U.S. Oil & Refining Co.
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Sent via email to: CCAEITEIndustries@ecy.wa.gov

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

Re: Report *and recommendations to Legislature on EITE allowance allocation for 2035-2050*

Dear Mr. Young,

U.S. Oil and Refining Company (USOR) and Par Pacific (PAR) appreciates the opportunity to provide input on the new report from Ecology on future EITE[1] (emissions-intensive, trade-exposed) allowance allocation required by recent legislation[2]. This second report – which requires Ecology to provide specific recommendations to the legislature for the continued allocation of no-cost allowances beginning in 2035 – will be consequential to EITEs in the state including USOR as a particularly poignant example.

Aligned with the Western States Petroleum Association (WSPA), whose comments we fully endorse and incorporate by reference, USOR and PAR emphasize that allocation of free allowances to EITE must be maintained at levels that protect against Leakage. Based on the information available to us, we believe implementing a cap decline factor without significant safeguards against leakage as an adjustment to EITE allocation simply to align with the overall cap trajectory of the WA Cap and Invest (C&I) program will not properly protect WA industry from Leakage. A cap adjustment factor should not reduce EITE no-cost allocation faster than credible and implementable substitute mechanisms to mitigate leakage are created. The Legislature should not reduce EITE no-cost allocation faster than cost-effective technologies to reduce emissions are available at scale; and, there should be awareness that a fast-paced reduction could result in loss of jobs and economic leakage from the state of Washington in addition to leakage of emission to regions without equivalent environmental controls.

It is imperative that Washington develop a policy package that recognizes the significant challenges posed by industrial decarbonization, particularly when most out-of-state competitors to EITEs in Washington have been given no such requirement placing businesses

[1] EITE historically means "Energy Intensive / Trade Exposed" but Washington statute defines EITE as emissions-intensive, trade-exposed
[2] Engrossed Senate Bill 6246, Chapter 70A.65 RCW, 2026 Regular Session

outside of Washington at a competitive advantage. The Legislature correctly identified the importance of providing no-cost allowances to EITEs in the enabling legislation for this program, and Ecology has correctly identified that "no-cost allowance allocation remains the most viable and effective policy for mitigating leakage risk."

Of the focus areas to address leakage that are identified and discussed in detail by WSPA, we would like to add our emphasis to the value and need to consider sector-specific and sector-based allocation approaches. EITE sectors differ in emissions profiles, product markets, abatement options, capital cycles, trade exposure, and exposure to other Washington policies. A uniform allocation decline may be administratively simple but could produce materially different leakage and investment outcomes. Ecology should recommend that they be given authority to evaluate sector-specific trajectories and sector-based allocation mechanisms where needed to preserve in-state production while encouraging carbon emissions-intensity improvements. We believe that USOR is an exemplary case in point of the importance of preventing leakage from the state of Washington to avoid unintended consequences.

U.S. Oil and Refining Company (USOR) have been a trusted and valued local provider of high-quality clean fuels since the late 1950s. Today, while still the smallest refinery in Washington, USOR is one of the most carbon emission efficient refineries in the world. For example, USOR produces 2 to 3 times less direct carbon emissions per barrel of crude processed than the other refineries in Washington. We are proud of this history and, while recognizing the change in demand for fuels, we believe USOR will and should play an important role in the local and regional energy future for many years to come. USOR has invested in Cleaner Fuels production and looks forward to continued investments to supply the future demand for Cleaner Fuels. A brief history and summary of carbon emissions, jobs, and economic value of USOR are attached to this letter.

As explained in detail in our prior request for an upward adjustment to the reduction in free allowances[3] as provided by the current and proposed rule language[4], increasing regulations include CCA and costs have significantly increased the risk of leakage imposed on USOR even over just the past several years. This is despite USOR being a world leader in carbon efficiency (direct Co2 emissions from the facility) USOR. Additional reductions in direct facility carbon emissions are currently technically infeasible or impracticable. Any added pressure from an over aggressive reduction in free allowances, especially one that is blind to sector-specific and sector-based allocation approaches, exacerbates the risk of leakage from Washington's lowest carbon emission source of clean fuels.

As Washington's leader in carbon efficient production of clean fuels that are needed to meet regional demand, we implore Ecology to fully consider the detailed comments submitted by WPSA with specific emphasis on maintaining allocation of free allowances to EITEs such as

[3] Provide reference to submittal noting that the information was submitted to ECY as CBI.
[4] Proposed and existing rule at 173-446-220 (2)(d)(ii).

USOR at levels that protect against leakage until such time as than credible and implementable substitute mechanisms to mitigate leakage are created. We also request that Ecology recommend in the report that Ecology have authority to evaluate sector-specific trajectories and sector-based allocation mechanisms where needed to preserve in-state production while encouraging emissions-intensity improvements.

Sincerely,

Andrew Troske

Facility Manager

U.S. Oil and Refining Company (USOR)

U.S. Oil and Refining Company (USOR) have been a trusted local provider of high-quality clean fuels since the late 1950s. Despite its growth from a family-owned business, USOR remains the smallest refinery in Washington State. Focused on serving the local market, it operates with a simpler configuration than other refineries in the region and is the only producer of 100% recyclable asphalt, effectively sequestering significant amounts of carbon (~2.5 million barrels per year for asphalt produced by USOR contains carbon equivalent to approximately 1,200,000 MT per year of CO2e). Additionally, USOR supplies jet fuel to Joint Base Lewis McChord through a dedicated pipeline, playing a vital role in Washington's national defense contributions. USOR has and will continue to provide the fuel that our community demands.

USOR plays a significant role in the local and state economy, supporting approximately 190 full-time employees as well as 40 full-time contractors at the heart of the Tideflats in Tacoma. These jobs are high paying family wage jobs with compensation and benefits at the upper end of the overall pay scale in the Port, City of Tacoma, and Pierce County. In addition, indirect and induced employment amounts to approximately 10 additional jobs in the region for each USOR job per a UWT economic study. Refineries in WA are subject to local and state taxes that are significantly higher (approximately 3 times) than other states such as CA. In 2024, USOR paid over $3 million in property taxes and over $1 million in city taxes, in addition to state taxes such as the Hazardous Substance Tax (HST), Business and Occupation (B&O) tax, Oil Spill tax, the Petroleum Products tax, and the usual sales and use taxes totally nearly $23 million.

USOR's configuration and investments over the years to improve environmental performance and efficiency has resulted in a refinery that has consistently met environmental standards ahead of requirements and emits significantly less direct GHG emissions per barrel of fuel produced, especially when viewed on a regional basis with 86% delivered within the region. Its performance in terms of Metric Tons (MT) of carbon dioxide equivalent (CO2e) emitted per barrel of crude oil processed is near best in class globally and one half to one third as compared to the other refineries in Washington. We are proud of this history and, while recognizing the change in demand for fuels, we believe USOR will play an important role in the local and regional energy future for many years to come.

Leveraging available assets and the creativity and innovation of our highly trained workforce (supporting high value manufacturing jobs that are increasingly rare in our county and state), Par Pacific Holdings Inc. (Par) is implementing a renewable fuels project at its refinery located in Kapolei, Hawaii. Like USOR in Tacoma, Par Hawaii's business is to provide the fuel that the local community needs. We intend to meet the evolving needs of our community for decades to come. During 2019–2020, U.S. Oil installed dedicated renewable fuel pipelines between its refinery and docks—an ethanol line, renewable diesel line, sustainable aviation fuel line, and a three-inch recovered oil line. Only the ethanol line has been tied in so far, but U.S. Oil looks forward to tie in the other lines in the future to move renewable diesel, sustainable aviation fuel, and recovered oil between its docks and the refinery.