NORTH CASCADES STRATEGIES

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Washington State Department of Ecology
Cap-and-Invest Industrial Team
Via electronic comment platform (ecology.commentinput.com)

Re: Report and recommendations to the Legislature on EITE allowance allocation for 2035–2050 — comments on Focus Areas 3 and 4

Dear Cap-and-Invest Industrial Team:

For more than a decade, my work has centered on commercializing climate technologies — helping move first-of-a-kind clean industrial and energy projects from demonstration to the point where private capital will finance them at scale. I write through my firm, North Cascades Strategies, which advises funders working to accelerate industrial decarbonization in Washington. I offer these comments on the design of the consignment policy under Focus Area 3 and on the complementary measures under Focus Area 4.

Washington has an opportunity that few states are positioned to take. The Climate Commitment Act has done what it was built to do on the revenue side, raising roughly $3.5 billion since 2023, far beyond the state's initial projections, and it has proven durable at the ballot box and in the courts. The question in front of the state now is what that value builds. Used deliberately, cap-and-invest can be the foundation of a commercial industrial policy for Washington: one that raises revenue, brings clean industrial technologies to commercial scale inside the state, and creates durable, family-wage jobs that stay because the assets anchoring them are built and owned here.

The program is moving in the right direction, and the consignment design under Focus Area 3 is where the next step is decided. Consigned proceeds that are tightly targeted at the specific decarbonization projects each facility needs can turn allowance value into projects that can be repeated across the state providing workforce opportunities in communities from Seattle, to Walla Walla to Spokane to Richmond. Do that well, and Washington becomes a place where commercial climate technologies originate and prove out, rather than a place that waits to buy them once they are proven somewhere else. The refineries, pulp and paper mills, aluminum, and cement plants that would host that first wave are already here.

My comments address five design choices, keyed to the questions in Ecology's May 2026 supporting document. I have written them to support the strongest version of the consignment policy Ecology is already contemplating.

1. Hold consigned proceeds in facility-linked accounts outside the state treasury.

Ecology's supporting document asks what flexibility EITE facilities should have over the use of consigned funds, and how to ensure the funds actually achieve reductions. One design answers both. When a facility's consigned allowances clear at auction, the proceeds should flow to a dedicated, facility-linked account held by a qualified trustee or custodian, outside the state treasury, restricted by rule to approved decarbonization projects at that facility. The structure carries three administrative advantages. The funds never require appropriation, so deployment is decoupled from the biennial budget cycle and projects can move on facility timelines rather than fiscal ones. The audit trail is clean, because each account maps to one facility and one set of approved projects. And the statutory promise of ESB 6246, that proceeds are invested at the EITE facility, is enforced by the account structure itself rather than by after-the-fact reporting alone. Québec's consignment approach, which Ecology's document cites, likewise keeps the value working for the consigning facility rather than passing it through a general treasury.

2. Let a facility satisfy its obligation by investing through a qualified deployment vehicle.

Ecology's document asks what types of decarbonization projects should be funded and how they should be identified. Many high-impact projects at Washington's EITE facilities — electrified process heat and steam, carbon capture, major efficiency retrofits — are too large for one facility's consigned proceeds in one year. The rule should expressly permit a facility to satisfy its consignment obligation by investing its proceeds through a qualified deployment vehicle: an entity, public or nonprofit, that finances, and where useful owns, decarbonization assets at EITE facilities. Two features follow. Proceeds should be bankable across years within the facility account, so multi-year accumulation can reach the scale of real projects, which the document's own question about project timelines and facility turnarounds anticipates. And investment through a vehicle should count when the funded asset sits at, and reduces emissions at, the consigning facility, whichever entity holds title.

3. Credit leased decarbonization assets a facility hosts, alongside assets it owns.

The capital structures most capable of financing first-of-a-kind industrial projects in Washington involve a public or nonprofit entity owning the decarbonization asset and leasing it to the facility operator, a pattern the state already uses for public infrastructure. Federal law reinforces it. Under Section 6417 of the Internal Revenue Code, a public owner of qualifying clean-energy property can claim federal credits as a direct cash payment that a private industrial owner often cannot use. The crediting rules should recognize a project in which the EITE facility hosts and operates a leased decarbonization asset, supported by its consigned proceeds, as fully satisfying the facility's obligation. Rules that credit only facility-owned assets would foreclose the financing structures most able to deliver the very projects the policy exists to produce.

4. Allow pooling for smaller facilities.

A per-facility consignment percentage will produce proceeds at some facilities too small to fund any meaningful project alone. The rule should let facilities, particularly within a sector or a shared industrial corridor, pool consigned proceeds in a common deployment vehicle for projects that reduce emissions at each participating facility, with each facility's account tracking its contribution and its attributed reductions. Aggregation turns stranded small balances into fundable projects, and the account structure in point 1 keeps the audit trail intact.

5. Address the supply-side gap in industrial-scale finance (Focus Area 4).

Ecology's document asks where the gap in Washington's policy landscape for EITE facilities sits, and it names green banks and lending mechanisms among the supply-side options. For industrial decarbonization, that gap is the absence of finance built for industrial scale. Washington's existing tools are a grantmaker in Commerce's programs, a conduit bond issuer in the Washington Economic Development Finance Authority, and a new nonprofit green bank whose initial capitalization and mandate address residential and small-commercial markets. None can finance a $50 to $100 million first-of-a-kind industrial project. The gap has widened over the past year, as recent federal law curtailed the clean-energy tax credits and froze the federal green-bank funds that industrial projects might otherwise have drawn on. Focus Area 4 should include building industrial-scale finance capacity, through lending and asset-ownership structures that pair with the consignment policy, so consigned proceeds land in a system able to convert them into built projects rather than waiting lists.

One point runs across all five. Annual reporting from each facility account, verified against the professional-engineer-reviewed facility assessments that ESB 6246 already requires beginning in December 2028, gives Ecology a ready-made backbone for identifying and verifying projects. The assessments identify the feasible projects, the accounts fund them, and the reports close the loop in measured emission reductions.

Washington is well positioned to lead here, and the consignment design is where that lead is secured. I appreciate the care Ecology has brought to this work and the openness of this process, and I would welcome the chance to discuss any of these points with the team.

Respectfully submitted,

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