Simplot Company (Dedra Williams)

The attached comments are on behalf of the Simplot Company regarding Cap-and-Invest ELITE Industries Report to the Legislature.

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Environmental & Regulatory Affairs

SUBMITTED ELECTRONICALLY VIA: www.ecology.commentinput.com

July 24, 2026

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

Dear Mr. Young:

The Washington Department of Ecology (Ecology) has been tasked with preparing a second report to the Washington State legislature on how Emissions-Intensive, Trade-Exposed (EITE) industries should be regulated under the Climate Commitment Act (CCA). Ecology is currently conducting consultation with interested parties, including meetings with EITE industry sector groups on these focus areas to help inform the report and has requested EITEs provide comments on four specific focus areas.

Simplot Company (Simplot) is a privately held, vertically integrated agribusiness with headquarters in Boise, Idaho. The company has substantial operations in the State of Washington, including three potato processing plants that are EITEs subject to the CCA. Simplot has provided prior comments to Ecology on the regulations associated with the CCA. Simplot has also been involved in discussions with Ecology and the consultant, RMI, engaged by Ecology to prepare the EITE decarbonization pathway report, the June 11th, 2026 public meeting, and the June 22nd, 2026 meeting with food manufacturing sector EITE members.

The May 2026 *Report and recommendations to Legislature on EITE allowance allocation for 2035-2050* outlined several topics within each Focus Area where Ecology is seeking additional feedback. Simplot's feedback on the outlined questions is provided in the following paragraphs.

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Focus Area 1 – Method for making annual reductions to EITE allowances (developing a '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?*

As is true today, the ability of EITEs to decarbonize in the future must be based on realistic feasibility analyses of the various relevant decarbonization options. The following types of information could allow for decarbonization feasibility to be better assessed and allow for comparison between different industry sectors and facility types.

- Total facility GHG emissions as well as a breakdown of emissions from combustion, emissions from processes, etc.
- Description of how heat is used in a facility's manufacturing processes, such as for hot water, steam, hot air for drying processes or reactions.
- Types and quantities of fuels being used now versus types and quantities of fuels/energy sources available (e.g. large volumes of natural gas versus potential to connect new large loads to the electrical grid).
- Current and projected costs for fuels and energy types.
- Timelines for electrical grid infrastructure build-out to allow for large scale electrification projects to become viable.
- Current state of development and timelines for commercialization of decarbonization technologies and alternative processes.
- Costs of decarbonization technologies.
- The cost per ton to reduce GHG emissions via feasible decarbonization projects should be compared with the value per ton of no-cost allowances allocated to EITEs.
- Degree of current trade exposure for EITEs and how this could change over the next few decades, which will affect the ability of EITEs to fund decarbonization projects.

Most of this data is already reported to Ecology or will be required in the future technical and economic evaluation reports required under SB6246.

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.*

Annual reduction schedules should be specific to each sector. Each entity will need to find unique solutions for their situation as these become technically and financially feasible.

Ecology should also provide an option for individual EITEs to petition for an adjustment to their reduction schedule based on circumstances that could greatly impact their ability to decarbonize, similar to the current review mechanism Ecology has available between

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compliance periods. Reasonable evidence might be provided through the type of evaluation reports required under SB6246 subsection 9.

3. *What other policies are needed alongside the provision of no-cost allowances to help ensure against leakage risk? (see Focus Areas 3 and 4 for potential complementary measures)*

The difficulty of predicting leakage risk with certainty was acknowledged in the January 2026 report to the Legislature published by Ecology "because leakage risk in the 2030s and 2040s will depend on several factors, including the cost and ability of EITEs to implement decarbonization projects, the ability of EITEs to pass through compliance cost, and the trade, climate, and energy policy context during this timeframe".

Consideration of the feasible decarbonization pathways that are available and the timelines on which these pathways will develop will be essential to reducing leakage. Cap adjustment factors should acknowledge a realistic level of energy efficiency improvement opportunities and development of new decarbonization technologies over time.

Policies that will support the financing of decarbonization projects at EITEs, remove the permitting barriers to implementing these projects, and enhance the development of the infrastructure that is needed for many of the significant decarbonization opportunities (e.g. large scale electrification) would be support further decarbonization activities.

State-backed funding and grant programs, possibly using CCA program revenues, could assist EITEs with earlier investment in decarbonization projects. There is a definite need for policy(s) that address the higher cost of electricity compared to natural gas, possibly through additional no-cost allowances or relief/reform of manufacturer large-load rates. The lack of existing grid capacity to support larger scale electrification projects will continue to be a key barrier to large-scale electrification.

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?*

As described in the May 2026 Report and recommendations to the Legislature on EIRE allowance allocation for 2035-2050, Ecology has acknowledged the difficulty associated with trying to set allocation levels based on currently available data and assumptions.

Ecology should specify in rule the details for a review process that will provide a way to make adjustments to EITE allowance allocation when there are sudden or significant changes to the level of trade exposure of an EITE, unexpected changes to product demand as a result of global events, financial hardship experienced by an EITE possibly from global events or from facility damage, significant feasibility barriers to further

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decarbonization at a facility, or other changes to circumstances that fundamentally alter the production intensity of a facility outside the control of the facility.

2. *What objective criteria and data could be used to inform these adjustments?*

An EITE should be able to present evidence (e.g. market reports or a Best Available Technology study) for consideration by Ecology that supports the presence of one or more of the circumstances listed in the previous answer above. Criteria or data to support the need for an adjustment could include:

- Decarbonization project costs) deemed unreasonable based on payback period calculations (e.g. new grid connections for large scale electrification
- Lack of physical infrastructure (e.g. electrical transmission equipment) or resources (equipment vendors or available workforce)
- Engineering study demonstrating no further ability to heat integrate processes in a facility (i.e. energy efficiency measures)
- Changes in market dynamics in a major market(s) that will disadvantage an EITE by more than a certain percentage or factor threshold to be determined by Ecology
- Other financial hardship due to sudden change in market conditions or significant physical damage to a facility of a threshold to be determined by Ecology

The annual reduction to no-cost allowances should then be paused for each year where the circumstances exist as long as the facility can annually provide evidence to show the continued existence of such circumstances along with a report on all efforts made to overcome them.

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?*

The design of a consignment policy for EITE no-cost allowances should consider whether there are feasible decarbonization options available to an EITE to avoid a situation where an EITE would have funds that could not be utilized in an economic manner and become stranded because of restrictions on fund usage. This would result in the EITE being required to purchase more allowances in order to meet their compliance obligation and increasing leakage risk.

Setting the number of allowances that must be consigned could be based on a sliding-scale percentage of an EITE's no-cost allocation that will generate a minimum dollar

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amount of funds that would be relevant to the cost of a smaller scale project or the development and design costs for a larger scale project. Alternatively, if the approach to link consignment requirements to the availability of feasible projects is adopted, then the cost information on those projects could be tied to a percentage of allowances that must be consigned. EITEs should not be capped on the amount of consigned allowances if wishing to consign more than the minimum requirement set by Ecology.

If no feasible decarbonization options exist, then the requirement to consign allowances for the upcoming auction could be cancelled or deferred. Alternatively, if no feasible options exist, funds could be held until such time that one or more options become feasible without risk of funds being forfeited for not being used in a timely manner.

It will be important to consider how the upcoming linkage with California and Quebec will likely reduce the cost/value of an allowance compared to the current cost/value of a CCA program allowance and how this will impact the amount of funds generated by a consignment policy.

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.*

Eligible projects should include any projects that will achieve a real and ongoing reduction in GHG emissions which can be verified through a performance metric(s) (e.g. reduced annual fuel usage) so that each industry sector can find the most feasible options for their situation. EITEs should identify eligible decarbonization projects through technical assessments that detail the expected level of GHG reduction and method(s) for verifying performance and propose those projects for approval by Ecology. The funds should also be able to be used to complete studies or develop designs for implementation of decarbonization projects.

If project eligibility will be specified in rule, rule language must specify the outcome (i.e. GHG emissions reduction) and not create restrictions by specifying certain eligible project types.

3. *What types of facility-specific factors need to be considered in relation to decarbonization projects? For example, project timelines, facility turnarounds, and permitting requirements.*

Consideration must be given to the unique constraints to implement a project faced by each facility including the design and permitting processes, as well as the timing to be able to install a project around ongoing facility operation. There may also be safety and logistical challenges when modifying processes and equipment, especially in older facilities. Arbitrary time limits on using funds from allowance consignment create barriers that do not account for the realities of implementing a project in a manufacturing facility where there is active progress being made. Decarbonization projects that are approved

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for funding by Ecology should also consider the realistic timeframe for implementation as part of the project technical assessment and proposal.

4. *What type of reporting requirements should be used to ensure that funds are being used for approved decarbonization projects and achieving emission reductions?*

The technical assessment method described above in question two of this third focus area would specify project costs and how an approved project would demonstrate achieved emissions reductions. Post-project implementation reporting by the EITE would demonstrate emissions reductions are being achieved by the project.

5. *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?*

Consigned funds should be available for a minimum of five years, with a flexible maximum end date that considers the scale of the proposed decarbonization project. For large-scale projects EITEs may require more time for consigned funds to accumulate to a useful amount. Ecology's project approval should include a negotiated timeframe to implement the project. Where a project is in progress but faces delays, the funds being used to support that project should remain available as long as the EITE can show continued reasonable progress towards implementing the project.

Consigned funds should also have the flexibility to be used for decarbonization projects implemented by an EITE since the first year of no-cost allowance allocation under the CCA program where documentation can be provided of the project costs and evidence of ongoing emissions reductions.

Co-benefits should only be considered where two or more projects are proposed and each has similar costs and GHG emissions reduction benefits.

Sale of consigned allowances should have the flexibility to use the secondary market as long as the minimum required consignment amount is met and all proceeds from the sale are deposited into the same account that would exist for consigned allowances sold through auction. This would achieve the goal of a consignment policy to generate funding dedicated to EITE decarbonization projects while still supporting market liquidity, and providing an alternate route for consigned allowance sales in the event that future auctions do not sell all allowances on offer.

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

1. *Where is the biggest gap in Washington's policy landscape for EITEs? In which*

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category (supply-side, demand-side, transition enablers) is policy development most needed?

The most impactful policy developments could occur in the 'supply-side policies' and 'transition enablers' categories. Supply-side policies to support project developments facing high cost barriers could be implemented through grant programs using CCA program revenues or as subsidies to offset higher electricity costs versus natural gas prices for electrification projects. With transition enablers, the ongoing focus on electrification as a significant opportunity for decarbonization faces several well-known and significant barriers: high up-front capital costs for projects, limited access to stable and affordable clean electricity, and lack of grid infrastructure to enable large-scale electrification projects. Significant changes need to happen in these areas if this decarbonization pathway is to become feasible in the near future.

2. *What specific policies and strategies are likely to be most impactful for helping decarbonize EITEs in Washington? How should the state evaluate opportunities for needed complementary policies on an ongoing basis?*

See comment above, no additional comments.

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

Policies and measures that promote grid infrastructure development across the state or streamline permitting would remove existing barriers to implementing meaningful decarbonization.

Additional measures such as funding pathways including state-backed funding, grant programs, or fund matching programs, possibly supported by CCA program revenues, would help with implementation or early adoption of new decarbonization technologies.

<u>Policy and technical issues throughout the report</u>

1. *How can impacts on Tribes, overburdened communities, and vulnerable populations best be considered in the design of EITE allowance allocation policies?*

No additional comments.

2. *What other considerations related to the policy and technical issues listed above should Ecology be aware of?*

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No additional comments.

3. *Do you have any feedback related to these issues that has not been addressed above?*

No additional comments.

Simplot appreciates the opportunity to participate in this process and Ecology's careful consideration of these comments.

Sincerely,

Rachel Roskelley

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Head of Environmental & Regulatory Affairs

RR/ph

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