

---

## Ecology & Parks Committee

---

### E2SSB 5735

**Brief Description:** Reducing greenhouse gas emissions.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Rockefeller, Hargrove, Jacobsen, Ranker, Fraser, Keiser, Jarrett, Franklin, Shin, Kohl-Welles, Regala, McAuliffe and Kline; by request of Governor Gregoire).

#### Brief Summary of Engrossed Second Substitute Bill

- Requires the Department of Ecology to recommend a greenhouse gas emissions reduction program that sets statewide and sector emission caps.
- Requires the Department of Ecology to report to the Legislature on alternative strategies the state may implement in order to meet the mandatory emission reduction requirements.
- Requires the Department of Ecology to recommend criteria for issuing and accepting offset credits for offset projects, as well develop the state's policy for forestry offset projects within Washington.
- Requires the Washington State Department of Transportation to implement an electric vehicle and alternative fuel vehicle infrastructure program.
- Requires the Department of Ecology to collaborate with the states of Oregon and California to develop a multistate electric vehicle infrastructure initiative.
- Allows the Washington State Department of Transportation to enter into partnership agreements for an alternative fuels corridor pilot project.
- Creates an Emissions Reduction Assistance Account.

**Hearing Date:** 3/17/09

**Staff:** Jaclyn Ford (786-7339)

**Background:**

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

### Western Climate Initiative.

In 2007 the governors of Arizona, California, New Mexico, Oregon, and Washington formed the Western Climate Initiative (WCI). They were later joined by Montana and Utah, and the Canadian provinces of British Columbia, Manitoba, Ontario, and Quebec. Other U.S. and Mexican states have joined as observers.

### Governor Gregoire's Executive Order Setting Greenhouse Gas Emissions Goals.

On February 7, 2007 the Governor issued an Executive Order establishing goals for greenhouse gas (GHG) emissions reductions, for increasing clean energy sector jobs, and for reducing expenditures on imported fuel. The Executive Order also directed the Department of Ecology (DOE) and the Department of Community, Trade and Economic Development (DCTED) to lead stakeholders in a process to consider a full range of policies and strategies to achieve the emissions goals.

### Climate Action Team and Carbon Market Workgroups.

In response to the Governor's Executive Order, the DOE and the DCTED formed the Washington Climate Advisory Team to assist with the development of the recommendations for climate change mitigation policies and plans for Washington. In 2008 the Washington Climate Advisory Team was renamed the Climate Action Team (CAT). The CAT's primary activity in 2008 was focused on finding solutions on how to achieve GHG emissions reductions through the work of Implementation Working Groups (IWGs) covering four subcategories: Beyond Waste, Energy Efficiency and Green Buildings, Transportation, and State Environmental Policy Act (SEPA). The CAT also had two design work groups that focused on how forestry and agriculture within Washington could participate in an offset program. These two groups were known as the Forest Sector Carbon Market Work Group and the Agriculture Sector Carbon Market Work Group. Both work groups submitted recommendations in late 2008.

### State Greenhouse Gas Emission Reduction Requirements.

The DOE, in coordination with the WCI, developed a design for a regional multisector market-based system to limit and reduce GHG emissions. The DOE and the DCTED were required to provide the Legislature with specific recommendations for implementing the design for the multisector market-based system in Washington.

The state must limit GHG emissions to achieve the following statewide emission reductions:

- by 2020 reduce overall GHG emissions in the state to 1990 levels;
- by 2035 reduce overall GHG emissions in the state to 25 percent below 1990 levels; and
- by 2050 reduce overall GHG emissions in the state to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

### **Summary of Bill:**

#### State Position.

The Director of the DOE is authorized to continue discussions with other jurisdictions in the WCI.

When presenting the state's position on a program to regulate GHG emissions, the state must adhere to the following policies:

- assure that biomass combustion for electricity or process steam production is considered carbon neutral;
- assure equitable economic benefits and opportunities for electric utilities operating in Washington that use hydroelectric generation;
- recognize emissions sources that have taken early action to reduce their emissions;
- recognize for the use of offsets to regulatory limits on emissions the state's forest and agricultural lands that are managed in ways that increase carbon sequestration; and
- assure the protection of low and moderate income households.

#### The Department of Ecology Recommendation Requirement.

The DOE must recommend a GHG emissions reduction program that sets statewide and sector emission caps for persons that annually emit at or above 25,000 metric tons of carbon dioxide equivalents. The emissions reduction program must recognize early actions, complementary policies, and offsets. The emissions reduction program must include protocols for directing technical and financial incentives to those persons who monitor and demonstrate their emissions reductions. No element of the program recommendations may be implemented unless authorized by the Legislature.

The recommendations must be submitted to the Legislature by December 1, 2010.

#### Elements of the Department of Ecology Recommendations.

The DOE's recommendations must include the following program design elements:

- Phase I of the emissions reduction program should be designed to begin in 2012 and cover the following sectors: (1) electricity generated in the state or generated out-of-state and delivered to the state by long-term financial commitments; (2) industrial and commercial fuel combustion; and (3) industrial process emissions.
- Phase II of the emissions reduction program should be designed to begin in 2015 and cover the following sectors: (1) transportation fuel combustion; (2) residential fuel combustion; and (3) fuel delivered or sold for industrial and commercial combustion where the fuel is used by persons not otherwise covered by the program in 2012. Phase II of the program may include complementary measures, except that measures for transportation fuels must focus on emissions reductions, not raising revenues, and consideration must be given to differing rural and urban circumstances.
- For each compliance period, emissions caps must decline evenly in each sector until the state GHG emissions are reduced.
- Except for purposes of reporting, the following emissions are not covered by the program: (1) emissions from industrial combustion of biomass in the form of fuel wood, wood waste, wood by-products, and wood residuals as long as the region's silvicultural sequestration capacity is maintained or increased; and (2) emissions from the combustion of biofuels or the biofuel component of blended fuels.
- No more than 49 percent of a sector's total emissions reductions from 2012 to 2020 may be satisfied with offsets.

#### Alternative Strategies Report.

The DOE must report to the Legislature on alternative strategies the state may implement in order to meet the mandatory emission reduction requirements.

The report must include:

- a comprehensive examination of all measures that the state could employ to reduce the emissions of GHG;
- an analysis of the alignment of policies and standards among the participating jurisdictions in the WCI;
- recommendations for establishing a performance auditing mechanism to monitor the effectiveness of emissions reduction strategies;
- recommendations on complementary measures the state may undertake to supplement a national emissions reduction program; and
- an economic analysis by the Forecasting Office of the Office of Financial Management, in consultation with members of the Governor's Council of Economic Advisors, of the impact to Washington consumers, businesses, and citizens if Washington entered into a regional or federal emissions reduction program.

The report must be submitted to the Legislature by December 1, 2010.

#### Offset Recommendations.

The DOE must recommend criteria for issuing and accepting offset credits for offset projects that may be used to meet a person's compliance obligation in a state, regional, or national emissions reduction program. The DOE must give priority to investigating and developing criteria for offset projects within the forestry, agriculture, and waste management sectors, but must also develop criteria for recognizing offsets from all sources of emissions.

The recommendations must be submitted to the Legislature by December 1, 2010.

#### Forestry Offsets and Incentives.

The DOE, in consultation with the Forest Practices Board (Board), the Department of Natural Resources (DNR), and the Forest Sector Carbon Market Working Group (Working Group), must develop the state's policy for forestry offset projects within Washington. The agencies and the Working Group must use the 2008 report of the Working Group as the starting point in developing the policy. The final policy must be completed by December 31, 2009, unless the DOE notifies the agencies and Working Group that the policy is needed sooner. The public must be provided with the opportunity to review and comment on the policy.

The DOE must must give first priority for issuing offset credits for forestry offset projects located in Washington. Second priority must be given to offset projects within Washington, Oregon, Idaho, and Montana. Third priority must be given to offset projects that are located in the United States.

The DOE, in consultation with the Board, the DNR, and the Working Group, must develop and deliver to the Legislature by December 1, 2010, legislation to implement a financial incentives program for forestry and forest products.

#### Offset Credits.

One offset credit must be issued for up to each metric ton of emissions as measured in carbon dioxide equivalent associated with an offset project.

The DOE may accept offset credits for compliance purposes from other jurisdictions, as well as Annex 1 countries from the United Nations Framework Convention on Climate Change, but only

if an offset project is not available in Washington.

The DOE may also accept for compliance purposes offset credits from developing countries, but only if an offset project is not available in Washington. Offset credits from developing countries must be in accordance with the Clean Development Mechanism of the Kyoto Protocol. The DOE may develop criteria for these offset projects to ensure similar rigor to offset projects within the state.

Any offset credit that is used to meet a compliance obligation must conform to the rules adopted by the DOE. Upon receipt by the DOE of an offset credit to meet a compliance obligation, the DOE must retire the offset credit. The DOE must ensure that all offset credits that it issues are tracked to ensure that the DOE knows who holds a given offset credit and when it is retired.

#### Tribal Consultation.

The DOE must consult with tribal governments upon request on any offset criteria that may affect tribal governments, such as the voluntary development of offset projects by tribes.

#### Electric Vehicle and Alternative Fuel Vehicle Infrastructure Program.

The Washington State Department of Transportation (WSDOT) must implement an electric vehicle and alternative fuel vehicle infrastructure program that accelerates planning and allocation of funding for pilot projects to demonstrate the feasibility of large scale deployment of charging and alternative fuels distribution infrastructure.

#### Multistate Electric Vehicle Infrastructure Initiative.

The DOE, in collaboration with the states of Oregon and California, must develop a multistate electric vehicle infrastructure initiative (Initiative). The objective of the Initiative is to implement large scale demonstration projects that support the charging and other necessary infrastructure for electric vehicles along shared interstate highways and in major urban areas in the three states. The Governor must work in a multistate collaboration to seek major federal funding for planning and projects in the Initiative.

#### Alternative Fuels Corridor Pilot Project.

The WSDOT may enter into partnership agreements with other public and private entities for the use of land and facilities along state routes and within interstate highway rights-of-way for an alternative fuels corridor pilot project. The pilot project may allow for commercial activities only as necessary to attain basic economic sufficiency. The WSDOT is not responsible for providing capital equipment nor operating refueling or recharging services.

#### Federal Funding for Electric Vehicle Infrastructure.

A regional transportation planning organization containing any county with a population in excess of one million in collaboration with representatives from the DOE, the WSDOT, the DCTED, local governments, and the Office of Regulatory Affairs must seek federal or private funding for electric vehicle infrastructure.

#### Emissions Reduction Assistance Account.

The Emissions Reduction Assistance Account (Account) is created in the State Treasury. All appropriations to the Account and 25 percent of all federal funds received for the purpose of

assisting with energy efficiency and renewable energy, including federal funds received for the state energy program, must be deposited in the Account.

Other funds, gifts, grants, and endowments from public or private sources, in trust or otherwise, may be directed into the Account. Any moneys received from sponsor match payments must be deposited in the Account. Moneys in the account may be spent only after appropriation.

At least 10 percent of the revenues in the Account must be used for supporting transit and transportation projects, including telework projects, that will reduce GHG emissions.

Expenditures from the Account may also be used for the following purposes:

- assisting persons in achieving emissions reductions under any emissions cap;
- assisting the transition of coal-fired facilities to cleaner-burning technologies;
- reducing price impacts for consumers with incomes within 250 percent of the federal poverty level;
- strategies to create jobs and provide for worker transition, especially in and for those communities and workers that have been disproportionately affected by economic downturns, through efforts to reduce emissions, reduce energy use, and develop clean energy supplies;
- energy efficiency and renewable energy incentives including matching electric utility sponsored programs that support customer energy efficiency investment, new renewable energy resource development, including related transmission, energy storage, and integration technologies;
- promoting emissions reductions and carbon sequestration in agriculture, forestry, waste management, and other uncapped sectors;
- efforts funded by local governments to reduce community GHG emissions;
- adaptation to climate change impacts, including impacts on affected species, habitats, and communities; and
- research, development, demonstrations, and deployment of technology to reduce GHG emissions.

Effect of Act.

This act shall be in effect only to the extent that funds are specifically appropriated for the purposes of this act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.