



## EITE Policy Advisory Group

Summary for Wednesday, Nov. 13, 2024 | 9:00 a.m. – 12:00 p.m.

Location: Zoom: [meeting recording](#), [copy of the presentation](#)

### 1. Welcome and introductions

- 9 of 10 advisory members attended the meeting

### 2. Group purpose and expectations

- Ecology shared the advisory group purpose, timeline, and key details of the group charter.

### 3. Background and context for EITE allocation

- Ecology provided an overview of the Cap-and-Invest Program and the Climate Commitment Act requirements to expand monitoring and improve air quality in overburdened communities.
- Ecology provided an overview of the EITE allocation policies in the CCA and Cap-and-Invest Program Rules, including the approach for allocating no-cost allowances from 2023-2034.
- Ecology highlighted certain environmental justice considerations related to EITEs, and noted its plan to conduct a preliminary Environmental Justice Assessment as a part of the report.
- Members asked clarification questions including the following:
  - Amount of revenue from auctions that has been spent to reduce emissions at the manufacturing plant level
    - Ecology will follow up on this.
  - Clarification of how the overall allowance budget allocated to EITE no-cost allowances changes:
    - The percentage is dynamic based on the number of facilities and the production levels.
  - How the percentage of the overall allowance budget that is allocated to EITEs changes overtime
    - Ecology shared that in 2023 EITE allowances allocation were about 15% of the total program allowance budget. The EITE allowance allocation proportion of the program budget is dynamic and based on number of facilities and production levels. It is expected that the proportion of the budget that EITEs receive will increase overtime as the cap declines.
  - Whether any EITE facilities have closed and if so, how are their unused no-cost allowances re-allocated
    - Ecology shared for facilities that are curtailed (production temporarily paused) retains no-cost allowances and allowances are adjusted to account for decline in production. For closed facilities (all production ceased and give up air quality permit), the unused no-cost allowances are transferred to the Emissions Containment Reserve, which can be used for defined purposes.
  - Impact of new EITEs on the cap and allowances available for other entities
    - Ecology responded that emissions of new EITE facilities are under the cap and the cap does not change. The no-cost allowances for new facilities would first come from the Emissions Containment Reserve, allowances that would

not otherwise be distributed through an auction. If there are not sufficient allowances, they would come from the general pool. The exception is that the cap may be adjusted when waste to energy and railroads join the program in 2027 and 2031 respectively. [add date].

- Number of overburdened communities that include EITEs
  - Ecology indicates it would share that information. (provide at Appendix 1).
- Whether new EITE facilities would receive no-cost allowance from the EITE bucket or would it squeeze other entities, such as electric utilities or fuel suppliers.
  - Ecology indicated that it depends on market dynamics including the time and overall demand for allowances, for example if there are sufficient allowances in the ECR then it may not affect other participants.
- Sought clarification on how allowances are allocated for new EITE facilities.
  - For new facilities, their no-cost allowance allocation is likely to be estimated at first and then recalculated after three years of operation to determine what their intensity of production is which would be their baseline moving forwards.

#### 4. Report to the Legislature on EITE allocation 2035-2050

- Ecology shared topics that will be considered in the development of its report and the process of developing the report.
  - Members shared that leakage is more than emissions and the report should include the leakage of jobs.
- A member asked whether there is analysis or insight into early compliance behavior and how that may inform allocation going forward?
  - Ecology acknowledged that it is still too early to know and would consider analyzing this but would have to be careful to protect confidential market information.
- A member sought clarification on how manufacturing facilities could invest in more efficient operations that reduce emissions while receiving immediate credits for these investments. They noted in a competitive market, without a short investment return, it may discourage investments. In addition, they reiterated that job security is closely connected to plants making investments in efficiency.
  - Ecology explained how emission reductions are recognized retroactively and could result in more no-cost allowances than the facility would need. The facility could use the allowance for future compliance or sell them on the secondary market.
  - Ecology noted that its research has identified that the financial incentives within this policy mechanism can have less certainty than other types of financial incentives.
- A member suggested that given Ecology's work to coordinate with CA and QC on linkage it should consider how their EITE approach and stringency compares to WA.
- A member asked for clarification on the timing of EITE allowance allocation and compliance obligations.
  - Ecology noted that each year EITEs are given an upfront allocation of no cost allowance for the following years vintage in October, except in 2023 when they received vintage 2023 allowance in September of 2023.
- The member suggested that this may help with the issue of upfront investment for EITEs because they have the allowances front-loaded.
  - Ecology indicated that there is flexibility on how EITEs can utilize their allocation of no cost allowances depending on their compliance strategies, which will differ facility to

facility and entity to entity, and recommended watching the [presentation from Clear Blue Markets](#) from the October 17 EITE Industries Advisory Group meeting.

- Ecology shared the timeline for the report which is split into three phases:
  - Phase 1 (August-December 2024): collect information, discuss technical issues, and identify factors affecting EITE allocation and decarbonization
  - Phase 2 (March-August 2025): Discuss and assess policy and technical considerations along with review draft policy recommendations.
  - Phase 3 (September-November 2025): Ecology prepares and submits final report to for the Legislature.
  - Engaging with the advisory groups along with Tribes, Environmental Justice Council, and community members will occur throughout Phase 1 and 2.
- A member clarified on the intention for the break between December and March and whether it was because of the legislative session.
  - Ecology shared it was partially due to legislative session as well as to give Ecology time to consider information and feedback that would inform Phase 2.
- Ecology shared the work program for the advisory group in Phase 1:
  - Meeting 1 - Nov. 13, 2024: background and context – (this meeting)
  - Meeting 2 – Dec 12, 2024: policy objectives of CCA and interface with EITE allocation with a discussion for issues to be considered in Phase 2.
- Ecology also provided a high-level overview of the work program for the EITE Industries Advisory Group, and how members of the Policy Advisory Group can follow proceedings.
- Follow up questions and comments:
  - Which group will discuss compliance pathways?
    - Ecology shared that both groups will look at these issues but bring different perspectives. For example, EITEs Industries group will look at technological deployment, whereas the policy group looks at implications of a compliance polices on jobs or environmental justice outcomes.
  - Very important to consider availability of electricity for decarbonization of EITE industries, and hope to provide input on that as we move forwards.
  - Also consider opportunities for existing industries to expand and to site new industries in WA, including feasibility and affordability of non-carbon emitting powers sources to accommodate industrial expansion. Leakage may not be as much of an issue compared to putting up a wall around WA that prevents new facilities from locating in Washington and impact the economy.
    - Ecology share access to electricity is central in the context of industrial decarbonization and Commerce is also looking at expansion of jobs and clean manufacturing in WA and developing industrial strategies.
  - Manufacturing is diverse – do we have enough representatives at the table to discuss all the EITE industries, we need input from each one because we can't assume each industry challenges are the same.
    - Ecology noted that all EITE industries are represented on the other advisory group, and that is where those perspectives are being captured, and recognize each EITE will have different decarbonization pathways.
  - Would like Commerce to come and share what work they are doing, as a lot of members are thinking about the investment required.
  - When the EITE allocation program was being developed the first time there were a couple of important ideas brought forth, one was leakage (jobs and the companies

themselves), and the other was creating an allocation that is favorable to investment, so would like to explore whether it is working or not working, and the third piece is linkage, such as the comparison of relative stringency and how we manage that and honor our desire to see investment and prevent leakage.

- Outside of allocation for EITE, should look into sector specific strategies (e.g. net zero Cement strategy in CA) and associated economics, so would it be possible to explore at sector specific pathways for EITEs, so we are meeting those objectives of comparative stringency, leakage and investment.
  - Ecology noted that we are exploring all aspects or ideas at this point in time.
- Recommended discussing California's EITE structure and lessons learned.

## 5. EITEs in Washington: Emissions profile and related information

- Ecology provided an overview of reported emissions data from EITEs in 2022, including the different types of greenhouse gases emitted across different EITE Industries, and an overview of the WA Greenhouse Gas (GHG) Inventory and how it accounts for Industrial sector emissions.
- Member asked if it is possible to see a breakdown between scope 1 and scope 2 emissions
  - Ecology indicated it would need to follow up on this question.
- Ecology noted that emissions data alone does not provide an indication of the carbon intensity of production by EITE facilities and that it was planning to explore how it could provide information to the legislature on this without compromising confidential business information of EITE facilities.

## 6. Next steps

- Next meeting: December 12<sup>th</sup>, 2024, 9 a.m. – 12:00 p.m.
  - [Zoom meeting link](#)

## 7. Public comment opportunity

There were no public comments. Comments may be submitted via email to [CCAEITEIndustries@ecy.wa.gov](mailto:CCAEITEIndustries@ecy.wa.gov) or on the electronic platform.

## Resource and assistance

- Contact Adrian Young at [CCAEITEIndustries@ecy.wa.gov](mailto:CCAEITEIndustries@ecy.wa.gov)
- [EITE Industries Advisory Group webpage](#)
- [EITE Policy Advisory Group webpage](#)
- [Cap-and-Invest EITE webpage](#)

## Appendix 1 – Location of EITEs in relation to overburdened communities

The table below indicates the active EITE facilities located within or nearby the 16 overburdened communities identified by Ecology in its report [Improving Air Quality in Overburdened Communities Highly Impacted by Air Pollution: 2023 Report](#).

Overburdened Community	EITE Facility	Inside Community?	Major Source of Criteria Air Pollutant?
Tri-Cities to Wallula	Lamb Weston - Pasco	Nearby	No
Tri-Cities to Wallula	Lamb Weston - Richland	Nearby	No
Tri-Cities to Wallula	Nutrien	Yes	Yes
Tri-Cities to Wallula	Packaging Corporation of America	Yes	Yes
Tri-Cities to Wallula	Tyson Fresh Meats	Yes	No
Spokane and Spokane Valley	Kaiser Aluminum	Yes	Yes
South Seattle	Ardagh Glass	Yes	Yes
South Seattle	Ash Grove Cement Company	Yes	Yes
South Seattle	CertainTeed Gypsum	Yes	No
South Seattle	Nucor Steel Seattle	Yes	Yes
South King County	Boeing Company - Auburn	Yes	Yes
South and East Tacoma	Georgia-Pacific Gypsum	Nearby	Yes
South and East Tacoma	U.S. Oil & Refining Co	Nearby	Yes
Lower Yakima Valley	Darigold - Sunnyside	Yes	No
Everett	Boeing Company - Everett	Yes	Yes