

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

Re: EITE Allowance Allocation 2035 to 2050. Comments on May 2026 Focus Areas

Dear Mr. Young:

I am writing on behalf of Nucor Steel Seattle (“Nucor”) to offer comments on the four focus areas the department of Ecology (Ecology) identified in its May 2026 supporting materials, *“Report and recommendations to Legislature on EITE allowance allocation for 2035-2050”*. Nucor owns and operates the only steel mill in Washington State, an EITE facility with an emissions intensity 87% below the global average and 67% below the U.S. long-product average.

Nucor's comments below address each of the four focus areas identified in the May 2026 materials. Before addressing those specific focus areas, however, Nucor notes that the purpose of the report is to offer policy options to the legislature to reconcile two conflicting statutory goals: meeting the GHG emissions reduction targets in RCW 70A.45.020 and avoiding leakage which the legislature recognized would increase GHG emissions and hurt the communities that support EITE industries. The four focus areas explore options to reduce the allocation of no-cost allowances to EITEs or to monetize EITE allowances to invest in conservation projects. Recommendations presented in these focus areas impose costs on EITEs that may not be sustainable. Recognizing the possibility that the recommendations outlined may increase the risk of leakage, Ecology should include in its report the option of adjusting the GHG reduction milestones in RCW 70A.45.020 to mitigate the risk of leakage. Ecology lacks the authority to make those trade-offs, but they are options for the legislature that should be presented in Ecology's report.

Focus Area 1: Method for making annual reductions to EITE allowances

Ecology's report seeks comment on a proposed method for allocating EITE allowances that ensures against emissions leakage. Nucor advocates for an achievable, predictable allowance allocation plan which is based on the actual feasibility of decarbonization at Washington's EITE facilities. Feasibility, as applied to allowance allocation, should be understood to include and account for:

- Financial feasibility, including project economics, cost of capital, and a facility's ability to fund projects while remaining competitive against out-of-state and international producers that are not subject to comparable carbon costs.
- Technological feasibility, including whether a given decarbonization pathway is commercially proven and available at the scale a facility needs, not merely demonstrated elsewhere or at pilot scale.

- Operational feasibility, which includes site-specific constraints such as power availability, grid capacity, and integration with existing process equipment.
- Timeline feasibility, including realistic permitting, capital planning, and construction timelines, which for major industrial projects commonly run 5-20 years.

Nucor recommends that Ecology consider the following policy recommendations related to enactment of a “cap adjustment factor”:

- Use facility-level feasibility reports submitted by EITEs (such as those contemplated under SB 6246) to analyze the economic impacts of any “cap adjustment factor” and to establish a “bottom limit” for each facility below which allowances may not be reduced.
- Align an allowance allocation strategy for the Steel sector with the Global Steel Climate Council (GSCC) standard-based glidepath.

Either of these approaches would give Nucor a predictable, achievable compliance schedule supported by technical and economic analysis, while still requiring meaningful progress. A primary concern for Nucor is that an adjustment factor set without reference to facility-specific feasibility or set at a rate faster than facilities can realistically achieve, could increase leakage risk rather than reduce it.

Focus Area 2: Criteria and methods for making as-needed adjustments

Ecology's report also seeks authority to make as-needed adjustments to EITE allowance allocation. Nucor has concerns about this authority as currently framed, unless it is limited to allowing increases to allowance allocation in response to such developments or changes in leakage risk. If the authority also permits decreases, the allowance schedule is no longer predictable, and EITEs lose the ability to plan capital investments around a known allocation path. Nucor recommends that any as-needed adjustment mechanism Ecology pursues be one-directional, available to increase allowances where warranted, but not to reduce them below the schedule already established under Focus Area 1.

Focus Area 3: Consignment policy

Ecology's report seeks comment on a consignment policy that would require EITEs to commit a portion of their no-cost allowances to the market and use the proceeds to fund decarbonization projects. Nucor could support a consignment policy of this kind if it is designed correctly. Specifically, Nucor would support a consignment policy only if:

- It is not stacked on top of a cap adjustment factor in a way that increases the overall severity of the allowance ramp-down. Consignment should be an alternative mechanism for funding decarbonization, not an additional reduction layered on top of Focus Area 1.
- Proceeds from an EITE's consigned allowances are usable only by that same EITE entity, not paid into a general pool or fund.
- The conditions on how consignment funds may be used are not so restrictive as to be prohibitive in practice. For example, funds should be usable for production-line upgrades

that reduce emissions even if the upgrade also serves other operational purposes, and should not be conditioned on emissions-reduction thresholds set so high that few, if any, real-world projects could qualify.

Designed this way, a consignment policy could give EITEs a workable, facility-controlled source of decarbonization funding. Designed without these safeguards, it risks becoming an additional compliance burden layered on top of a declining allowance schedule.

Focus Area 4: Additional state policies and strategies

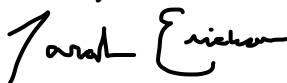
Ecology's report requests comment on which complementary measures would be most helpful in supporting EITE decarbonization. Among the four focus areas, Nucor's most significant recommendations relate to complementary measures. Reducing no-cost allowances over time without also removing the barriers that currently stand in the way of industry decarbonization would increase leakage risk. Nucor supports the following types of complementary measures:

- Guaranteed power availability or rate subsidies for electrification projects, including the replacement or upgrade of existing manufacturing equipment. Power availability continues to be a limiting factor for further electrification at Nucor Steel Seattle, which is already substantially electrified and is currently participating in a pilot demand-response curtailment program with Seattle City Light.
- Streamlined permitting specifically for decarbonization projects, so that permitting timelines do not become the binding constraint on projects that are otherwise financially and technologically feasible.
- An incentive funding program similar to California's Manufacturing Decarbonization Incentive Fund, which provides incentive allowances or funding to manufacturers that invest in qualifying decarbonization projects.

Lack of power, permitting, and funding are among the most significant barriers to continued decarbonization across Washington industry. Without these, even technologically available options for decarbonization may not be feasible. Absent solutions to these barriers, Washington EITE facilities may find their options for further decarbonization limited for reasons outside their control.

Nucor appreciates the efforts Ecology has taken to engage with Washington's EITE industries throughout this process and asks Ecology for the opportunity to discuss these issues further as Ecology's report to the Legislature is developed.

Sincerely,



Tarah Erickson

Environmental Manager
Nucor Steel Seattle