – bP America
- Joshua Estes– Association of Western Pulp and Paper Workers
- Russ Simonson (for KC Klosterman) – Ash Grove Cement
- Kristin Marshall – Boeing
- Pamela Barrow – Food Northwest
- Tarah Erickson – Nucor Steel Seattle
- Paul Butkus– Packaging Corporation of America
- Perry Hanson – J.R Simplot Company
- Sally Hurst – TSMC Washington
- Sourabh Pansare – Phillips 66 Company
- Tad Koscielak – Matheson Tri Gas

Report timeline and engagement approach

Aug–Dec 2024 (Phase 1)

☑ Completed

- Collected information, and identified factors affecting EITE allocation & decarbonization
- Established advisory groups
- Convene Tribal forum
- Convene public meeting

May–Aug 2025 (Phase 2)

- Develop and test draft findings and recommendations
- Discuss policy impacts
  - Advisory groups
  - Small group meetings
  - Tribal forum
  - Public meeting

Feedback due Sept. 3, 2025

Sept–Nov 2025 (Phase 3)

Ecology prepares and submits final report to the Legislature.

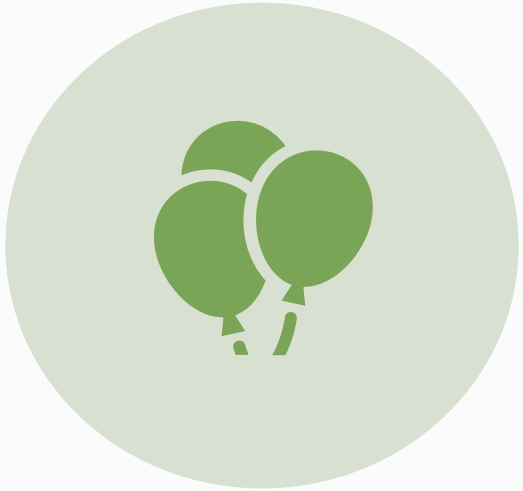
Ongoing: Engagement with Tribes, Environmental Justice Council, and community groups

Joint Meeting #3 Recap

Joint meeting #3 recap

- Pacific Northwest Utilities Conference Committee (PNUCC) presentation
  - Northwest Regional Forecast of Power Loads and Resources: Regional Utility Perspective
- Energy + Environmental Economics (E3) presentation
  - Industrial electrification and the PNW electric system
- Draft materials released June 26
  - Document 5: Review of methods for allocating allowances to EITEs for 2035-2050

Before we jump into document discussions…



Discussion

Document 5: Review of options for allocating allowances to EITEs for 2035-2050

Document 5 reminder…

Document 5: Review of options for allocating allowances to EITEs for 2035-2050 presents a draft assessment of potential allowance allocation options, aiming to inform and gather feedback from Advisory Group members on key findings and emerging policy design choices to guide future decisions.

Method: Assessment framework

Two-step assessment framework for identifying and assessing potential options for EITE allowance allocation:

- Step 1: Identify viable options using screening criteria
- Step 2: Compare viable alternative options using assessment criteria

Modifications from framework proposed in Document 3:

- Additional Step 2 criterion that considers extent to which options enable facility-specific circumstances to be accounted for
- Numerical scale (-2, -1, 0, 1, 2) used for scoring policy options using the assessment criteria in Step 2

Method: Options assessed

Sixteen options were assessed across four Policy Design Considerations:

1. Establish a level playing field for EITEs producing within the jurisdiction
2. Identifying and targeting assistance for EITEs in Washington that are most at risk of leakage
3. Maintain decarbonization incentives for EITEs and reward efficient production
4. Align with program cap and emissions limits

Options included allowance allocation based on Best Available Technology and sector-based benchmarks/reduction schedules

Staff made certain assumptions about option design to inform assessment – refer to section 3 of Document 5

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	• 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	• 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	• 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	• 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	

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

- Two viable options identified:
  - Provide no-cost allowances to EITEs using output-based allocation from 2035 onwards (Option 1a)
  - Implement a state-level carbon border adjustment mechanism (CBAM) by 2035 and phase out allocation (Option 1c)
- Option 1a (output-based allocation) emerges as the preferred option*
- Main drawback on Option 1a is dampening of carbon price impact and effects on price discovery and market liquidity, but these can be mitigated by using other policy options
- This finding underpins the assessment of options under Policy Design Considerations 2-4

Table 1. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 1

Option	Total Positive Scores	Total Negative Scores	Total Neutral Scores
1a: Output-based allocation	4	1	1
1b: Monitor carbon pricing policies	Not deemed a viable option in Step 1, therefore not assessed in Step 2		
1c: CBAMor equivalent policy	3	3	0

*Contingent on being combined with an option from Policy Design Consideration 4

Evaluation of Policy Design Considerations 1

Table 4. Results of the Step 2 assessment for the two viable options assessed in Step 1 for Policy Design Considerations 1.

Criterion	Option 1a - Continue providing no-cost allowances to EITEs from 2035 onwards using an output-based allocation method that aligns with program objectives Score / Summary of Assessment		Option 1b - Periodically monitor developments in carbon pricing policies in key competitor jurisdictions and relevant federal policies in order to identify any major changes in leakage risk	Option 1c - Implement a state-level CBAM or equivalent policy from 2035 onwards and phase out no-cost allowances Score / Summary of Assessment	
Mitigates emissions leakage: to what extent does the option include mechanisms to identify and mitigate emissions leakage (i.e. ability to pass through compliance costs & maintain market share)?	2	Mitigates emissions leakage through allocation of no-cost allowances which reduces direct compliance costs and enables EITEs to maintain market share (imports and exports).	**Not deemed a viable option in Step 1, therefore not assessed in Step 2.**	1	Mitigates emissions leakage by imposing equivalent compliance costs on product imports enabling EITEs to pass-through compliance costs for goods sold within WA, but not necessarily sold out of state[8].
Maintains incentives for decarbonization: to what extent does the option maintain incentives for EITEs to reduce emissions intensity of production within Washington?	1	Output-based allocation rewards investments in more efficient/lower carbon production in WA.		1	Under a CBAM the carbon price would provide direct incentives for decarbonization within WA, depending on EITE facility market share within WA versus out of state.
Supports market functionality: to what extent does the option support stable, competitive, and efficient market operations?	-1	Providing no-cost allowances limits price signals and price discovery (depending on proportion of EITE compliance costs they cover) and can affect market liquidity (depending on proportion of total EITE allowances of program budgets).		2	Replacing no-cost allowances with CBAM means EITEs are subject to the full carbon price, which improves price signals, price discovery, and liquidity.
Minimizes administrative / implementation costs and technical requirements: to what extent does the option require agency resourcing to implement/can be implemented using existing administrative systems, and additional technical requirements for EITEs?	1	Can be implemented within current administrative systems and resources, depending on the design of the EITE allowance allocation approach for 2035-2050.		-2	Requires significant additional resources, data, and analysis to design and implement a CBAM
Provides clarity, objectivity, and predictability: to what extent does the option provide clear, objective, and transparent methods to determine future allocations, and enables EITEs to plan for compliance, taking into account estimated policy implementation timeframes?	2	EITEs can plan on the basis of their experience with the existing output-based allocation framework.		-2	The uncertainty surrounding the legal standing and feasibility of implementing a state-level CBAM would make it more difficult for EITEs to plan for compliance
Accounts for facility-specific conditions: to what extent does the option enable facility-specific circumstances (e.g. production and emissions, and implementation timeframes for facility upgrades) to be taken into account?	0	No direct or negligible impacts - will depend on the design of the EITE allowance allocation approach for 2035-2050.		-1	Replacing no-cost allowances with CBAM would likely remove any ability to consider facility-specific circumstances.

Key Findings for Policy Design Consideration 2:

Identifying and targeting assistance for EITEs in Washington that are most at risk of leakage

- Developing objective leakage risk assessments (Option 2a) not an effective standalone option
- Key choice: whether to implement an assistance factor targeting leakage risk (Option 2b) and/or to extend compensation to purchased electricity (Option 2c)
- Options 2b and 2c would both help mitigate leakage risk if underpinned by accurate leakage risk assessments (i.e. Option 2a) – but each impose new implementation requirements and technical issues to address
- Further details required before a preferred option can be identified, e.g. analyzing data on EITE purchased electricity and associated emissions
- Unclear if any of these are essential options, and viability is contingent on being combined with options from Policy Design Consideration 4

Table 2. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 2

Assessed Options	Total Positive Scores	Total Negative Scores	Total Neutral Scores
2a: Leakage risk assessment	1	1	4
2b: Assistance factor	4	2	0
2c: Purchased electricity allowances	4	1	1

Evaluation of Policy Design Considerations 2

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Table 7. Results of the Step 2 assessment for the three viable options assessed in Step 1 for Policy Design Considerations 2.

Criterion	Option 2a - Developing an objective approach for assessing leakage risk for EITEs in Washington, including from purchased electricity Score / Summary of Assessment		Option 2b - Applying an 'assistance factor' that provides differentiated levels of no-cost allowances to industrial sectors based on leakage risk Score / Summary of Assessment		Option 2c - Provide no-cost allowances or other compensation to EITEs to address any leakage risk associated with purchased electricity (without assistance factor) Score / Summary of Assessment	
Mitigates emissions leakage: to what extent does the option include mechanisms to identify and mitigate emissions leakage (i.e. ability to pass through compliance costs & maintain market share)?	1	Identifies leakage risk only, does not directly mitigate leakage risk (unless combined with options 2b or 2c).	2	Identifies and mitigates leakage risk in a more targeted way, assuming that leakage risk is identified accurately under option 2(a).	2	Extends leakage risk identification and mitigation to include compliance costs from purchased electricity, assuming that leakage risk identified accurately under option 2a.
Maintains incentives for decarbonization: to what extent does the option maintain incentives for EITEs to reduce emissions intensity of production within Washington?	0	No direct or negligible impact - unless combined with options 2b or 2c.	1	Better targeting of EITE allocation based on leakage risk should improve decarbonization incentives.	1	Better targeting of EITE allocation based on electricity usage should improve decarb incentives.
Supports market functionality: to what extent does the option support stable, competitive, and efficient market operations?	0	No direct or negligible impact - unless combined with options 2b or 2c	1	Better targeting of EITE allocation based on leakage risk should improve price signals.	1	Better targeting of EITE allocation based on electricity usage should improve price signals.
Minimizes administrative / implementation costs and technical requirements: to what extent does the option require agency resourcing to implement/can be implemented using existing administrative systems, and additional technical requirements for EITEs?	-1	Requires agency resourcing to develop objective approach for assessing leakage risk (likely through rulemaking).	-1	Requires agency resourcing to implement objective approach for assessing leakage risk, i.e. Options 2a and design assistance factor (through rulemaking).	-2	Requires agency resourcing to implement objective approach for assessing leakage risk, i.e. Options 2a and details of benchmarking electricity use or other allocation methods (through rulemaking).
Provides clarity, objectivity, and predictability: to what extent does the option provide clear, objective, and transparent methods to determine future allocations, and enables EITEs to plan for compliance, taking into account estimated policy implementation timeframes?	0	Identifies leakage risk only - limited impact unless combined with options 2b and/or 2c.	1	Provides transparency and objectivity through assistance factor, extent of predictability depends on timeframes for implementing this option (i.e. creates uncertainty until rulemaking completed).	1	Provides transparency and objectivity through benchmarks, extent of predictability depends on timeframes for implementing this option (i.e. creates uncertainty until rulemaking completed).
Accounts for facility-specific conditions: to what extent does the option enable facility-specific circumstances (e.g. production and emissions, and implementation timeframes for facility upgrades) to be taken into account?	0	Leakage risk assessment would mostly be based on sector level data that may not account for facility-specific conditions, unless qualitative criteria used to account for facility-specific issues.	-1	Assistance factor would likely be based on sector level leakage risk assessments, unless rules enable facility-specific conditions to be considered in establishing assistance factors.	0	Depends on the methods used to determine allowance allocation or compensation for purchased electricity: could be based on sectoral benchmarks or facility-specific electricity consumption.

Key Findings for Policy Design Consideration 3:

Maintain decarbonization incentives for EITEs and reward efficient production

- Retaining existing EITE allocation baselines (Option 3a) scored positively on four criteria – so any changes to baselines must provide important additional benefits
- Product-based benchmarking (Option 3c) had more positive scores than alternative options that also involve changes to allocation baselines: i.e., updating allocation baselines (Option 3b) and BAT based allowance allocation (Option 3f)
- Both Option 3c and Option 3f imply significant new implementation requirements, particularly Option 3f
- Enabling benchmarking of new facilities against existing EITEs (Option 3d) would provide only partial benefits
- Consignment of allowances (Option 3e) had high positive scores but imposes new implementation requirements – but could be combined with any other options
- Further work required to assess interactions when combined with options from Policy Design Consideration 4

Table 3. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 3

PDC Options	Total Positive Scores	Total Negative Scores	Total Neutral Scores
3a: Retain current allocation baselines	4	1	1
3b: Update allocation baselines	4	1	1
3c: Product-based benchmarking	5	1	0
3d: New facility benchmarking	3	0	3
3e: Consignment	5	1	0
3f: BAT based allocation	3	2	1

Evaluation of Policy Design Considerations 3

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Table 10. Results of the Step 2 assessment for the six viable options assessed in Step 1 for Policy Design Consideration 3.

Criterion	Option 3a - Continue using the output-based allocation method with facility-specific carbon-intensity baselines as currently prescribed in the CCA from 2035 onwards		Option 3b - Re-establish allocation baselines for EITEs from 2035 onwards using the most recently available emissions and production data		Option 3c - Transition EITEs to product-based benchmarks by 2035 and use output-based allocation with benchmarking from 2035 onwards	
	Score	Summary of Assessment	Score	Summary of Assessment	Score	Summary of Assessment
Mitigates emissions leakage: to what extent does the option include mechanisms to identify and mitigate emissions leakage (i.e. ability to pass through compliance costs & maintain market share)?	1	Helps mitigate emissions leakage provided that allocation baselines remain representative of each facility's production and emissions profile from 2035 onwards.	2	Helps mitigate emissions leakage by updating allocation baselines to reflect actual emissions intensity of production in early 2030s.	1	Helps mitigate emissions leakage provided facilities are performing at or below the benchmark.
Maintains incentives for decarbonization: to what extent does the option maintain incentives for EITEs to reduce emissions intensity of production within Washington?	1	Maintains incentive mechanism for existing EITEs to reduce emissions intensity, but this does not directly reward investment in new, low/zero carbon EITE facilities due to absence of benchmarking.	-1	On its own, this option could reduce incentives to reduce emissions because facilities with higher emissions in early 2030s would have a higher baseline.	2	Benchmarking rewards most efficient facilities in WA and rewards investment in new, low/zero carbon EITE facilities.
Supports market functionality: to what extent does the option support stable, competitive, and efficient market operations?	0	No direct, or negligible, impacts.	0	No direct, or negligible, impacts.	1	Published benchmarks provide enhanced price signals, particularly for new market entrants
Minimizes administrative / implementation costs and technical requirements: to what extent does the option require agency resourcing to implement/can be implemented using existing administrative systems, and additional technical requirements for EITEs?	2	Requires no additional resources, systems or technical requirements	2	Requires no additional resources, systems or technical requirements.	-1	Requires additional resources, data, and technical requirements/input from EITEs.
Provides clarity, objectivity, and predictability: to what extent does the option provide clear, objective, and transparent methods to determine future allocations, and enables EITEs to plan for compliance, taking into account estimated policy implementation timeframes?	1	Existing EITEs can plan around their approved allocation baselines and allocation methods as per rule, albeit new EITEs cannot plan in the same way (due to absence of benchmarking).	1	EITEs can plan around existing allocation baselines and allocation methods as per rule, but with less certainty around allocation baseline reset.	1	Establishes objective criteria/method for benchmarking and provides predictability on allowance allocation for EITEs, but only once rulemaking completed.
Accounts for facility-specific conditions: to what extent does the option enable facility-specific circumstances (e.g. production and emissions, and implementation timeframes for facility upgrades) to be taken into account?	-1	Existing allocation baselines are largely based on facility-specific conditions in 2015-2019 but does not account for any changes in those conditions.	1	Resetting allocation baselines would enable any changes in certain facility conditions (production and emissions profile) to be accounted for.	1	Benchmarking can account for facility-specific considerations depending on method chosen.

Evaluation of Policy Design Considerations 3 (Cont'd)

Table 10 continued.

Criterion	Option 3d - Enable new EITE facilities to be benchmarked against a comparable EITE facility in Washington. Score	/ Summary of Assessment	Option 3e - Require the consignment of a portion of EITE allowance allocation with associated revenues to be used to the fund EITE emission reduction projects. Score	/ Summary of Assessment	Option 3f - Apply adjustment to allowances based on Best Available Technology Assessments (BAT) Score	/ Summary of Assessment
Mitigates emissions leakage: to what extent does the option include mechanisms to identify and mitigate emissions leakage (i.e. ability to pass through compliance costs & maintain market share)?	0	No direct, or negligible, impacts.	1	Helps mitigate emissions leakage by providing up-front financial value of allowances to invest in decarbonization projects to enhance competitiveness.	1	Helps mitigate emissions leakage provided facilities are performing at or below the benchmark (BAT).
Maintains incentives for decarbonization: to what extent does the option maintain incentives for EITEs to reduce emissions intensity of production within Washington?	2	Provides strong incentives for investment in new, low-carbon facilities.	2	Directly incentivizes emissions reductions for the portion of no-cost allowances that are consigned, may also help identify new opportunities for state support for EITEs.	1	BAT assessments may limit decarbonization incentives to existing technology and reduce investment in research and development for long-term low/zero carbon technologies.
Supports market functionality: to what extent does the option support stable, competitive, and efficient market operations?	0	No direct, or negligible, impacts.	2	Increases market liquidity and price discovery by having more allowances auctioned.	0	No direct, or negligible, impacts.
Minimizes administrative / implementation costs and technical requirements: to what extent does the option require agency resourcing to implement/can be implemented using existing administrative systems, and additional technical requirements for EITEs?	1	Can be implemented within current administrative systems, with limited rulemaking.	-1	Likely requires new administrative systems for assessing projects and approving allocation of consigned allowances, and imposes new technical requirements on EITEs (i.e. conditions for receiving consigned allowance funds).	-2	Requires significant additional resources and new administrative system to establish auditing regime and imposes new technical requirements on EITEs to comply with new BAT assessment requirements.
Provides clarity, objectivity, and predictability: to what extent does the option provide clear, objective, and transparent methods to determine future allocations, and enables EITEs to plan for compliance, taking into account estimated policy implementation timeframes?	1	Establishes objective criteria/method for benchmarking new facilities, provides some limited predictability for new facilities only.	1	Establishes objective criteria/method for receiving consigned funds, provides predictability on allowance allocation once rulemaking is completed.	-1	Establishes objective criteria/method for determining BAT for EITEs, but outcomes of the BAT assessments are not predictable in advance and what constitutes BAT will change over time, making allowance allocation less predictable for EITEs.
Accounts for facility-specific conditions: to what extent does the option enable facility-specific circumstances (e.g. production and emissions, and implementation timeframes for facility upgrades) to be taken into account?	0	No direct, or negligible, impacts.	1	Criteria for consigned funds could enable facility-specific conditions to be accounted for in implementation of projects.	2	BAT assessments would be based on facility specific conditions.

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

- One of these options must form part of the EITE allowance allocation approach for 2035-2050
- Establishing a cap on allowance allocation (Option 4b) and implementing sector-specific benchmarks based on technical pathways (Option 4d) were both considered unsuitable based on the assessment criteria
- Implementing a cap adjustment factor (Option 4a) scored positively on five of the six criteria, but may increase leakage risk depending on ability of EITEs to decarbonize and international trade and climate policy in 2030s-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 policy design details are required before a preferred option can be identified, along with assessment of option combinations

Table 4. Summary of scores using Step 2 assessment criteria for Policy Design Consideration 4

PDC Options	Total Positive Scores	Total Negative Scores	Total Neutral Scores
4a: Cap adjustment factor	4	1	1
4b: Annual allocation cap	2	3	1
4c: Net-zero industry prioritization	3	1	2
4d: Sector-specific benchmarking & reductions	2	2	2

Table 13. Results of the Step 2 assessment for the three viable options assessed in Step 1 for Policy Design Considerations 4.

Criterion	Option 4a - Applying a cap adjustment factor to EITE allowance allocation from 2035 onwards that is calibrated with annual allowance budgets and other forms of allowance distribution. Score	Summary of Assessment	Option 4b - Establishing an annual cap on total no-cost allowance allocation from 2035 onwards so that it does not exceed a certain proportion of each annual budget. Score	Summary of Assessment	Option 4c - Prioritizing allowance allocations for industries manufacturing products that are consistent with statewide net-zero emissions limits. Score	Summary of Assessment	Option 4d – Sector-specific benchmarking and reduction schedules (based on technical pathways) as proposed by RMI Score	Summary of Assessment
Mitigates emissions leakage: to what extent does the option include mechanisms to identify and mitigate emissions leakage (i.e. ability to pass through compliance costs & maintain market share)?	-1	Reducing allocation levels may affect leakage risk if facilities have not progressed decarbonization plans and projects by 2035 but this will also depend on trade and climate policy environment in the 2030s and 2040s.	-1	Reducing allocation levels may affect leakage risk if facilities have not progressed decarbonization plans and projects by 2035 but this will also depend on trade and climate policy environment in the 2030s and 2040s.	0	This option may mitigate leakage risk for industries manufacturing products consistent with statewide net-zero emissions limits by signaling a commitment to supporting those industries within WA, but some residual risk may remain depending on trade and climate policy environment in the 2030s and 2040s.	-1	Reducing allocation levels may affect leakage risk if facilities if facilities have not progressed decarbonization projects as anticipated by 2035 but this will also depend on trade and climate policy environment in mid-2030s and 2040s.
Maintains incentives for decarbonization: to what extent does the option maintain incentives for EITEs to reduce emissions intensity of production within Washington?	1	Provides strong incentives to decarbonize both before and after 2034, but not necessarily in a manner that is linked to statewide net-zero emissions limits and associated plans and policies.	1	Provides strong incentives to decarbonize by or before 2034, but not necessarily in a manner that is linked to statewide net-zero emissions limits and associated plans and policies.	2	Would provide strong and targeted decarbonization incentives linked to statewide net-zero emissions limits and associated plans and policies.	1	Provides strong incentives to decarbonize both before and after 2034, but implies a shift towards mass-based benchmarks with uncertain temporal impacts on incentives and output-based allocation.
Supports market functionality: to what extent does the option support stable, competitive, and efficient market operations?	2	Provides long term price signal for EITEs (alongside other covered entities), and increases/maintains liquidity and price discovery by maintaining sufficient supply of auctioned allowances.	2	Provides long term price signal for EITEs (alongside other covered entities), and increases/maintains liquidity and price discovery by maintaining sufficient supply of auctioned allowances.	2	Provides long term price signal for EITEs (alongside other covered entities), and increases/maintains liquidity and price discovery by maintaining sufficient supply of auctioned allowances.	2	Provides long term price signal for EITEs (alongside other covered entities), and increases/maintains liquidity and price discovery by maintaining sufficient supply of auctioned allowances.
Minimizes administrative / implementation costs and technical requirements: to what extent does the option require agency resourcing to implement/can be implemented using existing administrative systems, and additional requirements for EITEs?	1	Can be implemented within current administrative systems, with limited rulemaking.	0	Can be implemented within current administrative systems, with limited rulemaking, but may face technical challenges in implementation.	-1	Likely requires new resources to develop new prioritization criteria and methods for allocating allowances.	-1	Would requires new resources and input from EITEs to validate the technical pathways identified by RMI and/or develop alternative methods for determining technical pathways for EITEs.
Provides clarity, objectivity, and predictability: to what extent does the option provide clear, objective, and transparent methods to determine future allocations, and enables EITEs to plan for compliance, taking into account estimated policy implementation timeframes?	2	Establishes objective criteria/method for adjusting allowances, provides predictability on allowance allocation once rulemaking completed.	-1	Establishes objective/transparent method, but actual number of allowances would be more variable as it would be adjusted based on production by EITEs both individually and collectively.	0	Would establish an objective/transparent method, but rulemaking may take longer than other options and may introduce uncertainty around prioritization criteria and its impacts on allocation for individual EITEs.	0	Establishes transparent method for allowance allocation, but shift towards mass-based, sectoral benchmarks from 2035 would likely introduce more uncertainty for EITEs on allowance allocation depending on compatibility with output-based allocation.
Accounts for facility-specific conditions: to what extent does the option enable facility-specific circumstances to be taken into account?	0	Could potentially be designed to be differentiated based on certain factors or sectors, such as EITEs with high process emissions (as is done for cap adjustment in California[14]), but generally provides a uniform adjustment unless combined with other options.	-1	Could not take into account facility specific conditions unless combined with other options.	1	Could include facility-specific considerations depending on prioritization criteria and methods for allocating allowances.	0	Depends on the extent to which the technical pathways are based on facility-specific circumstances.

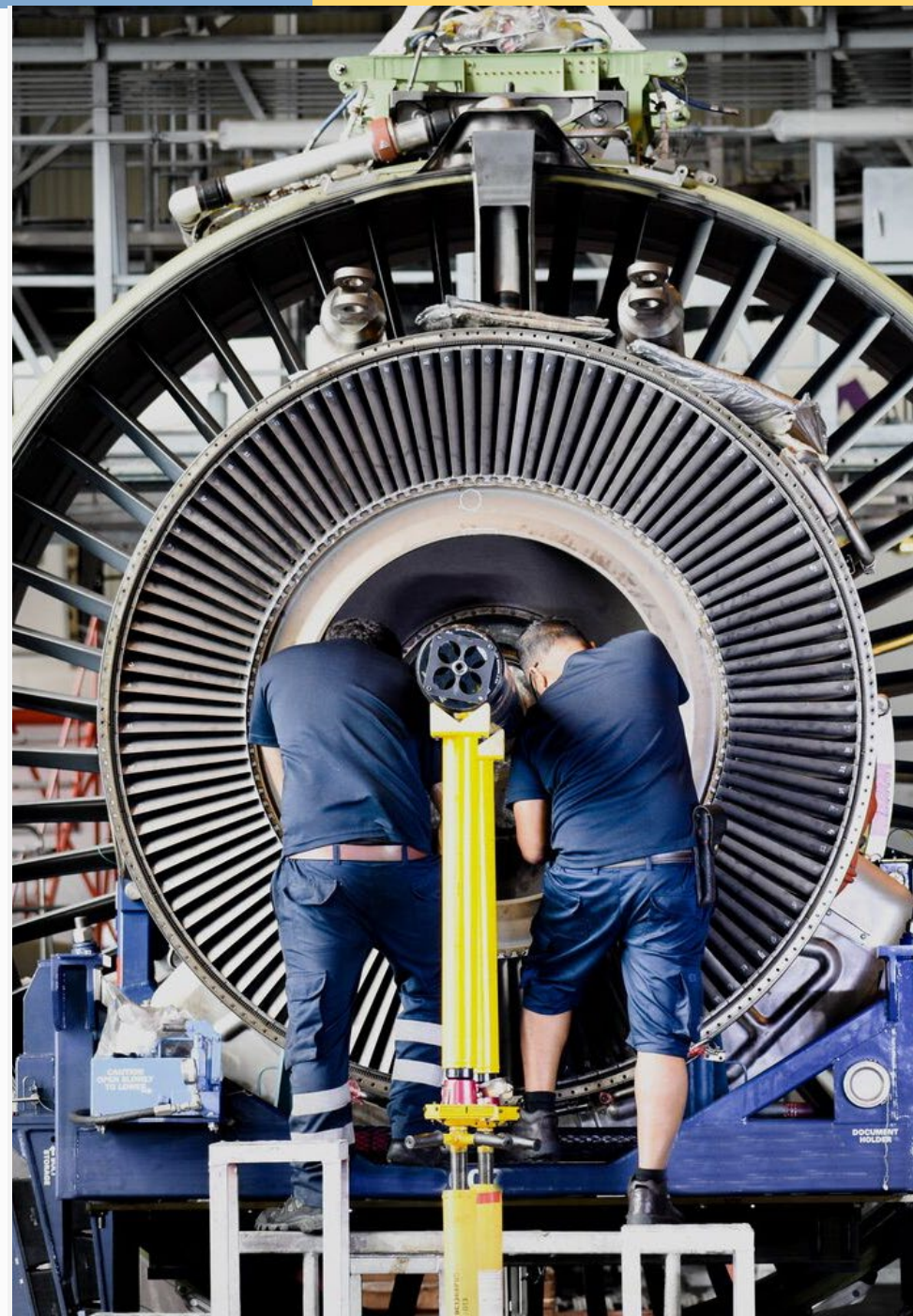
Please respond using Chat…

Now that we've reviewed the key findings/evaluations for each Policy Design Consideration (1-4), are there other policy options that you suggest Ecology should assess?

Next Steps

Next steps

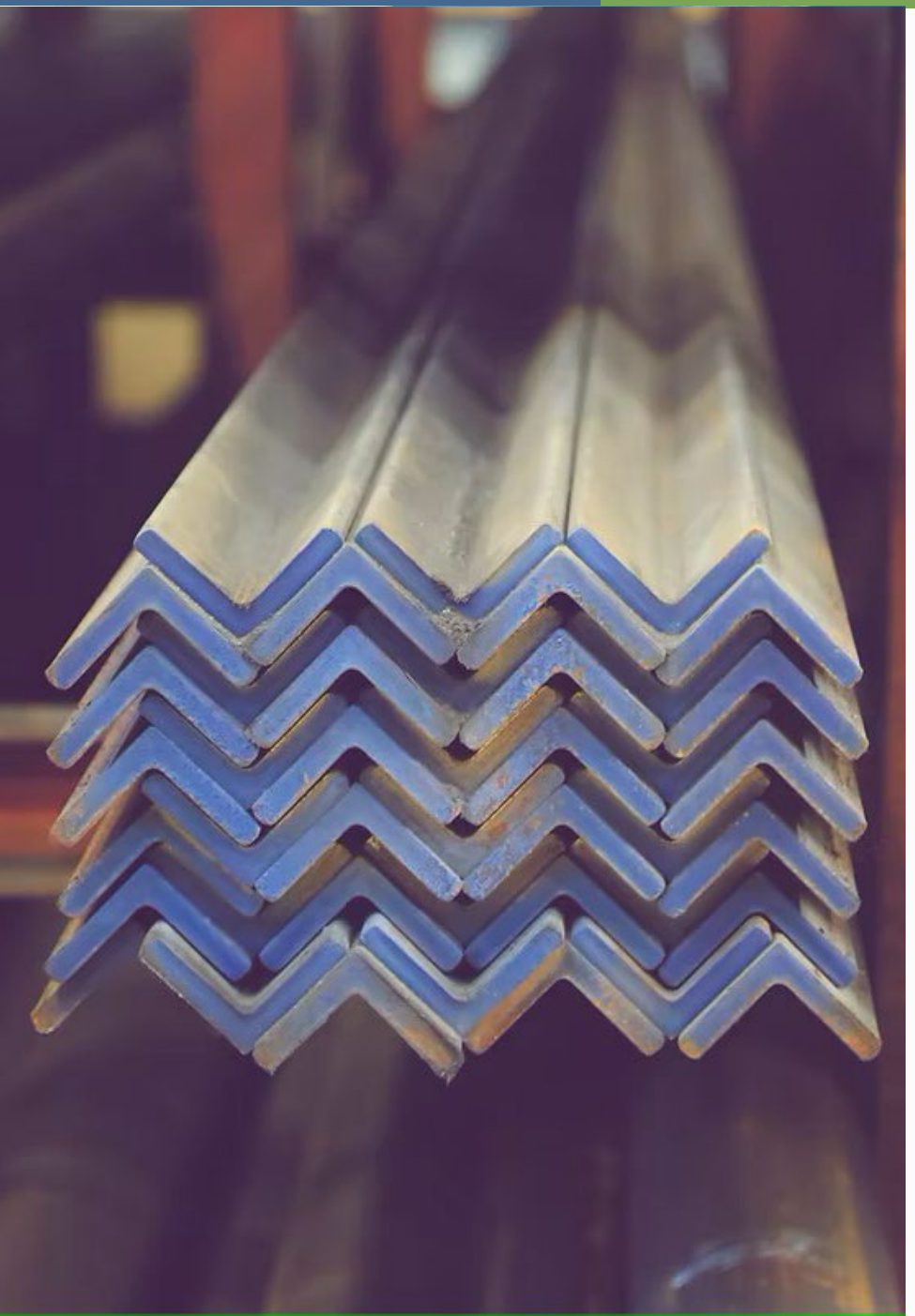
- Interim feedback
  - Email to CCAEITEIndustries@ecy.wa.gov by July 8 interim deadline
- Final feedback/comment
  - Submit via the electronic comment platform by Sept. 3
- Meeting materials and recordings available on the EITE webpage
- Joint Advisory Group meeting
  - July 24 from 10:00 a.m. to 12:00 p.m.



Public comment opportunity

Guidelines for providing public comment

- Please use “raise hand” button to indicate that you wish to provide a comment or share in the chat.
- Up to two minutes per person
- Please keep the comments related to EITEs and the report to the Legislature
- Ecology will not respond to comments in this meeting
- To submit written comments, use our comment platform



Thank you!

Adrian Young
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Resources

- Notifications on EITEs and the report
- EITE Industries webpage