Northwest Pulp & Paper
ASSOCIATION

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Submitted via online comment portal

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Dear Adrian,

Thank you for the opportunity for the Northwest Pulp & Paper Association (NWPPA) to comment on the Department of Ecology's EITE Allocation: 2035-2050 report to the legislature.

NWPPA is a 70-year-old regional trade association representing 11 member companies and 13 mills in Washington, Oregon and Idaho, seven of which are located in Washington State. Our member mills in Washington provide 4,000 union-backed, family wage jobs in some of Washington's more rural, economically distressed communities. Mills provide a 3:1 job multiplier and are often the single largest taxpayer in these communities, a large portion of which is distributed as funding for schools and emergency services.

NWPPA and our members appreciated the opportunity to meet with Ecology as a sector on June 29th. As a follow up to that meeting and in response to Ecology's supporting report materials, NWPPA offers the following feedback:

Focus Area 1 – Method for making annual reductions to EITE allowances (developing a 'cap adjustment factor')

<u>What types of data or assumptions can be used to assess the ability of EITEs to decarbonize during the 2030s and 2040s?</u>

> The data and assumptions for the pulp and paper sector will vary by facility. NWPPA believes that Ecology will obtain the necessary information to make these assessments in the individual facility reports due in December 2028.
>
> Additionally, the framing of this question fails to take into account emissions reduction projects that were implemented prior to the implementation of Washington's cap-and-invest program. For example, the pulp and paper sector achieved notable emissions reductions prior to the

establishment of the CCA in 2021 and the cap-and-invest program in 2023. In a study by NCASI[1], historical energy and production data for the for the United States pulp and paper industry were synthesized from several public and industry datasets to calculate greenhouse gas (GHG) trends for the industry on intensity (mass of GHG emissions per unit of production) and absolute (mass of GHG emissions) bases. Since 1990, reductions in direct emissions for the industry have been approximately 50% on both absolute and intensity bases. Reductions in GHG emissions attributed to purchased electricity have been approximately 44% on an intensity basis and 48% on an absolute basis, and reductions have accelerated with accelerated greening of the electricity grid since 2008. Since 2005, the reductions in direct and indirect emissions have been 31% and 37%, respectively. GHG reductions for the industry have been driven by reductions in facility energy intensity over time, fuel switching from more GHG intense fuels to less GHG intense fuels, and, since 2000, production reductions within the sector.

EITE facilities, including pulp and paper mills, are by nature hard-to-decarbonize. Earlier adoption of emissions reduction projects has direct implications for the technical and economic feasibility of future decarbonization efforts and should be accounted for in any assessment of EITE decarbonization potential.

Should all industrial sectors be subject to the same annual reduction in no-cost allowances or should some sectors be treated differently?

Given that leakage is a market driven risk and each EITE sector has different market dynamics, NWPPA does not believe that Ecology will be able to make a defensible determination on annual reductions in no-cost allowances or the implementation of a cap adjustment factor without a comprehensive emissions and jobs leakage analysis that thoroughly evaluates the risks for each of Washington's EITE sectors. As is noted in the report commissioned by Ecology from the Eastern Research Group (ERG) on market impacts and environmental justice concerns, there are three layers of economic impacts – direct, indirect, and induced. While the ERG report does cover some of the economic impacts, it does not fully capture the value of and risks to these facilities.

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

What types of circumstances or conditions should qualify for making as-needed adjustments to EITE allowance allocation?

In developing a set of circumstances or conditions that qualify for making as-needed adjustments to EITE allowance allocation, it's important to note that a decrease in production does not necessarily result in a proportional decrease in emissions. Whether temporary or permanent, decreases in production levels may lead to process inefficiencies, which can create meaningful disparities between emissions allocations and actual facility emissions.

In addition to the proposed circumstances outlined in Ecology's draft rule language for the WAC 173-446 Linkage rulemaking, there may be additional shorter-term circumstances that should qualify for as-needed adjustments. Many of the circumstances outlined in the draft rules focus on long-term operational changes, however, there are not clear provisions for temporary or supplementary process changes in response to unforeseen or uncontrollable circumstances. For example, a facility may need to temporarily rely on rental or borrowed equipment in response

[1] See: https://www.ncasi.org/resource/greenhouse-gas-reductions-for-the-us-pulp-and-paper-industry/ [2] See: https://feature.wecc.org/wara/

to an unforeseen circumstance, resulting in an increase in direct emissions. Provisions for short-term and long-term changes are equally important.

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

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

It's important to clarify that EITE allowance consignment would be in addition to the existing reduction schedule for no-cost allowances. Any consignment requirement will in turn increase the portion of allowances that EITEs will have to purchase if unable to make the equivalent emissions reductions. The increased purchase of allowances is in turn likely to decrease the funding EITE facilities have available for these types of projects.

As Ecology is aware, the economic and technical feasibility associated with emissions reduction projects in hard-to-decarbonize sectors can pose challenges in the pace and viability of adoption. In addition to the funds directly generated from allowance consignment, a multiplier that would be made available from general auction proceeds could potentially offset some of the economic challenges associated with consigning and purchasing allowances.

What types of EITE decarbonization projects should be funded and how should they be identified?

NWPPA does not believe that eligible projects should be specified in rule. This approach would undoubtedly hinder facility and program efforts to reduce emissions by making assumptions about the development and implementation potential for these types of technologies. It is most likely that the technical assessments EITEs will submit to Ecology in December 2028 and thereafter will produce the most eligible list of emissions reduction projects for each facility.

What type of flexibility should EITEs have regarding the use of consigned funds?

As has been noted, EITE processes are by nature hard-to-decarbonize, which means that the lead time on emissions reductions projects at these facilities is likely to be long. Ensuring funds from consignment are allocated to the facility from which they were consigned for a reasonable period of time is essential. NWPPA believes that funds generated from consignment should be available exclusively to the facility from which they were consigned for a period of at least ten years.

NWPPA does not believe that EITEs should be required to prioritize projects with co-benefits. A facility should have the flexibility to determine which project will yield the greatest benefit relative to emissions covered under the cap-and-invest program.

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

Where is the biggest gap in Washington's policy landscape for EITEs?

The primary category for policy development is transition enablers. As Ecology is aware, there are significant concerns in the Pacific Northwest region around grid capacity and the availability of reliable clean power that will meet the growing demand. Washington's annual electricity

demand is expected to increase by 20.4% over the next ten years.[2] This is attributable to things like residential and commercial building electrification, vehicle electrification and charging stations, new data centers to compete with the growing demand for AI, crypto mining, decarbonization policies for manufacturers, etc.[3] Policies that enable and streamline the deployment of emerging technologies are essential for Washington to continue working toward its GHG reduction goals. Without these policies, the availability of decarbonization technologies won't matter because the infrastructure won't be there to support it.

The secondary category for policy development is supply-side policies. Supplemental funding mechanisms such as grant programs, subsidies, and tax credits help offset some of the economic infeasibility associated with technology deployment in hard-to-decarbonize sectors. If technologically feasible projects remain when a facility reaches a point where all technologically and economically feasible emissions reduction opportunities have been achieved, supply side policies work to improve economic viability of those remaining projects. This is especially important for EITE facilities that are competing in global markets.

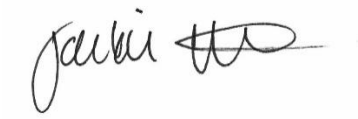
Which complementary measures would create the greatest synergies with the Cap-and Invest Program?

Much of the work Ecology has been tasked with assumes that EITE facilities have unrealized or unachieved opportunities to decarbonize. However, we believe that the decarbonization potential for EITEs, specifically pulp and paper, have been overestimated. A Best Available Technology (BAT) standard would work to demonstrate when the emissions reduction opportunities for a given facility or process have been achieved. This is important because a BAT standard generally includes not only the technology used but also design, construction, operation, maintenance, and decommissioning. BAT standards combine technological effectiveness, economic feasibility, and regulatory compliance, which helps facilities minimize emissions while maintaining operational viability.

The second complimentary policy approach is the development of offramps. As previously mentioned, Washington is bracing for a significant infrastructure and resource adequacy issue with grid capacity in the region. Additionally, the availability of alternative fuels and lower emissions technologies is not currently on pace to meet the demand generated by Washington's aggressive GHG reduction targets. In January 2026, Quebec made the decision to delay its GHG reduction target of 37.5% by 2030 by five years to 2035, acknowledging the economic risks of the abrupt, costly decarbonization that would be required to achieve the original target. This is an example of why offramps are an important part of GHG reduction policies.

Thank you for your time and consideration of these comments. Please let me know if you have any questions.

Sincerely,



Jackie White
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[2] See: https://feature.wecc.org/wara/
[3] See: https://www.pnucc.org/wp-content/uploads/2025-PNUCC-Northwest-Regional-Forecast-final.pdf