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

Dear Mr. Young:

The Washington Department of Ecology (Ecology) has been tasked with preparing a report on how Emissions-Intensive, Trade-Exposed” industries (EITEs) should be regulated under the Climate Commitment Act (CCA), including allocation of allowances, opportunities and barriers for decarbonization, and implications for environmental justice concerns. The recommendations that will inform the report being prepared by Ecology for the legislature are now available for review and comment by the public.

The J.R. Simplot Company (Simplot) is a privately held, vertically integrated agribusiness with headquarters in Boise, Idaho. The company has substantial operations in the State of Washington, including two potato processing plants that are subject to the CCA. Simplot has provided prior comments to Ecology on the regulations associated with the CCA. Simplot has also been involved in discussions with Ecology and the consultant RMI engaged by Ecology to prepare the EITE decarbonization pathway report.

Based on the information that has been presented and discussions had during the meetings held with the EITE Industry Advisory Group over the two phases of this policy development process, Simplot has a number of concerns and specific comments about the recommendations presented in the six draft documents.

Ecology Should Use Additional Time to Improve the Report.

Ecology has stated their intent to provide this report to the legislature a full year earlier than is required so as to provide more time for legislators to consider the report recommendations. There is concern though over not using the full time allowed to thoroughly research and prepare this report. As described in these comments, this report has a number of deficiencies which need to be addressed. If Ecology wants to provide this report early to the legislature, we recommend that the report be labeled “*Draft*,” and that Ecology use the next 12 months to gather further information to address these deficiencies. This would allow legislators

more time to understand what has been learned so far by Ecology from their research into different systems used in other jurisdictions and to consider current concerns from industry. Ahead of the December 2026 deadline, Ecology would continue with more in-depth research on the draft recommendations before preparing the final report. This could alleviate concerns by EITEs over submitting the report earlier than necessary while also presenting legislators with the information that is ready now that Ecology wants to make available sooner rather than later and leaving additional time for a thorough analysis of the recommendations.

Deficiencies in the RMI Report

There are a number of concerns with the conclusions and recommendations made in the RMI report. Specifically:

- The actual feasibility to electrify large scale (MW+ sized) equipment due to the well-known grid capacity limitations in Washington state in addition to the significant associated costs and time horizons for expanding the necessary generating capacity and transmission infrastructure.
- Permitting timelines that slow down the process of installing new technologies or modifying existing equipment and processes where these projects represent decarbonization opportunities.
- Lack of consideration for the financial challenges and economic impact on a facility to replace existing equipment in order to achieve decarbonization where that equipment still has decades of serviceable life and represents a major capital investment that has been made already.
- The unrealistic technical feasibility of certain suggested decarbonization pathways such as:
 - Fuel switching to biogas where no nearby source exists or where this would require a major investment to generate biogas onsite.
 - Fuel switching to hydrogen where no local source already exists or where electrolysis technologies would require electrical power that the local grid cannot provide.
 - Carbon capture and usage or sequestration that requires a local market to utilize the captured CO₂ as a feedstock or suitable geologic storage for long term sequestration of the CO₂.

Comments on Document 6 Recommendations

Additional free allowances to support electrifying (**Recommendation 2.2**) a facility would be beneficial, however this won't address the current lack of available generation and transmission capacity. It could then appear that entities are not taking advantage of this supporting mechanism when in fact there is actually an

underlying roadblock that prevents them from doing so.

Product-based benchmarks for allowance allocation (**Recommendation 3.1**) could be beneficial where the variety of products a facility makes has significantly changed since the baseline time period, especially if it now makes a larger variety of more emission-intensive products, but this method could also be very cumbersome for that same reason. The other option (BAT assessment) would need to be supported by proper technical evaluation that fully understands what is actually technically and economically realistic for F&B processing facilities in different parts of Washington state. An alternative to re-baseline a facility would not address a scenario where that facility's mixture of products continues to change over time from lower emission intensity products to higher emission intensity products.

Mandatory consignment of free allowances (**Recommendation 3.2**) into the quarterly auctions could provide a meaningful way to support decarbonization projects if the proceeds are ring fenced for decarbonization projects, but there would need to be a degree of flexibility in spending the money depending on the scale of auction proceeds versus the cost of decarbonization projects and the timelines for actually implementing a project (e.g. using auction proceeds to electrify boilers but having to wait for the grid capacity to catch up first).

As a variation to the concept proposed in Recommendation 3.2, Ecology could maintain free allocation levels to EITEs post-2034 at or near 94% on the condition that each entity must produce a decarbonization roadmap to demonstrate how a facility would achieve decarbonization over time including how proceeds from selling the free allowances would be applied to support decarbonization projects at a specific facility. This could be a method for supporting and rewarding efficient production and continued decarbonization.

Other Suggestions

If Washington state really wants to prioritize the decarbonization pathway of process electrification to displace natural gas, then prioritizing connection capacity for EITE industries over data centers or other new large loads that are competing with the EITEs should be considered.

Summary

Simplot's comments to 2022 rulemaking establishing the CCA stated the following:

"Simplot's overarching interests in this rule making are for Ecology to adopt a rule that provides compliance flexibility that enable meaningful, and affordable reductions of GHG, protects the economy from allowance price volatility, contains compliance costs, and does

not undermine the competitiveness of our Washington businesses. The EITE provisions of the Proposed Rule are especially important to maintaining the competitiveness of our Washington businesses.”

As the earlier comment stated: *“the EITE provisions of the Proposed Rule are especially important to maintaining the competitiveness of our Washington businesses.”* Thus, it is very important that Ecology take the time to prepare a report to the legislature on EITEs that **accurately reflects** the potential costs, the significant challenges, and ability of Washington’s industries to make the major change in their energy systems that the CCA is requiring.

We appreciate the Departments careful consideration of these comments.

Sincerely,



Alan L. Prouty

Vice President, Environmental & Regulatory Affairs

CC: AVEC
Food Northwest
Perry Hanson, J.R. Simplot Company