

# SENATE BILL REPORT

## ESHB 2757

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As of February 20, 2018

**Title:** An act relating to modernizing fuel content standards and references.

**Brief Description:** Modernizing fuel content standards and references.

**Sponsors:** House Committee on Technology & Economic Development (originally sponsored by Representatives Doglio, Tharinger, Walsh, Chapman, Fitzgibbon and Tarleton).

**Brief History:** Passed House: 2/13/18, 54-44.

**Committee Activity:** Energy, Environment & Technology: 2/21/18.

### Brief Summary of Bill

- Requires all diesel fuel sold in Washington by a special fuel licensee to contain a minimum of percentage of biomass-based diesel fuel of an annual average basis—2 percent by July 1, 2019, and 5 percent by July 1, 2021.
- Prohibits special fuel licensees from selling biomass-based diesel fuel derived from palm oil beginning July 1, 2019.
- Requires the Washington State Department of Agriculture (WSDA) to notify the Legislature by December 1, 2020, of the types of feedstocks being used to meet the RFS.

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### SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TECHNOLOGY

**Staff:** Angela Kleis (786-7469)

**Background:** Motor Fuel Quality Act. The state Motor Fuel Quality Act, enacted in 1990, adopted motor fuel standards, authorized WSDA to promulgate state fuel standards, and established a motor fuel quality sampling, testing, and enforcement program.

Renewable Fuel Standards. The state Renewable Fuel Standard (RFS) requires special fuel licensees to provide evidence that at least 2 percent of the total annual diesel fuel sold in the state is biodiesel or renewable diesel under certain circumstances. The minimum percentage increases to 5 percent after WSDA determines that in-state oil seed crushing capacity and

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feedstock grown in Washington can meet a 3 percent standard. The increase takes effect no sooner than 180 days after the determination is published.

Ethanol Requirements. Motor vehicle fuel licensees must provide evidence that at least 2 percent of the total gasoline sold in the state is denatured ethanol. This ethanol requirement may be increased if WSDA determines that:

- an increase would not jeopardize the state's continued attainment of federal Clean Air Act standards; and
- the state can economically support the production of higher ethanol blends.

Biofuel Fuel Blends Requirements. State agencies are required to use a minimum of 20 percent biodiesel as compared to total volume of all diesel purchases made by the agencies for the operation of the agencies' diesel-powered vessels, vehicles, and construction equipment. However, during the 2015-2017 and 2017-2019 fiscal biennia, the Washington State Ferries is required to use a minimum of 5 percent biodiesel, as long as the price of a B5 biodiesel blend does not exceed the price of conventional diesel fuel by 5 percent or more.

**Summary of Bill:** RFS. All diesel fuel sold in Washington by a special fuel licensee must contain the following minimum percentages of biomass-based diesel fuel on an annual average basis:

- 2 percent beginning July 1, 2019; and
- 5 percent beginning July 1, 2021.

Each special fuel licensee must provide evidence to the Department of Licensing (DOL) demonstrating attainment of this standard on an annual basis for all diesel fuel sold by the special fuel licensee.

A special fuel licensee may not sell biomass-based diesel fuel in Washington that is derived from palm oil beginning July 1, 2019.

DOL must adopt rules to implement the RFS by December 31, 2018.

WSDA. The director of WSDA must adopt rules for maintaining motor fuel standards. The rules may include standards set forth by the American Society for Testing and Materials, the National Institute of Science and Technology, and the federal Environmental Protection Agency.

The director of WSDA may:

- not refuse, revoke, or suspend the registration of a motor fuel or establish a motor fuel testing laboratory; and
- assess a civil penalty for violating the Motor Fuel Quality Act; and
- adopt rules on false and misleading advertising, labeling and posting of prices, and the identity of motor fuels.

WSDA must notify the Legislature regarding the types of feedstocks being used to meet the requirements of the RFS, and may recommend, in consultation with the Department of Commerce, strategies to increase the production of in-state feedstocks to increase renewable fuel production by December 1, 2020.

Tax Exemptions. In order to qualify for the sales and use tax exemptions, hog fuel must be used to produce electricity, steam, heat, or biofuel in Washington.

For the purposes of the sales and use exemptions, biodiesel fuel and biofuel are defined.

Provisions removed include requirements regarding:

- labeling biodiesel;
- failing to register or submitting incorrect information regarding motor fuel registration;
- providing evidence that at least 2 percent of gasoline is denatured ethanol;
- filing reports by state agencies; and
- authorizing the Governor to suspend all or portions of the RFA.

**Appropriation:** None.

**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.