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The treatment of no-cost allowances for EITE industry entities needs revision. The initially proposed rules do not provide the correct incentives for holders of these no-cost allowances nor do the proposed rules encourage proceeds from the sale of such allowances to more effectively reduce GHG emissions. Better outcomes can be obtained if the rules will accomplish the following:

- Prohibit EITEs from banking no-cost allowances for more than 1-2 years and then selling them. This would not prohibit banked allowances from being used for compliance. Reducing EITE firms' ability to bank and then later sell no-cost allowances will discourage hoarding strategies in which EITEs withhold allowances from auction to manipulate prices for their own advantage.
- Place restrictions on the use of revenue realized by an EITE from selling no-cost allowances. This revenue should be invested in projects that reduce emissions and/or point source pollutants either at the EITE facility or elsewhere in the state. Alternatively, no-cost allowances not needed for compliance could be returned to the department to be auctioned, thus generating revenue for investment in further emission reducing actions.

These changes will make the CCA more equitable, less regressive, and more effective in reducing GHG emissions aligned with RCW 70A.45.020. An important feature of the CCA should be to ensure that EITE windfalls are invested back into equitable GHG reductions.