



September 3, 2025

Adrian Young
Climate Pollution Reduction Program
WA State Dept. of Ecology

Re: Kaiser Aluminum's Written Feedback on Report to Legislature on EITE Allowance Allocations 2035 – 2050 Document 6 Draft Recommendations

Dear Mr. Young:

First and foremost, Kaiser Aluminum (Kaiser) appreciates the opportunity to provide feedback on the Report to the Washington State Legislature on EITE Allowance Allocations 2035 – 2050 Document 6 Draft Recommendations. Carbon is a complex global issue that requires thoughtful, effective and measured approaches taking into account individual EITEs, products and processes to avoid leakage and protect Washington businesses in a global economy, while also requiring EITEs to act responsibly as technologies, processes and products evolve.

Additionally, Kaiser appreciates the Climate Commitment Act's acknowledgement of the need to avoid the leakage of emissions and the potential negative and unintended impacts of leakage. We appreciate that this report recognizes the importance of the conversation regarding leakage of emissions.

Kaiser proposes maintaining the existing structure, while the Department of Ecology and Industry continue to explore technologically viable alternatives and that Ecology and the Legislature retain the no-cost allowance allocation for EITEs that supports responsible growth opportunities post-2035 (based on the currently utilized carbon intensity benchmark methodology).

Kaiser also proposes to recognize that EITEs are manufacturers of various types of products that have an opportunity to reduce both direct (Scope 1) emissions and indirect (Scope 2 and 3) emissions. For example, Kaiser's inventory of greenhouse gas emissions (GHG) includes indirect GHG emissions which are much higher than the direct emissions generated at the site. As compared to the current uncertainty and timeline of technology to further reduce Scope 1 emissions, the technology already exists to significantly reduce Scope 2 and 3 emissions as electrical grids evolve, and we work with our customers to adjust our processes and products to increase our use of scrap aluminum.

Kaiser is providing the following feedback on the Draft Recommendations:

Draft Recommendation 1.1:

*"The legislature should maintain Ecology's authorization to provide no-cost allowances to EITEs from 2035 onwards provided it aligns with program objectives, allowance budgets, and emissions limits. **Note:** All the draft recommendations listed below are contingent on the implementation of this recommendation."*

The state must maintain the opportunity for EITEs to continue responsible growth in their various markets by continuing to provide no-cost allowances while continuing to invest in responsible manufacturing processes, technology and equipment.

It is Kaiser's position that EITEs, which are allowed to remain competitive in the national and global marketplace, will create additional long-term capital investment opportunities in their respective businesses, resulting in parallel reductions in the carbon footprint of their products. The installation of

state-of-the-art/new equipment as it becomes commercially available will result in operational efficiency improvements which result in less carbon per unit of production.

Kaiser maintains that there are unintended consequences with otherwise well-intentioned policies that adversely impact global carbon emissions as a result of carbon leakage to less regulated jurisdictions and countries, EITEs, the state of Washington, the communities where EITEs operate, EITE employees and their families.

Draft Recommendation 1.2:

“Ecology should monitor developments in carbon pricing policies in key jurisdictions and relevant federal policies as part of periodic program evaluations, including developments in carbon border adjustment mechanisms or alternative policies to address leakage risk.”

Kaiser believes carbon border adjustment mechanisms or other alternative policies should be further analyzed to fully understand unintended consequences for EITEs in the marketplace while trying to identify more effective and specific approaches to evolving carbon policies.

Draft Recommendations 2.1:

“Ecology should develop an objective approach for assessing leakage risk for EITEs in Washington and assess the impacts of implementing an assistance factor that targets allowance allocation based on this objective approach.”

Kaiser believes an Assistance Factor is not an effective approach to determine no cost allocation to market participants in a myriad of operating environments and markets. Ultimately, leakage risk, and trade exposure may vary from industry to industry and from time to time making a more objective analysis far less feasible and effective.

Market conditions would dictate EITE status, while those conditions are not always within the control of EITEs in applicable markets. This would increase uncertainty and adversely impact responsible long-term capital planning.

If assistance factors were allowed to step down (75%, 50%) without regard to individual facts and circumstances applicable EITEs, many facilities are at risk of shutting down or shifting production out of state, undermining the economic and environmental goals of an effective carbon policy.

Draft Recommendation 2.2:

“Ecology should assess the implementation requirements and impacts of providing no-cost allowances to EITEs for addressing leakage risk associated with purchased electricity.”

Kaiser recommends Ecology review options for providing no-cost allowances for EITEs' electricity purchases. Ecology should also include no-cost allowances based upon consumption per unit of production (carbon intensity) reductions taking into account Scope 1, 2 and 3 emissions.

Draft Recommendation 3.1:

“Ecology should assess the implementation requirements and impacts of adopting product-based benchmarks or alternative methods for establishing allocation baselines for EITE allowance allocation.”

Kaiser believes that a benchmark approach based solely on products would not be effective in light of the unique characteristics and markets of individual EITEs and would also create a large unnecessary administrative burden for EITEs to be able to accurately allocate the GHG emissions by multiple product lines. In addition, many product lines share common process lines which process each individual product in an alternative manner to achieve the desired customer specifications making a “one size fits all” approach ineffective.

For example, this process would not consider the life cycle impacts of these highly specialized manufactured products. This includes product quality, need for rework and excess waste generated during fabrication processes. Limited external benchmark data would be available.

Draft Recommendation 3.2:

"Ecology should assess the implementation requirements and impacts of using consignment to require EITEs to invest some of the value of their no-cost allowances in decarbonization projects."

Prior to Climate Commitment Act, these opportunities already existed and were realized. For example, Kaiser has made significant long-term capital investments into projects that focused on process efficiency improvement throughout our facility. These efficiency improvements have inherently lowered the carbon intensity of our product lines and have made us more competitive in the marketplace. We expect those dynamics to continue with a thoughtful and well-designed approach to carbon and allowances.

Draft Recommendation 4.1:

"Ecology should assess the policy design requirements and impacts of implementing a cap adjustment factor to ensure EITE allowance allocation aligns with program allowance budgets and net-zero emissions limits."

Kaiser's annual emissions represent only **0.2%** of the total Scope 1 greenhouse gas emissions for the State of Washington (Source: Washington State Greenhouse Gas Emissions Inventory: 1990-2021). Therefore, an adjustment to the cap would not have measurable emission reduction impacts, and other approaches outlined in our comments would be more effective in achieving long-term objectives and goals.

Draft Recommendation 4.2:

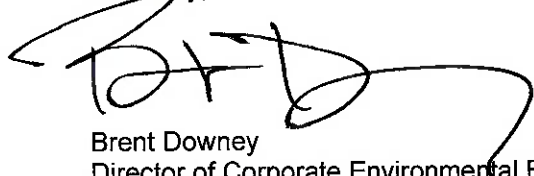
"Ecology should assess at least one alternative policy option that would achieve a similar outcome as a cap adjustment factor."

To potentially achieve the goals of the program, a holistic approach to greenhouse gas emissions reduction should be considered. This approach would include compliance credits for reduction of Scope 1, Scope 2, and Scope 3 emissions and offer compliance pathways for making reductions/improvements in these areas as they apply to individual EITEs.

By way of example, Scope 1 emissions at Kaiser represent approximately only **17%** of the total GHG emissions while Scope 2 and Scope 3 emissions represent **83%** of total GHG emissions. Additionally, the technology to address Scope 1 emissions in our sector is in early stages, while the technology to reduce Scope 2 and Scope 3 emissions is proven and available.

If you have any questions or would like to discuss this further, please feel free to contact me at (509) 990-1327

Sincerely,

A handwritten signature in black ink, appearing to read 'Brent Downey', with a long horizontal flourish extending to the right.

Brent Downey
Director of Corporate Environmental Engineering