

HOUSE BILL REPORT

E2SHB 2119

As Passed House:

March 18, 2003

Title: An act relating to voluntary registration of greenhouse gas emissions.

Brief Description: Establishing the Washington climate action registry.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Linville, Morris, Romero, Kagi, Kirby, Edwards, Wallace, Chase, Cooper, Hunt and Upthegrove).

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 3/3/03, 3/4/03 [DPS];

Appropriations: 3/8/03 [DP2S(w/o sub TTE)].

Floor Activity:

Passed House: 3/18/03, 93-4.

Brief Summary of Engrossed Second Substitute Bill

- Allows the Washington Climate and Rural Energy Development Center to establish and maintain a Washington Climate Action Registry.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Morris, Chair; Ruderman, Vice Chair; Sullivan, Vice Chair; Blake, Hudgins, Kirby, Romero, Wallace and Wood.

Minority Report: Do not pass. Signed by 7 members: Representatives Crouse, Ranking Minority Member; Nixon, Assistant Ranking Minority Member; Anderson, Bush, Delvin, McMahan and Tom.

Staff: Pam Madson (786-7166).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second

substitute bill do pass and do not pass the substitute bill by Committee on Technology, Telecommunications & Energy. Signed by 20 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Cody, Conway, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke and Talcott.

Minority Report: Do not pass. Signed by 7 members: Representatives Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Boldt, Buck, Clements, Cox and Sump.

Staff: Patricia Linehan (786-7178).

Background:

A number of states have taken action to adopt voluntary or mandatory programs to reduce carbon emissions in recent years. One of the tools being developed is a greenhouse gas emissions (GHG) registry. A registry receives information from companies, government agencies, and organizations that identifies the greenhouse gas emissions released by their operations.

Discussion of how best to implement a greenhouse gas registry is occurring at the state and national level. California, New Hampshire, New Jersey, and Wisconsin have registries in place. They vary in their design and operation. In 2001, environmental organizations, state, and federal agencies met to discuss issues related to state registries.

In the 1992 Energy Policy Act, a voluntary emissions reduction registration program was established and is managed by the Department of Energy. This year, federal agencies are developing recommendations to improve and expand this registry. The Environmental Protection Agency has launched a program called Climate Leaders to promote voluntary commitments from companies to reduce emissions using long-term strategies.

The Washington Climate and Rural Energy Development Center was established in 2002 under the Washington State University Energy Program to serve as a central, nonregulatory clearinghouse of credible and reliable information addressing climate change and clean energy activities. It is funded through grants and contributions.

Summary of Engrossed Second Substitute Bill:

The Washington Climate and Rural Energy Development Center (Center) may establish and maintain a Washington Climate Action Registry. The Registry is a centrally located repository into which any entity may voluntarily record an inventory of their greenhouse gas emissions.

Purpose of the Registry and duties of the Center

The Registry is intended to assist registrants who wish to develop greenhouse gas emissions inventories in order to receive consideration under any future federal regulatory system relating to greenhouse gases and to participate in trading greenhouse gas emissions reduction credits.

The Center may develop and publish basic definitions and protocols to assist registrants, provide technical and educational resources to registrants, and assist registrants to devise protocols, reporting formats and verification procedures. If requested by a registrant, the Center must develop protocols for that registrant's economic sector.

Funding and operation

The Center may develop a fee schedule for registry services that will cover the cost of operating the registry.

Emissions inventories

Registrants may record emissions for any greenhouse gases and may seek assistance of the Center in developing protocols and verification procedures for its inventory. An inventory may be recorded for an entire entity or a smaller unit or project associated with the entity.

If a registrant in a specific economic sector requests that the Center establish protocols for that sector, the Center must develop sector-wide protocols. The Center must use a public process for adopting protocols that define the scope of the inventories and determine how emissions are measured, reported, and verified. Only records and inventories that are developed using the protocols established by the Center will be accepted for registration for that specific economic sector.

All records and other information furnished to the registry remains the property of the registrant subject to the registrant's right of privacy and confidentiality.

Emissions may be reported by calendar year and inventories may be submitted for consecutive years back to 1990 if the registrant has sufficient verifiable data to do so.

The registrant may note on an inventory if there is a significant change in scope of activity reported by the registrant. Registrants may be removed from the registry.

Third-party verification

A registrant may provide, at its own expense, a third-party verification of its inventory. The Center may adopt a list of qualified persons who can complete an inventory verification.

Federal program

If a mandatory federal greenhouse gas emissions registry is enacted, the director of the Center must notify the Legislature of any conflict with the state program. As of the date

that the federal program becomes operational, the Center may no longer accept inventories for registration with the state registry.

Appropriation: None.

Fiscal Note: Requested on March 7, 2003.

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

Testimony For: (Technology, Telecommunications & Energy) This proposal is a voluntary, market based approach to reducing greenhouse gas emissions. Fifty-four percent of greenhouse gas emissions come from motor vehicles. Federal law preempts action in this area. However, one-third comes from power plants and industry. Washington is an energy intensive state. New sources of energy will come from fossil fuels. A world market is developing for emission's credit trading. A mandatory federal program for reducing emissions is inevitable and likely in this decade. Businesses that act now can gain the expertise in measuring and understanding the sources of their greenhouse gas emissions. They will be in a better position to benefit from future credit trading programs. This information will also be valuable to the state's congressional delegation in influencing a federal emissions reduction program as it develops. Having a registry in place now with rules will help businesses evaluate whether to participate. Businesses need to know what the rules are. The City of Seattle government is doing a greenhouse gas emissions inventory. From this experience they have learned what produces emissions and what actions, some of which they have already taken, can reduce emissions. Greenhouse gas emissions contribute to global warming which creates many circumstances that can threaten human health. The registry is a tool to reduce these emissions. Companies can already disclose their emissions. Some disincentives are the fees and independent audits. If a company is a low emitter, it may not fair well if emissions reductions are the goal and it is compared to those beyond in its own sector. Verification is important to eliminate double counting. It is important to protect a company's proprietary information.

(Neutral) The Climate and Rural Energy Development Center has expertise in greenhouse gas evaluation and reporting and can manage a registry. In developing a registry, the center would take advantage of the expertise and work done in other states and would seek funding to help accomplish this.

(With concerns) This is an unnecessary program. There is a national registry that companies can report to. Companies are already voluntarily taking action to reduce their emissions. This is a national issue and it should be handled nationally.

Testimony For: (Appropriations) This registry will be supported by fees from those who voluntarily participate in the program. We believe that firms will find these fees

attractive. The proposed bill goes a long way toward establishing the marketability of emission reduction credits. King County, the City of Seattle, and the Puget Sound Clean Air Agency strongly support the creation of a greenhouse registry.

An effective registry does not exist nationally. There is a U.S. Department of Energy system, but it does not have any rules. It allows businesses to report whatever they want. The registration is not standardized, so there is no reliability or value to what is reported. The Washington registry would provide a standardized reporting system. When a Washington business invests in energy efficiency, it will be able to sell credits that have clear value. This proposed bill is an important step in reducing climate warming.

This will be of great benefit to businesses, because it will provide an official registry that proves what they have done to reduce emissions prior to a federal mandate. Also, it will provide a tool to enter the emission trading market. Registrant fees can be offset by selling emission credits.

(Neutral) The center will seek foundation money to do this and implementation of this proposed bill will be dependent upon our ability to locate the money for the start up costs.

Testimony Against: (Technology, Telecommunications & Energy) There is some discomfort with state by state approaches and some businesses would like to see a sunset should a federal program be established. A business must pay to be part of it and pay to verify the inventory and then must have emissions published. This may actually work against a company.

Testimony Against: (Appropriations) It is not expected that there will be a great deal of participation by the members of the Association of Washington Businesses. Three amendments will be needed before we could become neutral on the program. First, emission information needs to be made proprietary. Secondly, the registry should have a sunset date when a federal registry becomes mandatory. Lastly, the audits should be paid for by someone other than the registrants, because there should not be an appearance of a conflict of interest.

Testified: (Technology, Telecommunications & Energy) (In support) Mike Ruby, Environmetries, Inc; Margaret Kitchell, Physicians for Social Responsibility; Tim Newcomb, The Mountaineers; Karen Hertz; Toni Potter, Audubon Society; Louise Stonington, Sierra Club; Donna Ewing, League of Women Voters, Washington; Robert Murray, Consultant; Linda Vernooy, Global Warming Action; Richard Thompson; Dave Arbaugh, Calpine; Steve Lindstrom, Northwest Energy Coalition; and Heather Rhoads-Weaver, Northwest Sustainable Energy for Economic Development.

(Neutral) Jake Fey, Washington State University Energy Program.

(With concerns) Becky Bogard, American Forest and Paper Association Washington Partners.

(Opposed) Kristen Sawin, Association of Washington Business.

Testified: (Appropriations) (In support) Donna Ewing, League of Women Voters; Louise Stovington, Sierra Club; and Mike Ruby, Environmetrics, Incorporated.

(Neutral) Jacob Fey, Washington State University.

(Opposed) Kristen Sawin, Association of Washington Business.