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accelerating the transition to our clean energy future

July 24, 2026
Adrian Young, Cap-and-Invest Industrial Policy Lead
The Department of Ecology
300 Desmond Dr. SE Lacey, WA 98503

Re: Climate Solutions' comments on the Department of Ecology's EITE Industries report to the Legislature.

Dear Adrian Young,
Climate Solutions appreciates the opportunity to provide comment on the Department of Ecology's ("Ecology") Cap-and-invest: EITE Industries report to the Legislature to inform a pathway for EITE compliance under the Climate Commitment Act. Climate Solutions is a nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest has emerged as a hub of climate action, and Climate Solutions is at the center of the movement as a catalyst, advocate, and campaign hub.

Climate Solutions advocated for the passage of the Climate Commitment Act ("CCA") in 2021 and we have tracked and engaged in numerous CCA-related public comment opportunities, legislative updates, and rulemakings to ensure the law is implemented effectively and equitably. As part of our work to engage with CCA implementation, we joined the EITE Policy Advisory Group in 2025 to help inform the Department of Ecology's recommendations to the Legislature on a compliance pathway for EITEs and engaged at the Legislature in support of Senate Bill 6246, the enabling legislation for this report.

We offer the following suggestions as the Department drafts its report. Overall, we strongly encourage Ecology to prioritize EITE compliance with CCA, incentivizing decarbonization, and maintaining the stringency of the cap.

Focus Area 1 – Method for making annual reductions to EITE allowances (developing a 'cap adjustment factor'):
Overall, we strongly recommend the implementation of a cap adjustment factor to ensure that EITEs are incentivized to reduce their emissions and to protect the stringency of the cap. Currently, Ecology projects that under a business as usual scenario (94% no-cost allocation rate), EITEs are projected to need all available allowances by 2037, meaning no revenues can be generated by the program, and shortly thereafter are set to break the cap. Thus we strongly urge an effective cap adjustment factor.

1. **What types of data or assumptions can be used to assess the ability of EITEs to decarbonize during the 2030s and 2040s?**

EITEs were allotted no-cost allowances and a longer lead time to reduce emissions under Washington's Climate Commitment Act to account for the unique needs of these industries in decarbonizing. Therefore, it is imperative that these industries provide detailed information in the coming years regarding their facility processes, including heat use, temperature requirements, electricity needs, and more, so that these industries and the state are best equipped to understand their pathway for decarbonization. SB 6246 enables Ecology to collect all necessary data and we want to affirm this need. Additionally, we urge Ecology to review best practices and industrial decarbonization projects outside of Washington (both in other states and in other country) to assess EITEs' abilities to decarbonize.

2. **Should all industrial sectors be subject to the same annual reduction in no-cost allowances or should some sectors be treated differently? For example, facilities with a high or fixed proportion of emissions resulting from chemical processes rather than combustion.**

While we are generally comfortable with a uniform cap adjustment factor applied across all facilities, we recommend the inclusion of a sector-based product benchmark in EITEs' no-cost allowance allocation equations. Ecology has noted limitations of this approach for certain sectors that have too few facilities in-state to establish a benchmark, however, this is an effective way to reward facilities that are making progress towards decarbonization, and to incentivize those who are behind to follow suit. We encourage Ecology and the Legislature to consider the impact of implementing a sector-based product benchmark prior to 2035 to help make incremental progress ahead of the possibly steep drop off in no-cost allowance allocation beginning in 2035.

To address Ecology's concerns around a limited number of facilities in certain sectors, it would be worth exploring the viability of a regional sector-based benchmark. For example, facilities could be compared to other similar facilities within a sector across the Northwest (Oregon and Idaho) and/or to other linked jurisdictions in the U.S. (California). Ecology could also explore Quebec's approach, which establishes a sector-based product benchmark for facilities with a sufficient number of facilities to establish an average, and develops facility-specific benchmarks for facilities where the amount of facilities is insufficient.

Lastly, to mitigate leakage risk, we are interested in including a leakage risk assistance factor to account for the variable needs and conditions of each sector, recognizing that California has run into challenges regarding implementation of this assistance factor. In addition, we remain interested in California's approach of providing a credit to EITEs to cover the cost of purchased electricity as an additional incentive to decarbonize/mitigate leakage risk. While we are open to Ecology's original suggestion of issuing no-cost allowances for this purpose, our preference is to instead provide a credit to support market liquidity.

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Focus Area 2 – Criteria and methods for making as-needed adjustments to EITE allowance allocation

1. **What types of circumstances or conditions should qualify for making as-needed adjustments to EITE allowance allocation? What objective criteria and data could be used to inform these adjustments?**

If an EITE is seeking *upwards* adjustment to no-cost allowance allocation, this should require very strict considerations and some extenuating circumstances not originally envisioned or considered. This should also be considered in tandem with an assessment of cumulative air pollution burden in an overburdened community and Ecology's ability to limit offset use for EITEs, in consultation with the Environmental Justice Council. We also support Ecology having the authority to reduce no-cost allowance allocation if the demand for no-cost allowances exceeds the number of total allowances in the program or if required by other emerging market conditions.

Focus area 3 - Requiring EITEs to invest some of the value of their no-cost allowances in decarbonization projects (implementing a consignment policy)

1. **What factors should be considered when identifying the number of EITE allowances to be consigned to auction?**

Overall, Climate Solutions is very supportive of the use of consignment as a mechanism to require investment in decarbonization, while addressing the barrier of funding. To maximize the benefits of consignment, we encourage the implementation of consignment prior to 2035. To this end, Quebec offers a useful model that is incremental, requiring consignment of only 1.7% of each facility's no-cost allowance allocation. We are interested in the exploration of Quebec's approach. Then, beginning in 2035, the percentage of consigned allowances could ramp up, similar to treatment of gas utilities.

2. **What types of EITE decarbonization projects should be funded and how should they be identified? For example, eligible projects could be specified in rule or identified by EITE facilities through technical assessments that are submitted to Ecology.**

Regardless of the means by which the guidelines for these projects are set, consigned revenue from EITEs should not be used for planning/studies. Quebec allows for consigned funds to be used for technical feasibility studies, in addition to actual decarbonization projects and innovation projects. However, with the passage of SB 6246, EITEs are already required by law to develop decarbonization plans, so funds should be dedicated towards projects.

We would support projects identified via the new planning and reporting requirements per RCW 70A.65.110(9) to be able to access consigned funds, in addition to an Ecology-approved list of projects. EITEs should also be required to submit plans/project proposals and get approval of these plans by Ecology to ensure that projects meet criteria set by rule or via legislation. Overall, it will be critical that these projects are in line with State Energy Strategy's electrification scenario and compliant with the Clean Energy Transformation Act, Washington's greenhouse gas reduction mandate, and the CCA's declining cap.

3. **What types of facility-specific factors need to be considered in relation to decarbonization projects? What type of flexibility should EITEs have regarding the use of consigned funds? For example, how long should consigned funds be available, and should EITEs be required to prioritize projects with co-benefits, such as reducing air pollution?**

Climate Solutions recommends that there be facility-specific considerations when determining timelines for decarbonization projects given the nature and variability of specific projects. For example, if a facility needs to replace a furnace, this is a large project that will likely require a longer lead time and more revenue to be able to implement, versus a smaller efficiency project. We defer to Ecology on appropriate timelines for different types of projects.

To reiterate, we urge that funds be dedicated to decarbonization projects, not for studies. While Quebec offers a useful starting point, it is also worth noting that Quebec lists renewable natural gas (RNG) as an energy substitution source, and we do not support the use of consigned funds for new uses of RNG. Additionally, we support requiring that some portion of consigned revenue be dedicated to projects with co-benefits of reducing criteria pollution and/or other hazardous air pollutants, especially for facilities located in overburdened communities as identified by Ecology.

Focus area 4 – Additional state policies or strategies to support the reduction of emissions and decarbonization of EITEs (i.e. complementary measures)

There are opportunities across supply-side, demand-side, and transition enabling policies to support industrial decarbonization. On the supply side, the continuation of the Commerce hard-to-decarbonize grant program will be useful, although given the current scale of this grant program, it may be best suited towards non-EITE industrial facilities that must comply with the CCA and are currently paying into the program. That being said, we do see a strong need for funding support for these facilities, and would like to see Washington's green bank, Washington Builds, leverage public and private financing for EITE decarbonization projects.

For demand-side policies, we are interested in exploring a clean product standard in Washington.

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Lastly, there are a number of policy changes that would better enable EITEs to transition to clean energy. A lack of utility planning for industrial electrification has emerged as a significant barrier to ensuring adequate clean electricity availability. Requiring that utilities plan for industrial electrification and corresponding needs for grid capacity and clean energy generation will be key. To this end, increasing transmission capacity through upgrading existing lines, enabling build-out of battery energy storage, and ensuring efficient and effective buildout of new lines, as well as accelerating siting, permitting, and construction of clean energy are all foundational to supporting industrial electrification.

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Thank you for considering our comments. We appreciate Ecology's work to ensure the effective implementation of the Climate Commitment Act and look forward to continuing to collaborate with you.

Sincerely,

Altinay Karasapan
Program Director, Climate Policy Implementation
Climate Solutions