

September 3, 2025

Adrian Young
Cap and Invest Industrial Policy Lead
Washington Dept. of Ecology

Re: EITE Allowance Allocation 2035 to 2050

Dear Mr. Young:

I am writing on behalf of Nucor Steel Seattle to offer comments on Ecology's draft recommendations to the legislature for allocation of no cost allowances to Emissions Intensive Trade Exposed Industries ("EITEs") from 2035 through 2050. Nucor owns and operates the only steel mill in Washington state. Our Seattle plant is one of the most energy efficient steel production facilities in the United States. The Seattle plant is an EITE under the Climate Commitment Act, and a Nucor representative serves on the EITE Industries Advisory Group.

In the Climate Commitment Act the legislature established a schedule for allocation of no-cost allowances to EITEs through 2034, and directed Ecology to recommend to the legislature a proposed "schedule of allowances to be provided to facilities owned or operated by each [EITE] from January 1, 2035 through January 1, 2050." The legislature directed Ecology to submit those recommendations by December 1, 2026. RCW 70A.65.110(4)(a).

The EITE Industries Advisory Group has been meeting since May 8, and Ecology has shared six briefing papers with the Group that address topics relevant to allowance allocation strategy. Nucor's comments on those documents, as well as general recommendations for Ecology to consider when developing its report are as follows.

The first thing to note about Ecology's draft recommendations is that they do not yet contain the "schedule of allowances" that the legislature directed Ecology to propose for legislative consideration. Instead, the documents consist mainly of criteria that Ecology proposes to consider in drafting recommendations for 2035-50 EITE allowance allocations. For instance, Document 6, Policy Design Consideration 1 states that Ecology should establish a level playing field for EITEs competing with facilities in jurisdictions without carbon pricing policies, whereas Policy Consideration 4 declares that policies designed to mitigate leakage "must align with the overarching purpose of carbon pricing programs: to reduce emissions in line with emission reduction targets." These are both valid criteria to guide the development of Ecology's recommendations, but Document 6 does not reconcile these potentially conflicting objectives, nor does it provide the proposed schedule that the legislature requested.

During a meeting with the EITE Advisory Group on 8/14/25, Ecology clarified that its intent is not to request broad legislative authority to set post-2034 allowance allocations by rule, but rather to seek legislative direction covering the post-2034 period. In accordance with that

approach, Nucor recommends that Ecology clarify its recommendations to provide the legislature with clear policy proposals, including a schedule of allowances for EITEs.

Ecology's draft documents and other resources shared with the EITE Industries Advisory Group also omit key baseline information that Ecology needs to inform its recommendations, such as facility-specific leakage evaluations for proposed allowance allocation strategies. Avoiding leakage is a policy mandate in the Climate Commitment Act: "The legislature further finds that climate policies must be appropriately designed, in order to avoid leakage that results in net increases in global greenhouse emissions and increased negative impacts to those communities most impacted by environmental harms from climate change." RCW 70A.65.005(6). Nucor Steel Seattle is one of the lowest emitting steel mills in the United States, with an emissions intensity 87% lower than the global average and 67% lower than the U.S. long product average. If decarbonization pathways are designed in a way that makes it infeasible from a technological or financial perspective for Nucor Steel Seattle to operate profitably, there is a potential for higher emission steel products to enter the Washington State market.

Given that leakage avoidance is a key policy mandate, proposed policies should be evaluated on a facility-specific basis to ensure potential leakage effects are understood and mitigated. Nucor and other EITEs are prepared to assist Ecology in evaluating local impacts of potential policies, including changes in the no cost allowance allocation strategy. If this requires more time than is available under the current schedule, Nucor recommends that Ecology consider extending the timeline for submitting its recommendations to December 1, 2026 (the deadline set by the legislature).

Nucor agrees that no-cost allowances should be provided to EITEs from 2035 onwards. This approach has worked so far and will continue to provide EITEs with incentives to decarbonize while maintaining market competitiveness. Allowance allocation strategies must consider several factors for EITEs, including capital planning timelines, and site-specific feasibility of various decarbonization technologies. Ecology has distributed academic analyses by contractors and non-governmental organizations that present broad policy options based on national or world-wide data sets. These studies will not provide an adequate foundation for Ecology to recommend an allowance allocation strategy that will protect Washington state jobs and businesses, while progressing toward achievement of our ambitious climate change mitigation goals. The reality is that Nucor, like various other EITEs, has already invested significantly in technologies and process changes to increase efficiency and reduce emissions. Implementing a cap adjustment factor or benchmarking system, especially one that is unpredictable or reduces allowances at a rate greater than is feasible through implementation of available technology on set capital planning cycles, will significantly increase the risk of leakage for EITEs.

During the 8/14 meeting, the parties discussed the feasibility of decarbonization as a vehicle to reduce the GHG emissions intensity of EITEs. Nucor supports consideration of this opportunity. It is also important to recognize the limiting factor of Washington's power availability on industry decarbonization. The majority of significant decarbonization opportunities for industry revolve around electrification, which is often delayed and sometimes impossible due to grid constraints. For a facility like Nucor Steel, which is already largely electrified, the opportunities

to electrify additional processes (such as the natural gas reheat furnace) must be balanced against the use of that same resource for other decarbonization efforts and/or residential power availability. In addition to limits on power availability, further electrification and other suggested middle-to-long term decarbonization initiatives for the steel sector involve large capital projects which often do not meet industry standards for return on investment. Nucor recommends that Ecology strongly consider policies which increase funding and remove permitting hurdles for clean power infrastructure and industry decarbonization projects.

As discussed above, any cap adjustment factors, benchmarks, or assistance factors should be evaluated on a facility-level prior to submittal to the legislature to ensure that they are protective of industry competitiveness, predictable, and do not pit EITEs against each other to ensure survival. Nucor recommends that a predictable, attainable allowance schedule be proposed, evaluated in collaboration with EITEs, and presented to the legislature. Nucor also supports consideration of several complimentary measures listed in Appendix 1, including expediting electrical grid enhancements for industrial electrification, acceleration of permitting procedures for critical decarbonization projects, increasing funding for Hard-to-Decarbonize Sector Grants Program, and investment in development of a clean hydrogen grid.

Nucor also requests that Ecology provide a draft of its final report to EITE industries and other interested stakeholders with adequate lead time to analyze and comment before it is submitted to the legislature.

Nucor appreciates the efforts Ecology has taken to engage with Washington's EITE industries and welcomes the chance to support Ecology in developing actionable recommendations.

Sincerely,

A handwritten signature in black ink, reading "Tarah Erickson". The signature is fluid and cursive, with the first name "Tarah" and last name "Erickson" clearly distinguishable.

Tarah Erickson
Environmental Manager

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