SENATE BILL REPORT
E3SHB 1091

As Reported by Senate Committee On:
Environment, Energy & Technology, March 16, 2021
Ways & Means, April 1, 2021

Title: An act relating to reducing greenhouse gas emissions by reducing the carbon intensity of transportation fuel.

Brief Description: Reducing greenhouse gas emissions by reducing the carbon intensity of transportation fuel.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Fitzgibbon, Slatter, Berry, Dolan, Bateman, Ramos, Simmons, Ramel, Senn, Peterson, Duerr, Ryu, Valdez, Callan, Kloba, Chopp, Ormsby, Frame, Macri, Pollet, Goodman and Bergquist; by request of Office of the Governor).

Brief History: Passed House: 2/27/21, 52-46.
Committee Activity: Environment, Energy & Technology: 3/10/21, 3/16/21 [DPA-WM, DNP, w/oRec].
Ways & Means: 3/27/21, 4/01/21 [DPA, DNP].

Brief Summary of Amended Bill

- Directs the Department of Ecology (Ecology) to adopt rules establishing a Clean Fuels Program (CFP) to limit the aggregate, overall greenhouse gas (GHG) emissions per unit of transportation fuel energy to 20 percent below 2017 levels by 2035.
- Excludes exported fuel, fuel used by vessels, railroad locomotives, and aircraft, and certain other categories of transportation fuel from the CFP's GHG emission intensity reduction requirements.
- Requires the CFP to include processes for registering, reporting, and tracking compliance obligations and to establish bankable, tradeable credits used to satisfy compliance obligations.

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

- Retains the current distribution of revenue under the 2015 Transportation Revenue Package, eliminating changes that would have been triggered as a result of the establishment of a CFP.
- Requires the passage of a separate additive transportation funding act generating more than $500 million per biennium in revenue before Ecology may assign compliance obligations or allow for actual credit generation in order to coordinate and synchronize the CFP with other transportation-related investments.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Carlyle, Chair; Lovelett, Vice Chair; Das, Liias, Nguyen, Stanford and Wellman.

Minority Report: Do not pass.
Signed by Senators Ericksen, Ranking Member; Brown, Fortunato, Sheldon and Short.

Minority Report: That it be referred without recommendation.
Signed by Senator Hobbs.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Mullet, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.
Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking Member, Capital; Braun, Gildon, Muzzall, Rivers, Wagoner and Warnick.

Staff: Jed Herman (786-7346)

Background: Greenhouse Gas Reporting Requirements. Under the federal Clean Air Act, greenhouse gases (GHGs) are regulated as an air pollutant and are subject to several air regulations administered by the United States Environmental Protection Agency (EPA). These federal Clean Air Act regulations include a requirement that facilities and fuel suppliers, whose associated annual emissions exceed 25,000 metric tons of carbon dioxide equivalent (CO_2e), report their emissions to the EPA. At the state level, GHG reporting is regulated by Ecology under the state Clean Air Act. This state law requires facilities, sources, and sites, whose emissions exceed 10,000 metric tons of CO_2e each year, to report their annual emissions to Ecology.

Ecology and the Department of Commerce (Commerce) must report the total GHG emissions, by source sector, in Washington State. According to the most recent data from Ecology, as of 2018 the total annual GHG emissions in Washington State were 99.6 million metric tons (MMT) of CO_2e. Of these emissions, 44.9 percent were attributable to transportation sources.

In 2008, Washington enacted legislation that sets a series of limits on the emission of GHGs within the state. Ecology is responsible for monitoring and tracking the state's progress toward the emission limits. In 2020, additional legislation was enacted to update the statewide emissions limits to the following:
- by 2020, reduce overall emissions of GHGs in the state to 1990 levels, or 90.5 MMT;
- by 2030, reduce GHGs to 45 percent below 1990 levels, or 50 MMT;
- by 2040, reduce overall emissions of GHGs in the state to 70 percent below 1990 levels, or 27 MMT; and
- by 2050, reduce overall emissions of GHGs in the state to 95 percent below 1990 levels, or 5 MMT, and achieve net-zero GHG emissions.

<u>Clean Fuel Programs in Other States.</u> California and Oregon have each instituted policies requiring reductions in GHG emissions associated with transportation fuels, as measured against a standard unit of fuel energy—carbon intensity. California's program, which began in 2010, requires a 10 percent reduction by 2020 and a 20 percent reduction by 2030 in the carbon intensity of gasoline and diesel fuel, in conjunction with the use of fuels serving as substitutes for those fuels. Oregon's program, which began in 2015, requires a 10 percent reduction by 2025 in the carbon intensity of transportation fuels.

<u>2015 Transportation Revenue Package.</u> In 2015, the Legislature enacted a bill that raised revenue for transportation purposes from a variety of transportation-related sources—transportation revenue package. Among other sources of revenue, the transportation revenue package generated revenue by increasing fees for:
- enhanced and commercial driver's licenses; and
- vehicle weight fees that apply to passenger vehicles and motor homes.

The enhanced and commercial driver's license fees are deposited into the Highway Safety Fund, used for driver's license implementation, driver improvement, and financial responsibility, among other programs. Vehicle weight fees are deposited into a combination of the Multimodal Transportation Account, used for transportation purposes, and the Freight Mobility Multimodal Account, used for certain freight mobility projects.

Under the transportation revenue package, if a clean fuel standard policy is adopted by rule or otherwise initiated by a state agency prior to July 1, 2023, additional revenue raised from the driver's license and vehicle weight fee increases would be redirected from the Highway Safety Fund, Multimodal Transportation Account, and Freight Mobility Multimodal Account, and instead deposited into the Connecting Washington Account. This account is located in the Motor Vehicle Fund and is used for highway projects identified in a transportation appropriations act as Connecting Washington projects or improvements.

Summary of Amended Bill: Clean Fuels Program. Ecology is directed to adopt a rule establishing a Clean Fuels Program (CFP) limiting the GHG emissions attributable to each unit of transportation fuel (carbon intensity) to 20 percent below 2017 levels by 2035. Ecology must reduce the GHG emissions attributable to each unit of the fuels not to exceed 0.5 percent each year in 2023 and 2024, 1 percent each year beginning in 2025 through 2027, 1.5 percent a each year beginning in 2028 through 2031, and 2.5 percent each year beginning in 2032 through 2034.

The rules must not establish a reduction level beyond 10 percent of GHG emissions attributable to each unit of the fuels without explicit legislative authorization enacted subsequent to January 1, 2029. Ecology must submit agency request legislation that if enacted would provide this authorization.

The rule must reduce the overall, aggregate carbon intensity of transportation fuels used in Washington. The rule may only require aggregate carbon intensity reductions, and may not require a reduction in carbon intensity to be achieved by any individual type of transportation fuel. The rule must establish a start date for the program no later than January 1, 2023.

The CFP must be designed so that: regulated parties generate deficits and may reconcile deficits by obtaining and retiring credits and are allowed to carry over a small deficit without penalty to the next compliance period; regulated parties and credit generators may generate credits for fuels used as substitutes or alternatives for gasoline or diesel; and regulated parties, credit generators, and credit aggregators must have opportunities to trade credits. Ecology must regularly monitor the availability of fuels needed for compliance and calculate the monthly volume-weighted average price of credits and post it on its website.

In order to coordinate and synchronize the CFP with other transportation-related investments, Ecology must not assign compliance obligations or allow any actual credit generation until a separate additive transportation funding act generating more than $500 million per biennium in revenue becomes law.

Covered and Exempt Fuels. The CFP applies to transportation fuels, defined as electricity and any liquid and gaseous fuels, so long as the fuels or electricity are used to propel motor vehicles or are intended for transportation purposes. Excluded from the CFP carbon intensity reduction requirements are the following:

- transportation fuel exported or otherwise not used in Washington;

- transportation fuel used for the propulsion of all aircraft, railroad locomotives, or vessels;
- military tactical vehicles and tactical support equipment;
- transportation fuels used in volumes below thresholds adopted by rule by Ecology; and
- any other fuels Ecology may adopt rules to exempt in order, with respect to similar GHG or low carbon fuel programs, to avoid mismatched incentives, fuel shifting between markets, or other outcomes counter to the intent of the CFP.

Until January 1, 2028, the following fuels are also exempt from the CFP's carbon intensity reduction requirements:
- special fuel used off-road in vehicles used primarily to transport logs;
- dyed special fuel used in vehicles not designed to transport persons or property, not designed to be operated on highways, and used primarily for construction work, including timber harvest and mining; and
- dyed special fuel used for agricultural purposes exempt from state fuel taxation.

<u>Clean Fuels Program Requirements.</u> The rule adopted by Ecology to implement the CFP must include:
- standards for assigning levels of GHG emissions attributable to transportation fuels based on a lifecycle analysis that considers emissions from the production, storage, transportation, and combustion of the fuels, and associated changes in land use and any permanent GHG sequestration activities—Ecology must establish separate carbon intensity standards for gasoline and its substitutes and diesel and its substitutes;
- processes for assigning and verifying bankable, tradable credits for the production, import, or dispensation for use of transportation fuels with associated lifecycle GHG emissions less than the carbon intensity standards established by Ecology, or when other specified activities are undertaken that support the reduction of GHG emissions associated with transportation in Washington;
- a requirement that producers or importers of transportation fuels ineligible to generate credits must register in the CFP;
- the option to elect to register and earn credits in the CFP for: (1) persons associated with transportation fuels with a carbon intensity below the carbon intensity standard; and (2) persons associated with exempt transportation fuels, including electricity and fuel used to propel vessels, railroad locomotives, or aircraft;
- a determination of the carbon intensity of electricity and hydrogen supplied by electric utilities participating in the CFP based on the mix of generating resources used by each electric utility, and mechanisms that allow for the certification of electricity that has a carbon intensity of zero, but do not require electricity to have a carbon intensity of zero to be eligible to generate credits;
- mechanisms that allow for the assignment of credits to an electric utility for, at minimum, residential electric vehicle charging or fueling;
- cost containment mechanisms; and
- a credit clearance market for any compliance period in which at least one regulated

party reports that it has a net deficit balance at the end of the compliance period, and Ecology must set the maximum price for credits in a credit clearance market, which may not exceed $200 for 2028, and for 2029 and subsequent years may exceed $200 as annually adjusted for inflation.

Ecology must evaluate the net cumulative GHG emissions, for new or expanded low carbon fuel production facilities that would require a review under the State Environmental Policy Act. In evaluating the GHG emissions from a low carbon fuel production facility, Ecology must net its direct GHG emissions with reductions associated with its fuel product compared to the carbon intensity requirements established under this act. The statewide GHG emissions limits may not be the basis for denial of a permit application or for judicial review of the grant of a permit for a new or expanded facility.

By January 1, 2026, if Ecology determines that based on the periodic fuel supply forecast that in-state production of feedstocks available for compliance with the program is less than 25 percent needed for program compliance, the standard adopted by Ecology from the previous compliance period will apply. If this occurs, the department must increase the clean fuels standard for the following compliance period when Ecology determines that 25 percent or more of the feedstocks available for compliance with the program are grown in Washington.

By January 1, 2028, if Ecology determines based on the fuel supply forecast that in-state manufacturing of feedstocks is less than 25 percent needed for the program, the standard from the previous compliance period will apply. If this occurs, Ecology must increase the standard for the following compliance period when it determines that 25 percent or more of the feedstocks available for compliance are manufactured in Washington.

Except where inconsistent with specific statutory direction from the Legislature, Ecology's CFP rule must seek to harmonize with similar programs adopted by other states with significant amounts of transportation fuel supplied to or from Washington.

Ecology may require electric utilities and transportation fuel suppliers to submit GHG emissions data and information different from the types of data currently submitted to the state by those entities. Ecology may also require periodic reporting on CFP activities from producers and importers of transportation fuels. Transactions that transfer ownership of fuels required to be covered by the CFP must be accompanied by documentation assigning compliance responsibility for the fuels. To the extent practicable, CFP reporting rules for persons associated with the supply chains of transportation fuels must be consistent with the reporting procedures of similar clean fuels programs in other states and with other state programs that require similar information to be reported by regulated parties, including electric utilities.

Ecology must conduct a biennial review of innovative technologies and pathways to reduce carbon and generate credits, and to modify rules or guidance as needed to maintain stable credit markets.

Forecast and Emergency Deferrals. Ecology must issue an order declaring a forecast deferral if the fuel supply forecast projects that the amount of credits available during the compliance period will be less than 100 percent of the credits projected to be necessary to comply with the CFP.

Ecology must also issue an emergency deferral of the CFP in extreme and unusual circumstances which prevent the distribution of an adequate supply of renewable fuels needed to comply with the program and are the result of a natural disaster, act of God, a significant supply chain disruption, or another event that could not reasonably have been foreseen or prevented, and is in the public interest to grant the deferral.

Deferral orders must specify the duration of the deferral, the type of applicable fuel, and the applicable methods for deferring compliance with CFP requirements, which may include temporary adjustments to the carbon intensity standard, the carryover of deficits accrued during an emergency deferral, or a suspension of deficit accrual. Forecast deferrals may not be less than one calendar quarter or longer than one compliance period. Emergency deferrals may last no less than either 30 days, or a calendar quarter, depending on the type of emergency deferral ordered by Ecology. Ecology may terminate adeferral prior to its scheduled expiration.

In addition to the emergency deferrals, Ecology may also issue a full or partial deferral for one calendar quarter if it finds that the person is unable to comply with the requirements due to reasons beyond the person's reasonable control. Ecology may require the person seeking a deferral to provide a progress report or take specific actions to achieve full compliance.

Alternative Credit-Generating Mechanisms. In addition to receiving credits for transportation fuel with a carbon intensity below the Ecology-established standard, Ecology's CFP rules may allow the generation of credits from specified activities related to the reduction of GHG emissions associated with transportation, including:

- specified carbon capture and sequestration projects, including crude oil production projects, project-based refinery mitigation, direct air capture;
- deployment of machinery and equipment used for certain nonfossil feedstocks;
- fueling electric vehicles by commercial, public, and nonprofit entities that are not electric utilities; and
- using smart vehicle charging technology that results in electric vehicle fueling during times of comparatively low carbon intensity of the electric grid.

Ecology's rules must allow the generation of credits based on capacity for zero emission vehicle infrastructure, and may allow the generation of credits from the provision of low-carbon fuel infrastructure. Ecology's rules may establish limits on the number of credits available from alternative credit-generating mechanisms, and any limits on refueling infrastructure credits must consider the return on investment necessary for a credit-generating activity to be financially viable.

Ecology must establish and consult with a forestland and agricultural landowner stakeholder advisory panel to solicit input on how to incentivize the sequestration of GHGs on forest and agricultural lands through program credit allotment.

Public Reporting Requirements. Beginning in 2025, Ecology must submit a report to the Legislature every year on May 1st detailing certain information regarding the previous year's CFP activities, including the number of credits and deficits, volumes of transportation fuels, and total GHG emissions reductions attributable to the CFP.

An estimate of probable costs or cost savings per gallon of gasoline and diesel attributable to the CFP must be prepared annually by an independent consultant under contract to Ecology, and must be announced to the news media in a press release when the annual report is submitted to the Legislature. Ecology must also contract for an ex ante analysis for each year through 2035 of these probable costs or cost savings to impute price impacts using multiple methodologies, which must be completed and submitted to the Legislature by July 1, 2022.

In annual reports or other public documents or communications that refer to assumed public health benefits from the CFP, Ecology must distinguish between pollutant reductions from the CFP and reductions primarily attributable to vehicle emission standards.

Commerce must develop a periodic fuel supply forecast to project the availability of fuels and credits necessary for compliance with CFP requirements. This forecast must be finalized no later than 90 days before the start of a CFP compliance period.

By December 1, 2029, the Joint Legislative Audit and Review Committee is required to perform an analysis of the first five years of the CFP. This analysis must include the costs and benefits of the program using specific metrics, an evaluation of the information summarized by Ecology in their annual reports, and the total statewide costs of the CFP per ton of GHG emissions reductions achieved.

Clean Fuels Program Account and Fee. Ecology may require that persons electing or required to participate in the CFP pay a fee to cover the direct and indirect costs to Ecology and Commerce for developing and implementing the CFP. If Ecology elects to require program participants to pay a fee, it must adopt rules to set a payment schedule and the amount of the fee, and must enter into an interagency agreement with Commerce and complete a biennial workload analysis. Fees are deposited into a Clean Fuels Program Account (account) used to carry out the CFP.

Violations of CFP requirements are subject to civil and criminal penalties under the state Clean Air Act authority. Penalties collected from CFP violations must be deposited into the account.

Electric Utility Credit Revenues. Fifty percent of revenues earned by electric utilities from electricity supplied to retail customers to generate credits under the CFP must be used for transportation electrification, which may include the production and provision of hydrogen and other gaseous fuels produced from nonfossil feedstocks. Of this 50 percent, 60 percent of the transportation electrification projects must be in or directly benefit federal Clean Air Act maintenance or nonattainment areas, areas at risk of maintenance or nonattainment designation, or areas identified by the Department of Health as disproportionately impacted communities, if such areas are within the service area of the utility.

The other 50 percent of revenues earned by electric utilities from participating in the CFP must be used for activities and projects jointly determined by Ecology and the Washington State Department of Transportation that have the highest impact on reducing greenhouse gas emissions and decarbonizing the transportation sector.

Transportation Fees. The current distribution is retained for revenues granted by the 2015 Transportation Revenue Package, eliminating changes that would have been triggered as a result of the establishment of a clean fuels standard.

Other Provisions. The generation, purchase, sale, transfer, or retirement of CFP credits is not subject to the business and occupation tax. A tax preference performance statement is not required for this exemption from the business and occupation tax.

To the extent that the CFP conflicts with the state Motor Fuel Quality Act and biofuel requirements, the CFP's requirements supersede.

A severability clause is included.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Removes the 2028 standard of 10 percent below 2017 levels and instead provides that the rules adopted by the Ecology phase-in in carbon intensity reduction not to exceed 0.5 percent a year in 2023 and 2024, 1 percent a year beginning in 2025 through 2027, 1.5 percent a year in 2028 through 2031, and 2.5 percent a year beginning in 2032 through 2034.
- Removes the requirement that Ecology must update, prior to 2032, CFP rules to further reduce GHG emissions from each unit of transportation fuel for each year through 2050, consistent with statutory state emission reduction limits.
- Adds that the rules must not establish a reduction level beyond 10 percent of greenhouse gas emissions attributable to each unit of the fuels without explicit legislative authorization enacted subsequent to January 1, 2029. Ecology must submit agency request legislation that if enacted would provide this authorization.
- Requires the passage of a separate additive transportation funding act generating more than $500 million per biennium in revenue before Ecology may assign

compliance obligations or allow for actual credit generation in order to coordinate and synchronize the CFP with other transportation-related investments.

- Adds program design provisions and directs Ecology to regularly monitor the availability of fuels needed for compliance and calculate the volume-weighted average price of credits monthly and post this on its website.
- Removes the examples of cost containment mechanisms and instead directs Ecology to hold a credit clearance market for any compliance period where at least one regulated party reports it has a net deficit balance.
- Directs Ecology to set the maximum price for credits in a credit clearance market, which may not exceed $200 for 2028, and for 2029 and subsequent years may exceed $200 as annually adjusted for inflation.
- Requires Ecology to evaluate the net cumulative GHG emissions for new or expanded low-carbon fuel production facilities that would require a SEPA review. In evaluating the GHG emissions from a low-carbon fuel production facility, Ecology shall net its direct GHG emissions with reductions associated with its fuel product compared to the carbon intensity requirements established under this act.
- Removes infrastructure investments in broadband as one of the activities that may generate credits under the CFP.
- Requires 50 percent of revenues earned by an electric utility from generating credits under the CFP to be used for activities and projects jointly determined by Ecology and the Washington State Department of Transportation that have the highest impact on reducing greenhouse gas emissions and decarbonizing the transportation sector.
- Adds a new section requiring Ecology to issue an order declaring a forecast deferral if the fuel supply forecast projects that the amount of credits available during the compliance period will be less than 100 percent of the credits projected to be necessary to comply with the CFP.
- Directs that by January 1, 2026, if Ecology determines based on the periodic fuel supply forecast that in-state production of feedstocks available for compliance with the program is less than 25 percent needed for program compliance, the standard adopted by Ecology from the previous compliance period will apply. If this occurs, Ecology must increase the clean fuels standard for the following compliance period when Ecology determines that 25 percent or more of the feedstocks available for compliance with the program are grown in Washington.
- Directs that by January 1, 2028, if Ecology determines based on the fuel supply forecast that in-state manufacturing of feedstocks is less than 25 percent needed for the program, the standard from the previous compliance period will apply. If this occurs, Ecology must increase the standard for the following compliance period when it determines that 25 percent or more of the feedstocks available for compliance are manufactured in Washington.

EFFECT OF ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE AMENDMENT(S):

- Adds that the periodic fuel supply forecast report must consider existing and future vehicle fleets in Washington; any constraints that might be preventing access to available and cost-effective low carbon fuels; and a comparison in the estimates of potential volumes of fuels, the total banked credits and carried over deficits, and the number of credits needed to meet clean fuels program requirements.

- Allows the department of commerce to appoint a forecast review team of relevant experts to participate in the fuel supply forecast of examination of data.
- Revises the emergency deferral provision to allow it to be issued in extreme and unusual circumstances which prevent the distribution of an adequate supply of renewable fuels needed to comply with the program and are the result of a natural disaster, act of God, a significant supply chain disruption, or another event that could not reasonably have been foreseen or prevented, and is in the public interest to grant the deferral.
- Adds that in addition to the emergency deferral, the department of ecology may also issue a full or partial deferral for one calendar quarter if it finds that the person is unable to comply with the requirements due to reasons beyond the person's reasonable control.
- Allows the department to require the person seeking a deferral to provide a progress report or take specific actions to achieve full compliance.
- Removes the requirements for (1) the Washington State University Energy Program to initiate a program to identify least-conflict priority sites for low-carbon transportation fuel projects and (2) Ecology to periodically convene specified stakeholders to discuss mitigation of significant likely environmental impacts associated with low-carbon transportation fuel projects.
- Allows, rather than requires, the department of ecology to establish a metric for the allocation of credits per foot of installed broadband infrastructure.
- Connects zero emission resources that are supplied as a transportation fuel by the generator of electricity to a metered customer for electric vehicle charging or refueling.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Third Substitute House Bill (Environment, Energy & Technology): *The committee recommended a different version of the bill than what was heard.* PRO: Transportation is the sector that emits the most GHG of any sector in the state and the largest portion of that is on road gasoline and diesel. The bill creates a technology neutral pathway, sets up a process by which fuels used reduce GHG intensity over time, and identifies the goal—which is the reduction of GHG emissions from most emitting sector over time. Economies of Oregon and California continue to thrive even as they reduce emissions from transportation under their clean fuels programs. This program is not a tax. Rather than the state accruing revenues, all of the credit accrues to the producers of clean fuels. There have been no price spikes or fuel disruptions for the states where these policies have been in effect. Cleaner fuels are cheaper than the petroleum fuels they replace. Any theoretical potential upward price pressure at the pump is overwhelmed by enormous costs already being inflicted on public health and the environment by the climate change crisis. The clean fuels standard (CFS) is an efficient market-based policy tool to help shift from high to lower carbon fuels. Washington is unlikely to transition away from fossil fuels without this program. CFS could be most significant policy to meet 2020 statewide emissions limits goals. CFS values biomass-based feedstocks. The bill will benefit the local economy by creating new clean energy jobs. Climate change will lead to more larger pandemics. Air pollution causes low birth rates and exacerbates asthma and lower life expectancies. Air pollution disproportionately effects communities of color and low-income populations. Climate change has doubled the amount of land burned by wildfires. This is a matter of life or death. The bill allows utilities to make investments in their economies. Utility revenues should not be sent across state for electric vehicle rebates. Cities cannot reduce GHG emissions alone. Waste oils would benefit from a CFS in Washington otherwise they get shipped to California. Commercial trucks are being converted to compressed natural gas. Electricity will be the transportation fuel of the future. It is less costly and prices are less volatile. International markets dictate gas prices not a low carbon fuel standard (LCFS). Census tracks along major transportation arterials show increased air pollution, which disproportionately impacts low-income people. Improving air quality is about environmental justice. Neighborhoods in flight paths have faced disproportionate impacts. Ensure only effective carbon capture and sequestration projects will get credits. Puget Sound waters are warmer and saltier affecting the base of the food web. We are facing the costs of heart disease, cancers, flood, and extreme fires today.

CON: These costs are passed on. This is a costly and ineffective mandate. The timeline is two times as aggressive as California's. Environmental benefits are not supported from data in California. The potential for new facilities is limited. A LCFS is the least cost effective program and raises fuel prices. The added fuel costs raises the price of consumer goods. This harms interstate competitiveness. Fuel cost increases directly impact revenue from transportation, yet there is no infrastructure to meet needs. Instead, we should pass a transportation package with climate components. This policy jeopardizes a statewide transportation package. Gas taxes are critical and will create jobs and boost the economy as we emerge from COVID. LCFS has no return on investment. This will raise the cost of driving but will not fix culverts, bridges, or broken roads. It is a regressive policy. The bill will not help the environment much. The ability to electrify will not happen until we get grid up to speed. Under this program, companies do not have dollars available for increased wages and benefits or to invest in lower emissions equipment. There will be an increased cost for commuting to work. This policy burdens transportation agencies with higher costs. Farmers are price takers, not price makers. The exemption for on farm died diesel provides a fraction of relief. Every cent to the cost of fuel costs $0.12s to raise crops. We should stop carbon in the air by managing forests and stopping forest fires. Reduce traffic congestion instead. Public Utility Districts opposes letting Ecology dictate how revenues are spent. Ecology should issue guidelines. It is vital to consider whether the electric gird can absorb this new load. The human tole of an unreliable gird is severe. Costs will be associated with upgrades for locally owned retail fueling stations and underground storage tanks. We can not get groceries to the stores without trucks.

OTHER: California gas prices are higher than the national average. What is the environmental benefit from the program? We do have to pay something to reduce climate change. The air quality benefit is very small. Benefits accrue to wealthy communities with charging infrastructure. A LCFS does not not lower fuel costs. GHG reductions from LCFS are highly uncertain.

Persons Testifying (Environment, Energy & Technology): PRO: Representative Joe Fitzgibbon, Prime Sponsor; Larry Luton, 350 Spokane; Joel Creswell, Washington Department of Ecology; Cliff Traisman, Washington Environmental Council and Washington Conservation Voters; Justin Allegro, The Nature Conservancy; Leah Missik, Climate Solutions; Alexandra Obremskey, MD, Pediatricians for Climate Action; Robyn Rothman, Washington Health Care Climate Alliance; Craig Kenworthy, Puget Sound Clean Air Agency; Robert Britten; Tim Zenk, Neste; Evan Neyland, ChargePoint; Curt Augustine, Alliance for Automotive Innovation; Floyd Vergara, National Biodiesel Board; Logan Bahr, Tacoma Power; Dave Warren, Klickitat PUD; Joshua Caplan, Sunrise Seattle; Layla Ismail, Cleveland STEM Sunrise Hub; Layasri Ranjith, Youth climate activist and senior at Eastlake High School; Anika Razdan, Youth climate activist and senior at Eastlake High School; Carrie Lee, King County Metro; Breean Beggs, Spokane City Council President; Victoria Hunt, Issaquah City Council President; Sam Cho, Commissioner, Port of Seattle/The Northwest Seaport Alliance; Martin Gibbins, League of Women Voters of Washington; Jeff Parsons, Puget Sound Partnership; Lindsey Grad, SEIU 1199 NW; Matthew Hepner, IBEW; Samantha Grad, UFCW 21; Stu Clark, Governor's Office; Vanessa Kritzer, Councilmember, City of Redmond; Elijah Worley, Mahoney Environmental; Mark Fitz, Star Oilco; Becky Bogart, Republic Services; Rosalyn Jefferies, AMPLY Power.

CON: Jeff Pack, Washington Citizens Against Unfair Taxes; Jessica Spiegel, Western States Petroleum Association; Craig Smith, Food Northwest; Sheri Call, Washington Trucking Associations; Vicki Malloy, Harry's Cherries, Inc. and Washington Farm Bureau; Neil Hartman, Washington State Association of UA Plumbers and Pipefitters; Josh Swanson, International Union of Operating Engineers Local 302; Billy Wallace, Washington and Northern Idaho District Council of Laborers; Mike Ennis, Association of Washington Business; Dale Lemmons, Signature Transport; Matt Ewers, IEDS Logistics; Jim Tutton, Washington Movers Conference; Jerry VanderWood, AGC of Washington; Victor Bishop, Eastside Transportation Association; Bob Edwards, former Port of Seattle Commissioner; Ben Buchholz, NW Agricultural Cooperative Council; Sophia Steele, Associated Builders and Contractors, Western Washington; Bre Elsey, Washington Farm Bureau; Brad Haberman, No. 9 Hay Co.; Howard Jensen, Sun Heaven Farms; Frank Corbin, Citizen; Nicolas Garcia, Washington Public Utility Districts Association; David Ducharme, Washington Oil Marketers Association; Michele Kiesz, WAWG/Kiesz Farms; Carolyn Logue, Washington Food Industry Association.

OTHER: Todd Myers, Washington Policy Center; Alex Marcucci, Trinity Consultants.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.

Staff Summary of Public Testimony on Bill as Amended by Environment, Energy & Technology (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: Cleaner fuels provides cleaner air especially for people who live next to major transportation corridors. This bill will take a big bite out of the largest carbon contributing sector in our state. This bill is the lowest cost option to reduce carbon from the transportation sector. Carbon is one of the leading contributors to health impacts, pass this bill to help save lives. Advance this bill, it is good policy. People in eastern Washington want to reduce greenhouse gases, we want clean fuels. This bill will support the agricultural industry and will help create wealth in Washington. We want a reduction of carbon and transportation related emissions, help us meet that goal. We need this policy to help us generate technology for alternatives to fossil fuel. Reducing carbon creates opportunity. A clean fuels program creates an increased market place, we need the future growth. This bill is a good step forward. The cost of climate change is bourne on the backs of low-income. We support the policy to help drive markets that de-carbonize. This bill will cleanup our environment and create new jobs. Strong economic growth does not always mean improved health, place the burden on the oil producers. This bill will help us build out more clean energy alternatives. I am concerned that without this policy we maintain a disproportionate impact on communities of color. I support the policy to attract billion of dollars of investments. This bill will reduce emissions. We support for our waste facility, a third of our trucks run on CNG. Improved equity is needed for the Asian and Pacific Island community, we need this bill. Creates revenue to cleanup and expand our fleet. My company needs this bill to help expand markets. We support the opportunity to build out new electric vehicle charging stations. We cannot afford to delay. The bill will attract investments in biogas systems. The bill will help decrease health care costs and increase our health quality.

CON: We already voted this down, twice. This increases the costs the most on low-income families. This bill lacks consumer protection. It is a costly ineffective mandate. This is a trumped up new tax. This bill will not help fix existing roads, build new roads or fix fish blockages. This bill is ten times more expensive than alternatives and two times more aggressive than the policy in California. We need a transportation package and this bill will get in the way of achieving that. This bill will raise the costs for my trucking company, making it more difficult to be competitive. This bill will make it more costly for farm workers who have to drive long distances to get to work. Encourage you to move slower, learn from experience. This bill will take away opportunity to improve transportation. The increase in gas prices resulting from this bill will be the straw that breaks the camels back. Too much impact on families. This bill will be too expensive for farmers. They do not have the funding to convert their machinery. The proposal is regressive and unfair to low-income who can not afford to buy a new car; low carbon fuel standards does not reduce pollution, but does increase costs. My trucking company will see an increase in costs by $190,000 per year. Will not lower emissions, but will increase costs. This bill should require a proportionate amount of feedstock to come from Washington. The bill will increase costs and record keeping, please use the excess funds from the latest forecast to help local businesses.

Persons Testifying (Ways & Means): PRO: Larry Luton, 350 Spokane; Becky Kelley, Office of Governor Jay Inslee; Joel Creswell, Washington Department of Ecology; Roel Hammerschlag, Hammerschlag LLC; Conor Duggan, First Mode; Leah Missik, Climate Solutions; Mary Lou Pauly, Mayor of the City of Issaquah; Robyn Rothman, Washington Health Climate Alliance; Craig Kenworthy, Puget Sound Clean Air Agency; Kent Hartwig, Renewable Energy Group; Janet Kelly, Puget Sound Energy; Samantha Grad, UFCW 21; Chris Whitworth, Northwest Advanced Bio-Fuels; Paula Sardinas, WBBBA; Sam Cho, Commissioner, Port of Seattle/The Northwest Seaport Alliance; Christine Cooley, Tacoma Public Utilities Board Member; David Della, Small Business; John Dannan, Generate Capital, Inc.; Justin Wilson, ChargePoint; Becky Bogard, Republic Services; Nam Nguyen, Washington CAPAA; Kristina Soman-Faulkner, MD, WPSR; Sandra Toussaint, Washington Federation of State Employees; Jan Allen, Impact Bioenergy Inc; Matthew Hepner, IBEW/ceww; Martin Gibbins, League of Women Voters of Washington; George Davidson, American Biogas Council.

CON: Jeff Pack, Washington Citizens Against Unfair Taxes; Jessica Spiegel, WSPA; Tim Eyman, PermanentOffense.com; Victor Bishop, Retired; Dan Coyne, Food Northwest; Jerry VanderWood, AGC of Washington; Sheri Call, Washington Trucking Associations; Ben Buchholz, NW Agricultural Cooperative Council; Mark Riker, Washington State Building & Construction Trades Council; Billy Wallace, Washington & Northern Idaho District Council of Laborers; Val Mullen, Taxpayer; Bre Elsey, Washington Farm Bureau; Joel Bouchey; Mike Ennis, Association of Washington Business; Dale Lemmons, Signature Transport; David Ducharme, Washington State Tree Fruit Association; Berit Schweiss, taxpayer.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.