

# HOUSE BILL REPORT

## E2SHB 2815

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### As Passed Legislature

**Title:** An act relating to creating a framework for reducing greenhouse gases emissions in the Washington economy.

**Brief Description:** Regarding greenhouse gases emissions and providing for green collar jobs.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Dunshee, Priest, Linville, Upthegrove, Nelson, Goodman, Hurst, Lantz, Hunt, Cody, McCoy, Quall, Pettigrew, Fromhold, Dickerson, Darneille, Appleton, Green, Sells, Pedersen, Jarrett, Conway, Morrell, Miloscia, Sullivan, Schual-Berke, McIntire, Williams, Hudgins, Simpson, Ericks, VanDeWege and Ormsby; by request of Governor Gregoire).

### Brief History:

#### Committee Activity:

Ecology & Parks: 1/23/08, 1/29/08 [DPS];

Appropriations: 2/5/08, 2/6/08 [DP2S(w/o sub EPAR)].

#### Floor Activity:

Passed House: 2/19/08, 64-31.

Passed Senate: 3/5/08, 29-19.

Passed Legislature.

### Brief Summary of Engrossed Second Substitute Bill

- Directs the Department of Ecology (DOE) to submit a greenhouse gas reduction plan to the Legislature to limit statewide greenhouse gas emissions..
- Authorizes the DOE to adopt rules requiring a reporting system to monitor greenhouse gas emissions.
- Authorizes the DOE to develop a design for a regional multisector market-based system to limit and reduce greenhouse gas emissions.
- Creates a green industries job training account to train and transition workers to clean economy industry jobs.

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*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.*

- Directs the Department of Transportation to provide recommendations to reduce annual per capita vehicle miles traveled.

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## HOUSE COMMITTEE ON ECOLOGY & PARKS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Upthegrove, Chair; Rolfes, Vice Chair; Dickerson, Dunshee, Eickmeyer and O'Brien.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Sump, Ranking Minority Member; Kristiansen and Pearson.

**Staff:** Jaclyn Ford (786-7339).

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## 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 Ecology & Parks. Signed by 25 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Anderson, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, Sullivan and Walsh.

**Minority Report:** Do not pass. Signed by 9 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Chandler, Hinkle, Kretz, McDonald, Ross and Schmick.

**Staff:** Alicia Dunkin (786-7178).

### **Background:**

#### Governor Gregoire's Executive Order Setting Greenhouse Gas Emissions Goals

On February 7, 2007 the Governor issued an executive order establishing goals for Greenhouse Gas (GHG) emissions reductions, for increasing clean energy sector jobs, and for reducing expenditures on imported fuel. The executive order also directed the Department of Ecology (DOE) and the Department of Community, Trade, and Economic Development (DCTED) to lead stakeholders in a process that will consider a full range of policies and strategies to achieve the emissions goals.

#### *Climate Advisory Team*

In response to the Governor's executive order, the DOE and the DCTED have formed the Washington Climate Advisory Team (CAT) to assist with the development of specific action-oriented recommendations for climate change mitigation policies and plans for Washington. Their report is due to the Governor in 2008. The final report will compile and summarize

recommended policy options of the CAT based on the outcome of final votes on individual recommendations

### ESSB 6001

The following goals are established for statewide GHG emissions:

- by 2020 reduce GHG emissions to 1990 levels;
- by 2035 reduce GHG emissions to 25 percent below 1990 levels; and
- by 2050 reduce GHG emissions to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

By 2020 there is a goal to increase the number of clean energy sector jobs to 25,000.

The Governor must develop policy recommendations on how the state can achieve the GHG emissions reductions goals. The recommendations must include how market mechanisms would assist in achieving the goals.

#### *Emissions Reports*

The DOE and the DCTED reported to the Legislature in December 2007 on the total GHG emissions for 1990, and totals in each major sector for 1990. By December 31 of each even-numbered year beginning in 2010, the DOE and the DCTED must report to the Governor and the Legislature the total GHG emissions for the preceding two years, and totals in each major source sector.

#### *The GHG Emissions Performance Standard*

All baseload electric generation (electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent) that begins operation after June 30, 2008, and is located in Washington, must comply with certain performance standards. There are designated statutory exemptions.

#### *Enforcing the GHG Emissions Performance Standard*

By June 30, 2008 the DOE and the Energy Facility Site Evaluation Council (EFSEC) must coordinate and adopt rules to implement and enforce the GHG emissions performance standard, including the evaluation of sequestration and mitigation plans. In addition, the DCTED must consult with specified groups, such as the Bonneville Power Administration, and consider the effects of the standard on system reliability and the overall costs to electricity customers. In order to update the standard, the DCTED must conduct a survey every five years of new combined-cycle natural gas thermal electric generation turbines commercially available and offered for sale by manufacturers and purchased in the United States. The DCTED must use the survey results to adopt by rule the average available GHG emissions output. The survey results must be reported to the Legislature every five years, beginning June 30, 2013.

The DOE, in consultation with the DCTED, the EFSEC, the Washington Utilities and Transportation Commission (WUTC), and the governing boards of consumer-owned utilities, must review the GHG emissions performance standard no less than every five years or upon

the implementation of a federal or state law or rule regulating carbon dioxide (CO<sub>2</sub>) emissions of electric utilities, and report to the Legislature.

**Summary of Engrossed Second Substitute Bill:**

The state will limit emissions of GHG to achieve the following statewide emission reductions:

- by 2020 reduce overall GHG emissions in the state to 1990 levels;
- by 2035 reduce overall GHG emissions in the state to 25 percent below 1990 levels; and
- by 2050 reduce overall GHG emissions in the state to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

By December 1, 2008 the DOE will submit a GHG reduction plan for review and approval to the Legislature describing the necessary actions needed to achieve the GHG emission reductions.

The DOE will develop and implement a system for monitoring and reporting GHG emissions. By December 31 of each even-numbered year beginning in 2010, the DOE and the DCTED must report to the Governor and the Legislature the total GHG emissions for the preceding two years, and totals in each major source sector.

Except for the purposes of reporting, emissions of carbon dioxide from the industrial combustion of biomass in the form of fuel wood, wood waste, wood byproducts, and wood residuals is not considered a GHG as long as the region's silvicultural sequestration capacity is maintained or increased.

The DOE, in coordination with the Western Climate Initiative (WCI), will develop a design for a regional multisector market-based system to limit and reduce GHG emissions. By December 2008 the DOE and the DCTED will provide the Legislature with specific recommendations for implementing the design for the multisector market-based system. The recommendations will include: (1) the schedule for implementing the design by January 1, 2012; (2) any necessary changes to the reporting requirements; and (3) recommendations for actions that would prevent manipulation of the multisector market-based system.

The DOE and the DCTED will report to the Legislature by December 2008 on the final recommendations of the CAT, including strategies to reduce the quantity of emissions of GHG per distance traveled in the transportation sector. The report will also include a request for any needed resources or statutory authority to reduce GHG emissions, recommendations on how projects funded by the Green Energy Incentive Account may be used to expand electrical transmission infrastructure into urban and rural areas of the state for purposes of allowing the recharging of plug-in hybrid vehicles, recommendations on how local governments could be included in the multisector market-based system, recommendations regarding the circumstances under which generation of electricity or alternative fuel from landfill gas and gas from anaerobic digesters may receive an offset or credit in the multisector market-based system, and recommendations from the Department of Natural Resources and the Department of Agriculture on how forestry and agricultural lands and practices may participate voluntarily as an offset or other credit program in the regional multisector market-based system.

## Reporting

The DOE will adopt rules requiring a person to report their GHG emissions. Any fees for reporting will be determined by the DOE and deposited into the Air Pollution Control Account. If persons fail to report or fail to pay the required reporting fee, penalties may be imposed.

Owners or operators of a fleet of on-road motor vehicles that emit at least 2,500 metric tons of direct GHG emissions annually in the state, or a source or combination of sources that emit at least 10,000 metric tons of direct GHG emissions annually in the state, must report their total annual GHG emissions beginning in 2010 for their 2009 emissions. The DOE rules will establish an annual reporting schedule where reports must be submitted by October 31 each year. The DOE may phase in the reporting requirements until either the threshold is met or by January 1, 2012, whichever occurs first. The DOE has discretion to amend the rules to include other persons that emit less than the annual GHG emission levels required to report in order to comply with federal reporting requirements. With the assistance of the DOT, the DOE will identify a mechanism to report an aggregate estimate of the annual GHG emissions generated from or emitted by otherwise unreported on-road motor vehicles. The DOE may defer the reporting requirements for emissions associated with the interstate and international commercial aircraft, rail, truck, or marine vessels until either there is a federal requirement to report the emissions or the DOE finds there is a generally accepted reporting protocol for determining interstate emissions.

The Energy Facility Site Evaluation Council (EFSEC) will adopt rules that require the same GHG emissions reporting requirements in site certifications on persons operating or responsible for the operation of a facility permitted by the EFSEC.

If the federal government adopts rules governing the reporting of GHG emissions, the DOE will propose amendments to its rules to ensure consistency and non-duplicative reporting with the federal rules.

Within 18 months of the next, and each successive global or national assessment of climate change, the DOE and the University of Washington's Climate Impacts Group will report to the Legislature regarding the science on human caused climate change and provide recommendations on whether the state GHG emission reductions need to be updated.

## Vehicle Miles Traveled

The following statewide benchmarks are established:

- decrease the annual per capita vehicle miles traveled by 18 percent by 2020;
- decrease the annual per capita vehicle miles traveled by 30 percent by 2035; and
- decrease the annual per capita vehicle miles traveled by 50 percent by 2050.

The DOT, using a collaborative process with the DOE and the DCTED, will make recommendations to the Legislature by December 1, 2008 that include a set of tools and best practices to assist state, regional, and local entities in making progress toward achieving these benchmarks. The recommendations will identify current strategies to reduce vehicle miles

traveled in Washington, as well as successful strategies in other jurisdictions. The recommendations will identify potential new revenue options for local and regional governments to finance vehicle miles traveled reduction efforts. In addition, the recommendations must also include tools that measure annual progress toward the benchmarks and adequately distinguish between common travel purposes. The DOT must also establish a process to periodically evaluate the progress toward the benchmarks and recommend whether the benchmarks should be adjusted, and estimate the projected reductions in GHG emissions if the benchmarks are achieved. The DOT must also examine the access of public transportation areas with affordable housing and make recommendations for steps to ensure that those areas are adequately served by public transportation. Prior to the implementation of the benchmarks, the DOT will provide a report on the anticipated impacts of the benchmarks.

#### Green Economy Jobs Growth Initiative

By 2020 the state will increase the number of clean energy jobs to 25,000. The DCTED, in consultation with the Employment Security Department (ESD), the State Workforce Training and Education Coordinating Board (SWTECB), the State Board of Community and Technical Colleges, and the Higher Education Coordinating Board (HECB) will develop a defined list of terms, consistent with current workforce and economic development terms, associated with green economy industries and jobs. The ESD, in consultation with the DCTED, the SWTECB, the HECB, the Washington State University Small Business Development Center, and the Washington State University Extension Energy Program (WSU) will conduct labor market research to analyze the current labor market and projected job growth in the green economy, the current and projected recruitment and skill requirement of green industry employers, the wage and benefits ranges of jobs within green economy industries, and the education and training requirements of entry-level and incumbent workers in those industries. Based on the survey, the ESD will propose which industries will be considered high-demand green industries. The University of Washington Business and Economic Development Center will analyze and report back to the Legislature on the current opportunities for and participation in the green economy by minority and women-owned business enterprises in Washington. The report will also identify existing barriers to minority and women-owned business enterprises successful participation in the green economy, and develop strategies with specific policy recommendations to improve their successful participation in the green economy.

A new account, the Green Industries Job Training Account (Account), is created in the state treasury. Moneys from the Account must be utilized to supplement the state opportunity grant program. All receipts from appropriations must be deposited into the Account. Expenditures may be used only as grants, distributed on a competitive basis, for the purpose of: (1) training workers for high-wage occupations in high-demand industries related to the green economy; and (2) educational purposes related to the green economy.

In order to distribute grants for training workers for high-wage occupations in high-demand industries related to the green economy, the SWTECB must create and pilot green industry skill panels consisting of business representatives, labor unions, state and local veterans

agencies, employer associations, educational institutions, local workforce development councils, and any other key stakeholders. The panel must conduct labor market and industry analyses, plan strategies to meet recruitment and training needs, and leverage and align other public and private funding sources.

The State Board for Community and Technical Colleges may distribute grants for educational purposes related to the green economy. The grants from the Account may be used for certain purposes when other public or private funds are insufficient or unavailable. Allowable uses include: (1) curriculum development; (2) transitional jobs strategies for dislocated workers in declining industries; (3) workforce education; and (4) adult basic and remedial education.

Organizations eligible to receive grants from the Account must demonstrate expertise in implementing effective education and training programs that meet industry demand and in recruiting and supporting the target workers.

Targeted workers include: (1) entry-level or incumbent workers preparing for high-wage occupations; (2) dislocated workers in declining industries; (3) dislocated agriculture, timber or energy workers in declining industries; (4) eligible veterans or National Guard members; (5) disadvantaged populations; and (6) anyone eligible to participate in the opportunity grant program.

Priority will be given to organizations that:

- use labor market and industry analyses developed by the ESD and the green industry skill panels in the design and delivery of their program;
- leverage and align existing resources and public programs and for recruiting, supporting, educating, and training target workers;
- work collaboratively with other relevant stakeholders in the regional economy;
- link adult basic and remedial education with occupation skills training;
- involve employers and labor unions in the determination of relevant skills and competencies; and
- ensure that supportive services, integrated with education and training, are delivered by organizations with direct access to the targeted workers.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on January 29, 2008.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:** (Ecology & Parks)

(In support) This bill addresses fossil fuel dependence and clean energy job growth. It is real progress and will allow everyone to prosper. This bill is about providing real accountability on GHG emission reduction goals. Washington is making a strong public policy decision to reduce out dependency on fossil fuels and can not afford to take a year off to take action. There is broad consensus on this legislation. This is a sustainable revolution.

Climate change affects all of Washington. Climate change is real and underway, and we can not wait to act. We can restore strong and healthy communities and this bill is an important step. Washington may need to drag the federal government into reducing GHG emissions.

Business is keenly aware of climate change and pledges support to finding solutions. We can be the green technology leader around the world. Doing good things for the environment is good for business. This bill has the potential to advance small micro-enterprises. It will make Washington's economy strong and allow an effective transition as we adapt to climate change; this is the economically smart thing to do. Transportation needs to be included up front, and some definitions should be looked at, specifically the term "additionality." I-937 should be applied to this legislation.

Reporting requirements are a good first step for reducing GHG emissions, and the details on reporting need to be clear. Early action should receive credit and utilities that have been clean for decades should not be penalized in the process. There should be incentives for businesses to start innovating and investing. This is not a cap and trade bill. Biomass fuels should be considered carbon neutral. There should be more clarity on the authority of the DOE to implement a program to reduce GHG emissions, and Washington should not settle on one particular methodology too soon.

The green collar jobs section will create jobs, and the key is workforce training. Skills panels address the needs of industry. The direction in the green collar jobs section can be met, as clean energy jobs have lots of interest in Washington. This legislation gives a signal to businesses to work faster toward achieving green job goals, and labor and the environmentalists are moving together on this solution. Washington can be the leader on clean energy jobs, and there is a great potential for this legislation to create a stable foundation for labor.

(With concerns) Climate change is a very important issue. The GHG emission reductions should remain goals and not limits. The current draft tangles the GHG emission reporting with the Clean Air Act sections. This should be a revenue neutral piece of legislation. It will be expensive for citizens and businesses need an "off ramp." Early action should be credited, and biomass power is carbon neutral and should have offsets for it. Interstate air travel should be looked at in the current draft.

The green jobs section should be revised; there is more to job creation than just job training.

(Opposed) Not everyone believes climate change is human caused, and every action should be analyzed with good science. There could be some unintended consequences on businesses. Business will be still be emitting CO2. A cap and trade system makes some businesses nervous as this type of system can be manipulated.

**Staff Summary of Public Testimony:** (Appropriations)

(In support) This bill is one of four of our priorities and builds on previous work done in SB 6001 to mitigate impacts from greenhouse gasses by making the goals real. The Governor's budget provided \$1.2 million and we think it is a good funding amount to support the

greenhouse gas reporting requirements of the bill. We support the structure and timeline in the bill to decrease greenhouse gasses to 1990 levels and increase green jobs by 20,000. There is a growing interest by venture capitalists in Washington but there is a shortage of trained workers for jobs, especially in the wind industry. The bill lays out how the work force system would function, we are currently doing this for other industries. This bill would build appropriate training programs and would evaluate how those training programs progress. The bill would add a cost to the Department of Transportation of \$140,000 for one employee to evaluate benchmarks for reducing the number of vehicle miles traveled and facilitate implementing the bill with other partners, such as the Climate Advisory Team.

(In support with concerns) Forestry and agriculture sectors would be part of the regional cap and trade system, and the Department of Natural Resources appreciates the ability to shape the program so that people can realize the potential benefit of such a system. We want to be sure that the benefit is realized by the forestry and agriculture community.

(Opposed) There are seven new policies that were not heard in the policy committee that we are concerned about, such as reducing the number of vehicle miles traveled, unclear definitions in the bill, a carbon tax, and an unknown cost to comply and audit the requirements in the bill.

**Persons Testifying:** (Ecology & Parks) (In support) Representative Dunshee, prime sponsor; Kathleen Drew, Office of the Governor; Janice Adair, Department of Ecology; Julie Anderson, Department of Community, Trade and Economic Development; Clifford Traisman, Washington Environmental Council and Washington Conservation Voters; KC Golden, Climate Solutions; Ken Johnson, Puget Sound Energy; Dave Johnson, State Building and Construction Trades Council; Sandi Swarthout, Alcoa; Ash Awad, McKinstry; Dana Peck, Horizon Wind Energy; Alan Hardcastle, Washington State University Extension Energy Program; Bill LaBorde, Environment Washington; Jean Godden, Seattle City Council; Peggy Duxbury, Seattle City Light; James McMahan, Tacoma Public Utility; Tony Lee, Solid Ground; Barbara Hins-Turner, Centralia College Center of Excellence for Energy Technology; Wes Pruitt, State Workforce Training and Education Coordinating Board; Craig Engelking, Sierra Club; Carolyn Cummins, State Board for Community and Technical Colleges; Dan Coyne, Alaska Airlines; Aden Kahr; Craig Partridge, Department of Natural Resources; Stacy Noland, Moontown Foundation; Dave McEntee, Simpson Investment Company; Elisa Otter, Cascade Climate Network; Kristen Sawin, Weyerhaeuser; and Lisa Smith, Enterprise for Equity.

(With concerns) Grant Nelson, Association of Washington Businesses; Llewellyn Matthews, Northwest Pulp and Paper Association; Todd Myers, Washington Policy Center; Kent Lopez, Washington Rural Electric Cooperative Association; Debora Munguia, Washington Forest Protection Association; Vicki Anstin, Washington Public Utilities District Association; and Dave Arbaugh, Snohomish/Chelan Public Utilities District.

(Opposed) Steve Smith, Cardinal Glass Industry; and John Stuhlmiller, Washington Farm Bureau.

**Persons Testifying:** (Appropriations) (In support) Clifford Traisman, Washington Conservation Voters and Washington Environmental Council; Miguel Perez-Gibson, Climate Solutions; and Matt Steuerwalt, Office of the Governor.

(In support with concerns) Anne Criss, Washington State Department of Transportation; and Craig Partridge, Department of Natural Resources.

(Opposed) Grant Nelson, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying:** (Ecology & Parks) Doug Howell, National Wildlife Federation; Kevin Raymond, Earth Ministry and Pacific Forest Trust; Diane Dakiu; Mary Colborn, Sierra Club; Marian Wineman, League of Women Voters of Washington; and Stephan Frenzl, Foundation for Sustainable Community.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.