



EITE Policy Advisory Group

Summary of meeting #2 on Thursday, Dec. 12, 2024 | 9:00 a.m. – 12:00 p.m.

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

1. Welcome and meeting overview

2. Background and context: EITE allocation approach in WA

- Ecology provided an overview of EITE allowance allocation approach under Cap-and-Invest including the carbon-intensity and mass-based methods, as well as the CCA approach for defining leakage and the leakage criteria WAC 173-446A.
- Members asked the following questions:
 - Is the carbon intensity baseline updated annually or set each compliance period?
 - Ecology indicated the carbon intensity baseline is unique to each facility and once established it stays same unless there are changes to reporting.
 - What needs to be submitted for an EITE to make a technological or economic case for adjusting the EITE allocation?
 - Ecology shared that the rule (WAC 173-446-220) sets out some information that is required to be submitted by EITEs but currently there isn't a specific criteria about best technology assessments, and future rulemaking may be needed to address this.
 - In statute it says the Legislature needs to come up with a pathway post 2034 or 94% allocation will remain. Is it ECY interpretation that if the Legislature doesn't come up with allocation bill, they cannot do so after 2027?
 - Ecology responded the Legislature can make changes to CCA at any point. If they don't make changes by 2027, 94% would be default but think it could be changed in the future. Ecology can't speak to the legality of the provision to limit the Legislature's ability to make changes, but Ecology is working on the assumption its true, and will leave it up to the Legislature to consider that and it may become part of their discussions if it takes longer to reach policy solutions.

3. California Air Resources Board: Industrial Allocation under Cap-and-Trade

- Presentation and discussion on industrial allocation in California's Cap and Trade Program and development of product-based benchmarks. Presenter was David Allgood from California Air Resources Board (CARB). Mark Sippola and Rachel Gold from CARB were also present to address questions. The presentation included:
 - An overview of the industrial facilities in the CA Cap-and-Trade Program
 - How industrial allocation is calculated for industrial facilities and the relative proportion of allowances allocated to industry, utilities and auctions.
 - Details of how product-based benchmarks were established for different products including examples from the dairy and cement sectors, noting that benchmarks were set at 90% of average or best-in-class if no facility operating at 90%.
- Questions and comments by members
 - Has leakage of industrial carbon emissions been tracked?

- CARB indicated they regularly assess the possibility of leakage and evaluate whether they need to make changes to their approach. Will be submitting a report to CA Legislature by end of 2025 which will provide more information.
- As a labor union we typically think of leakage in terms of job losses, and moving jobs to areas less regulated. Member expressed interest in having this data and requested any information CARB is able to provide.
 - CARB shared that their scoping plan provides more information about impacts of the program on CA economy, including jobs created in state, gross state product increases per unit of emissions, and the benefits of investments funded by the program.
 - CARB also shared the jobs issue is nuanced since CARB has authority over emissions, not economic activity, and legally can only characterize allowance allocation as mitigating emissions leakage. But recognize that if production is changing locations then that would likely affects jobs as well and any trends would be observed.
 - CARB noted that in academic reviews from around the world, observed leakage is less than projected leakage, potential reasons being low carbon costs and the allowance allocation for industry has been effective.
- Ecology asked if there are agencies in CA that look at the issue of job leakage, and have partners in thinking about economics of cap-and-trade?
 - CARB responded there are agencies looking at these issues, and there are likely opportunities for partnering in gathering and reviewing data on these questions.
- As agencies consider linkage, can you speak to the value of better alignment between the two programs?
 - CARB can speak to its experience with CA, Québec (QC) and Ontario where they have had linkage experience. Many parts of the program are closely aligned such as program registration, auctions, compliance obligations. Right now CA and QC have slightly different approaches in industrial allowance allocation partially due to observed differences in leakage risks (different manufacturing composition and trading partners). Leakage risks assessments are more localized and regional. Looking forward, might expect to see more similar leakage risk between CA and WA than CA and QC.
 - Ecology added from WA side there are benefits across different sectors in terms of linkage with intertwined economies, such as electricity markets. If linked, will look into this more with an advantage to address some leakage concerns across both markets.
- Appreciate your explanation regarding loss of jobs tied to carbon leakage. There are concerns that the loss of good paying industrial jobs has workers moving to lower paying service sector occupations.
 - CARB followed up this is a concern and that preserving manufacturing core within the state, including maintaining the jobs, is important. There could be some job transformation and so workforce and career development is important alongside technological deployment. This will likely require collaboration across agencies in the state.
- Are there any provisions to assist older workers who are close to leaving the workforce? Workforce development needs to be a part of the solution and supporting domestic supply chains, and leakage internationally is even more complex.

- CARB responded that workforce development topics are beyond the scope of CARB's work, but appreciates there is a need to have this discussion. Noted that the long-term solution is having similar carbon price policies across all jurisdictions so that competitors are subject to similar requirements.
- EITE Industries Advisory Member delegate asked CARB and Ecology whether they expect any alignment that would be needed as it related to leakage and AB 32 when it comes of linkage?
 - CARB responded the leakage report is part of AB 398 and has been around 6+ years and predates conversation of linkage with WA and so does not need to contemplate linkage elements. But that is something that CARB is gearing up to consider in the future.
- For future discussions would like to hear more about the impact California's program has had on overall jobs for the skilled trades and industrial sector.

4. Policy objectives of the CCA and interface with EITE allocation

- Ecology presented policy objectives of the CCA and interface with EITE allocation in the Cap-and-Invest Program, including leakage. After providing an overview of policy, Ecology asked if the policy objectives were relevant to EITE allowance allocation, how the allocation approach supports the policy objectives, and data or methods could be used to assess policy objectives/impacts of alternative approaches to EITE allocation for 2035-2050.
- Ecology then opened it up for discussion and members shared the following thoughts, comments, and questions:
 - Missing from the slides is no-cost allocation to electric utilities and natural gas utilities. There are policy objectives for mitigating cost burden on utility customers, and easing the transition for natural gas customers. These policy objectives should be considered, including the impact of EITE allocation on these sectors and their customers.
 - Ecology noted that this was something that it had looked at but didn't explicitly mention in the slides, but potentially relevant to this exercise.
- Ecology also noted some of the policy objectives are somewhat nebulous and may be hard to measure
- Member emphasized there are entities that fall under the emissions threshold and don't have compliance obligations but may be impacted by the program, or are in a similar sector as EITEs, that might benefit from no-cost allowances and that we should also consider impacts to opt-in entities.
 - Ecology shared currently CCA prevents opt-in entities from receiving no-cost allocation and this is a point of difference between WA and CA, even if they are operating under a NAICS code listed in the CCA.
- Member raised concerns about workforce development and where jobs will go. For example, solar doesn't pay as much as industrial/manufacturing and is not seeing benefits from the transition to green jobs.
- EITE Industries advisory member delegate noted that bullet 3 on the slide refers to encouraging innovation, energy efficiency, use of lower carbon products by EITEs, and that each EITE has a different pathway and recommends providing opportunity for each facility to figure out what they see as innovations or energy efficiency opportunities.
- Member indicated that power supply and capacity, and how the program potentially impacts power supply should be factored in given that the underlying transition for EITEs often

includes electrification or green hydrogen, and those power requirements are substantial. Businesses making investment plans on the assumption of recovering costs from excess no-cost allowances could experience delays in permitting or accessing clean energy that are outside of their control. So need to consider how regulation responds to these types of situations that cause delays to switching to clean energy sources.

- Ecology noted that access to clean energy sources is something they've heard several times and plan to build into Phase 2. There is a question around how this might inform a policy criteria, for example, it might be part of the best technology assessment framework that is already built into the policy for EITEs.
- Ecology shared an example of policy assessment framework to illustrate why it was looking at identifying policy objectives to help inform an assessment of policy options. Also noted that other criteria may also be relevant to assessing alternative policy options, such as cost, equity, administrative complexity, technical feasibility, and legality.
- Ecology shared information on the preliminary Environmental Justice Assessment and how they will follow Ecology's Environmental Justice Assessment process to help identify overburdened communities and vulnerable populations potentially affected by greenhouse gas emissions from EITEs.
- Ecology shared that its initial screening has identified there are 28 active EITEs located within or nearby Tribal reservations or overburdened communities, noting that there are two different definitions of 'overburdened'. Of the 28 facilities, 16 are major sources of toxic and/or criteria air pollution. Together the 28 facilities account for about 88% of the total reported greenhouse gas emission from EITEs. When focusing on the 16 overburdened communities identified by Ecology as highly impacted by air pollution, we can see that EITEs represent about 26% of the total greenhouse gas emissions from stationary sources and estimated mobile sources. Ecology will be looking to gather more data on the relative contribution of EITEs to air quality and health impacts for communities. Ecology has started to contact some organization and requested for members to share ideas of other organizations if they have them. Members shared the following:
 - A member found it helpful to see this information and wanted to note an interest in how Ecology's new rulemaking on reducing criteria air pollution and the interactions with EITEs, and how gaps might need to be addressed. Link to [rulemaking](#):
 - Member asked how is major sources of pollution determined?
 - Ecology responded that major sources of air pollution are based on thresholds identified by the federal EPA through the Clean Air Act, and not something that is defined by the Climate Commitment Act.
 - Ecology noted that the Environmental Justice Review component of the CCA does required Ecology to develop a high priority list of significant emitters.

5. Questions or topics proposed by members

- Ecology provided an opportunity for members to ask questions or discuss topics not on the agenda.
- A member referenced the graph shared previously with the emissions from each sector. Given that refineries make up most emissions from EITEs, the member recommended the advisory group has a labor representative from the oil industry because the challenges they deal with are different than most in the other manufacturing sector.
 - Ecology shared they did not receive any expression of interest from someone in that sector of work and happy to consider this for Phase 2.

- A member suggested to bring in someone from one of the new market programs in development such as New York to learn about their plans for EITE allocation, for example the approach toward consigning EITE allowance allocation to auction and then that revenue is given back to EITEs for compliance, which is based on what they learned from the California and Washington programs.

6. Discussion and next steps: Work program for Phase 2

- Ecology shared how they plan to move ahead in Phase 2 and opened up a discussion for members to share their ideas. A list of key discussion topics and the expected timeline are available on slide 27 and 28. Members asked and shared the following:
 - Will technical feasibility be included in Phase 2 discussion, is that the RMI analysis?
 - Ecology indicated that it would be part of the RMI analysis but not exclusively, and Ecology expect technical feasibility to be a part of several of the topics being discussed, such as the GHG benchmarking and baselines. Also noted the RMI analysis is one piece of information, and expect that issue to be raised in other conversations.
 - Recommendation for the two advisory groups to meet together. Having industry perspectives when thinking about solutions will be helpful. Another member agreed with this and would find it helpful to be able to compare and discuss recommendations with them.
 - Ecology is considering a joint meeting, particularly to discuss electrification.

7. Public comment opportunity

There were no public comments. Comments may be submitted via email to CCAETEIndustries@ecy.wa.gov.

Resource 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](#)