

HOUSE BILL REPORT

HB 2611

As Reported by House Committee On:
Innovation, Technology & Economic Development

Title: An act relating to promoting the development of the Washington state bioeconomy.

Brief Description: Promoting the development of the Washington state bioeconomy.

Sponsors: Representatives Duerr, Mead, Ramel, Fitzgibbon, Gregerson and Pollet.

Brief History:

Committee Activity:

Innovation, Technology & Economic Development: 1/29/20, 2/4/20 [DPS].

Brief Summary of Substitute Bill

- Directs the University of Washington to conduct a study identifying opportunities to further develop Washington's bioeconomy.

HOUSE COMMITTEE ON INNOVATION, TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hudgins, Chair; Kloba, Vice Chair; Smith, Ranking Minority Member; Boehnke, Assistant Ranking Minority Member; Entenman, Slatter, Tarleton, Van Werven and Wylie.

Staff: Kyle Raymond (786-7190).

Background:

Biorefinery Study.

In the 2019-21 Biennial Operating Budget, \$300,000 for matching nonstate funding contributions was provided to the University of Washington to study the feasibility of constructing a biorefinery in southwest Washington. The study must do the following:

- assess the supply of biomass, including poplar feedstock grown in low-value lands and hardwood sawmill residuals;

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.

- assess the potential for using poplar simultaneously for water treatment and as a biorefinery feedstock;
- assess southwest Washington landowner interest in growing poplar feedstock; and
- evaluate options for locating a biorefinery in southwest Washington that considers potential for integration of future biorefineries with existing facilities such as power plants and pulp mills.

In addition, the study must result in a comprehensive technical and economic evaluation for southwest Washington biorefineries to be used by biorefinery technology companies to develop their business plans and to attract potential investors.

Washington Clean Energy Transformation Act.

The Washington Clean Energy Transformation Act (CETA) requires that all retail sales of electricity to Washington customers be greenhouse gas neutral by January 1, 2030, and that nonemitting and renewable resources supply 100 percent of all retail sales of electricity to Washington customers by January 1, 2045.

Under CETA, a biomass energy is considered a renewable resources, and biomass energy includes:

- organic by-products of pulping and the wood manufacturing process;
- animal manure;
- solid organic fuels from wood;
- forest or field residues;
- untreated wooden demolition or construction debris;
- food waste and food processing residuals;
- liquors derived from algae;
- dedicated energy crops; and
- yard waste.

Manufacturing of Wood Biomass Fuel Tax Preference.

Under state law, there is a reduced business and occupation tax rate for manufacturing of wood biomass fuel. The rate of the tax is equal to the value of wood biomass fuel manufactured, multiplied by the rate of 0.138 percent. The manufacturing business and occupation tax rate is 0.484 percent of gross receipts. There is also a sales and use tax exemption on machinery and equipment used to generate electricity using fuel cells, sun, wind, biomass energy, tidal and wave energy, geothermal resources, and technology that converts otherwise lost energy from exhaust.

Summary of Substitute Bill:

The University of Washington must conduct a study identifying opportunities to further develop Washington's bioeconomy to expand the use of renewable biological resources in the production of fuels, chemicals, and other materials.

The study must do the following:

- develop new processes that use biomass resources to produce high-value chemicals, high-value products, and high-volume fuels in Washington, including the development of processes to fractionate feedstocks, such as woody biomass;
- investigate the usage of hardwood forest slash, mill residuals, and other residuals from existing sustainably managed forests;
- develop biomass production systems that provide effective water treatments in Washington, with an emphasis on cleaning municipal treatment wastewater and roadway stormwater;
- identify and assess optimal locations throughout Washington to site a biorefinery factory; and
- identify and analyze policy options that can promote the further development of a circular bioeconomy in Washington.

By July 1, 2023, the results of the study must be submitted in a report to the appropriate committees of the Legislature.

Substitute Bill Compared to Original Bill:

The substitute bill adds to existing study requirements that the University of Washington must also investigate the usage of hardwood forest slash, mill residuals, and other residuals from existing sustainably managed forests.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Biofuels can provide a low-carbon fuel at a lower cost compared to low-carbon fuel alternatives, and the state is going need to use biofuels to meet a low-carbon fuel standard if established.

Biofuels can also solve additional problems. Existing research looks into how grasses that grow on roadsides can be used as biofuel and clean stormwater as water comes off the road. Poplar groves can also be used to treat wastewater, especially in rural communities where water treatment plants are not affordable.

The next phase of this work is figuring out how to make those costs come down, which this bill will help address.

This bill comes out of research from the University of Washington and Washington State University that was funded by a United States Department of Agriculture grant. The University of Washington has focused its research on poplar. The research identified Lewis

County and Grays Harbor County as counties that have some land that could be used to produce biofuels. This bill would build upon this existing research.

(Opposed) None.

Persons Testifying: Representative Duerr, prime sponsor; and Richard Gustafson, University of Washington.

Persons Signed In To Testify But Not Testifying: None.