

# FINAL BILL REPORT

## E3SHB 2939

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Synopsis as Enacted

**Brief Description:** Establishing the energy freedom program.

**Sponsors:** By House Committee on Capital Budget (originally sponsored by Representatives Grant, Dunshee, Linville, Kessler, Upthegrove, Kilmer, Ericks, Hasegawa, P. Sullivan, Santos, Green, Springer, Conway, Simpson and Hudgins).

**House Committee on Technology, Energy & Communications**

**House Committee on Appropriations**

**House Committee on Capital Budget**

**Senate Committee on Water, Energy & Environment**

**Senate Committee on Ways & Means**

**Background:**

Oil Production and Consumption in the U.S.

According to the Energy Information Administration (EIA), in 2002 the United States consumed 19.656 million barrels of petroleum (crude oil and petroleum products) per day, or about one-quarter of total world oil production. More than half was imported oil. The EIA has projected that by 2025, total petroleum consumption in the U.S. will be approximately 28.3 million barrels per day.

While consumption of petroleum in the U.S. is increasing, oil production has been decreasing steadily since 1970. According to the EIA Annual Energy Outlook for 2004, U.S. petroleum production is expected to decrease from 9.2 million barrels per day in 2002 to 8.6 million barrels per day by 2025, while consumption is expected to rise from 19.6 barrels per day in 2002 to 28.3 million per day by 2024, which represents approximately a 44 percent increase in consumption.

State Loan Programs for Renewable Energy

According to a 2002 study by the National Renewable Energy Laboratory, there are at least 21 active loan programs in 18 states that provide low-cost financing for renewable energy. Some programs are funded by revolving loan funds that were established with petroleum overcharge settlements, while others are funded through annual appropriations, the sale of bonds, or air-quality noncompliance penalty fees. Total funding for state loan programs range from \$200,000 to \$200 million per year.

**Summary:**

Energy Freedom Program

The Energy Freedom Program is established within the Department of Agriculture. The stated legislative purpose of the Energy Freedom Program is to develop a viable bioenergy industry,

to promote public research and development in bioenergy sources and markets, and to support a viable agriculture industry to grow bioenergy crops.

#### Criteria for Awarding Financial Assistance

The Department of Agriculture, in cooperation with the Department of Community, Trade, and Economic Development, may award financial assistance to an applicant if the Director of the Department of Agriculture finds that:

- the project will convert farm products or waste directly into electricity or fuel or other coproducts associated with such conversion;
- the project demonstrates technical feasibility and directly assists in moving a commercially viable project into the marketplace;
- the facility will produce long-term economic benefits to the state;
- the project does not require continuing state support;
- the assistance will result in jobs or higher incomes for the citizens of the state;
- the state is provided an option to purchase a portion of the fuel or feedstock to be produced by the project;
- the project will increase energy independence or diversity;
- the project will use feedstocks produced in the state, if applicable;
- any product produced by the project will be suitable for its intended use, meet accepted national or state standards, and will be stored in a safe and environmentally sound manner; and
- the application provides for adequate financial reporting.

If the project is a research and development project, it must be independently reviewed by a peer review committee and the findings of that review must be provided to the director of the Department of Agriculture.

#### Contractual Agreements

The Director of the Department of Agriculture must enter into agreements with approved applicants. The agreement must include provisions to protect the state's investment, including a requirement that the applicant enter into contracts with any partners that may be involved in the use of the financial assistance provided under this program.

#### Limitations

The Director of the Department of Agriculture may award assistance in an amount of up to \$5 million, provided that the assistance does not constitute more than 50 percent of the total project funding. The Director may suspend or cancel its financial assistance if a recipient fails to make reasonable progress towards completing a project, or the recipient has made misrepresentations in any information furnished to the director in connection with the project.

#### Energy Freedom Account

The Energy Freedom Account (Account) is created in the State Treasury. Funds from the Account may only be spent after appropriation. Expenditures may be used only for assistance for projects that are consistent with this act. Administrative costs may not exceed 3 percent of the total funds available for the Energy Freedom Program.

Any funds remaining in the Account after June 30, 2016, will revert to the State General Fund.

Report

The Director must report to the Legislature and to the Governor on an annual basis on the status of the Energy Freedom Program.

Public Disclosure

Financial and commercial information supplied by applicants under this act is exempt from public disclosure.

The Act expires on June 30, 2016.

**Votes on Final Passage:**

House	68	30	
Senate	48	0	(Senate amended)
House	66	29	(House concurred)

**Effective:** June 6, 2006  
July 1, 2006 (Sections 8 and 10)