

September 3, 2025

Adrian Young
Cap-and-Invest Program Industrial Policy Lead
Department of Ecology
State of Washington
P.O. Box 47600
Olympia, WA 98504-7600

Re: Comments on Report to Legislature on No-cost Allowances for Emission-Intensive Trade-Exposed Industries (EITEs)

Dear Adrian Young:

Washington Conservation Action appreciates the opportunity to provide comments on Ecology's draft recommendations for no-cost allowance allocation for emissions-intensive trade-exposed industries (EITEs) under the Cap-and-Invest Program. Washington Conservation Action, formerly known as Washington Environmental Council, has been a leading state policy voice for the environment for nearly 60 years. We develop, advocate, and defend policies that advance environmental progress and justice. We supported the passage of the Climate Commitment Act in 2021, have participated in multiple phases of rulemaking and implementation over the past four years, and worked to protect the law from repeal in 2024. We remain committed to its equitable implementation as we strive to meet Washington's climate goals.

We appreciate the invitation to serve on the EITE Policy Advisory Group, Ecology's efforts to convene industry and policy stakeholders, and the agency's ongoing work on this complicated and important program. We submit these comments for your consideration.

Upholding Structure and Effective Functioning of the Climate Commitment Act

Ecology's report to the legislature should include clear sideboards that reflect the intent of the Climate Commitment Act (CCA) and promote its effectiveness in achieving our state climate goals. The report should not promote any policy options that would compromise the structure or effective functioning of the CCA, such as maintaining or increasing levels of no-cost allowances to EITE facilities, as some covered entities have proposed during joint advisory meetings. The intent of the CCA is clear that emissions from covered entities should decline over time and aggregate emissions from sectors covered under the program should remain under the cap. Throughout the report,

Ecology should make clear that since EITE facilities are covered entities under the CCA, their emissions are included “under the cap.”

The most important measure for successful treatment of EITE facilities under the CCA will be proportionate emission reductions throughout the sector in line with Washington’s 2030, 2040, and 2050 emission limits. If the current trajectory continues, no-cost allowances allocated to EITE facilities will at some point exceed the total allowances released by Ecology each year, compromising the effectiveness of the program. We urge Ecology to clarify that the current no-cost allowance trajectory for EITE facilities is not a viable policy option, as it clearly undermines the intent of the CCA. We agree with representatives of the industry advisory group that predictability is necessary for the success of any policy options for reducing no-cost allowances.

Draft Recommendation 1.2

We support Ecology’s recommendation to continue monitoring developments in other national and international carbon pricing policies, including carbon border adjustment mechanisms and other policies that could address leakage risk. As industrial decarbonization policy is dynamic and changing, it is important for Ecology to regularly assess the success of Washington’s decarbonization policies and stay up to date on successful policies nationally and in other jurisdictions.

Draft Recommendations 2.1 and 2.2

We support Ecology’s recommendation for further research on leakage risk. While there is general agreement in the desire to prevent leakage, there is a need for more research on the risk of leakage for specific sectors.

As Ecology’s report is intended to help the legislature prevent emissions leakage and economic harm, it is important to remember that no policy recommendations are fail-proof. Preventing leakage is extremely important. However, more research needs to be conducted on the likelihood of leakage occurring as a consequence of potential CCA allowance allocation pathways. We hope that Ecology will incorporate the findings of future studies in their report or as an addendum whenever new information becomes available.

Draft Recommendation 3.1

We support the adoption of product-based benchmarks for establishing allocation baselines. Of the options presented by Ecology, product-based benchmarks will bring Washington into alignment with the best practices already in place in California and Quebec. Product-based benchmarks prevent unintentional favoring of some facilities over others within the same sector. Other means of developing baselines are either too ambiguous or fail to appropriately compare facilities to each other, such as facility-specific baselines currently used in the program.

We recommend that Ecology consider an allowance formula similar to that used in California that factors in product-based benchmarks, facility output, leakage risk, and a cap adjustment factor.¹ Factoring in product-specific emissions reduction potentials, as recommended in RMI's study "Opportunities for Industrial Modernization in Washington,"² is another option that should be explored.

Draft Recommendation 3.2

We agree with Ecology's recommendation to conduct further research on the efficacy and feasibility of requiring EITEs to consign no-cost allowances to auction and spend revenues on emission reduction projects. Ecology should explore consignment as a potential policy option as well as specific means of ensuring that the funds from consignment would go toward desirable decarbonization efforts.

Draft Recommendations 4.1 & 4.2

We strongly support implementing a cap adjustment factor that ensures EITE allowance allocation aligns with the overall program allowance budgets and net-zero emissions limits. As stated above, reducing no-cost allowances allocation in alignment with the cap is imperative for the success of the CCA.

Draft Recommendation 5.1

We appreciate Ecology's recommendation to assess the environmental justice impacts

¹ <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/allowance-allocation/allowance-allocation-industrial>

² "Opportunities for Industrial Modernization in Washington: Technical Pathways, Investments, Policy, and Decarbonizing Options for Emissions-Intensive, Trade-Exposed Industries," RMI (2025).



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of all proposed policy options. It is important for environmental justice to be at the front of mind in both Ecology's and the legislature's development process for EITE policy. We strongly urge Ecology to strengthen the language of this recommendation beyond assessment, to include factoring environmental justice implications into the decision-making process.

Thank you for the consideration of these comments. We look forward to continuing the conversation as work continues to equitably implement the CCA and achieve our state's climate goals.

Sincerely,

Keith Curl-Dove
Climate and Communities Manager
keith@waconservationaction.org