

SENATE BILL REPORT

E2SHB 2815

As Reported By Senate Committee On:
Water and Energy & Telecommunications, February 27, 2008
Ways & Means, March 03, 2008

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

Brief Description: Providing a framework for reducing greenhouse gas emissions in the Washington economy.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Dunshee, Priest, Linville, Uptegrove, 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: Passed House: 2/19/08, 64-31.

Committee Activity: Water and Energy & Telecommunications:2/22/08, 2/27/08 [DP-WM, DNP].

Ways & Means: 3/03/08 [DP, DNP, w/oRec].

SENATE COMMITTEE ON WATER AND ENERGY & TELECOMMUNICATIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Murray, Vice Chair; Fraser, Hatfield, Oemig, Pridemore and Regala.

Minority Report: Do not pass.

Signed by Senators Honeyford, Ranking Minority Member; Delvin, Holmquist and Morton.

Staff: Jan Odano (786-7486)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hatfield, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Rockefeller and Tom.

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.

Minority Report: Do not pass.
Signed by Senator Honeyford.

Minority Report: That it be referred without recommendation.
Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Parlette, Roach and Schoesler.

Staff: Elise Greef (786-7708)

Background: The National Academy of Sciences, the Inter-Governmental Panel on Climate Change, and the United States' Climate Change Science Program have concluded that human activities, such as greenhouse gas (GHG) production, are the likely cause of climate change during the last several decades. Human activities resulting in some of the main sources of GHGs include: burning of fossil fuels, solid waste, deforestation, land use and wetland changes, and the use of synthetic gases, such as fluorinated gases, which are emitted from a variety of industrial processes.

The major GHG contributing sectors are: industrial, transportation, residential, commercial, and agricultural. An individual's major sources of GHG include: home heating and cooling, electricity consumption, and transportation.

In February 2007, the Governor issued an Executive Order establishing goals for reducing GHG emissions and tripling the existing jobs in clean-energy fields by the year 2020. In addition, last year, the Legislature passed ESSB 6001 - Mitigating the Impacts of Climate Change, placing into statute the goals for GHG emission reductions and increasing clean energy jobs. The legislation also requires the Department of Ecology (Ecology) and Community, Trade and Economic Development (CTED) to provide a report every even numbered year on the total GHG emissions for each major source sector.

Summary of Bill: Ecology is required to submit a greenhouse gas reduction plan for review and approval to the Legislature by December 1, 2008. Ecology must develop and implement a system for monitoring and reporting GHG emissions. The reporting must allow for a comprehensive inventory of emissions of GHG from all significant sectors of the Washington economy, including identifying a mechanism to report an aggregate estimate of the annual GHG emissions from otherwise unreported on-road motor vehicles.

Regional Multisector Market-Based System. Ecology, with the Western Climate Initiative, must develop a design for a regional multisector market-based system to limit and reduce GHG emissions. Ecology must consult with affected state agencies and provide for the opportunity for public review and comments. By December 1, 2008, Ecology and the CTED must provide recommendations for approval and request for authority to implement the preferred design of a regional multisector market-based system. The recommendations must include: proposed legislation, necessary funding, changes to reporting requirement, and actions to prevent manipulation of the multisector market-based system.

In addition, Ecology and CTED must provide recommendations such as:

- the most promising actions to reduce greenhouse gas emissions, and strategies to reduce the emissions from the transportation sector;
- how to expand electrical transmission infrastructure into urban and rural areas to allow recharging of plug-in hybrid electric vehicles;

- how local governments could participate in the multisector market-based system;
- when landfills and anaerobic digesters producing electricity or alternative fuel may receive off-sets or credits in the multisector market-based system; and
- how forestry and agricultural lands and practices may participate as an offset or credit program in the multisector market-based system.

Reporting GHG Emissions. Ecology must adopt rules requiring reporting of GHG emissions. The rules must include a level below which reporting is not required for indirect and direct emissions. The rules must have separate reporting for emissions from burning fossil fuels and biomass. The rules must require reporting of GHG emissions from an owner or operator of: a fleet of on-road motor vehicles that emit at least 2,500 metric tons of GHG annually; or of a source or combination of sources that emit at least 10,000 metric tons of GHG annually. Reporting begins in 2010 for 2009 emissions. Only direct emissions of GHG are calculated to determine if reporting is required. The carbon dioxide emissions from industrial combustion of biomass from fuel wood, wood waste, wood byproducts, and wood residual must be reported but are not considered a greenhouse gas as long as the region's silvicultural sequestration capacity is maintained or increased.

Ecology may defer reporting requirements for interstate commercial aircraft, rail, trucks, or marine vessels until there is a federal reporting requirement or if Ecology finds there is a generally accepted reporting protocol for determining these interstate emissions.

Ecology must amend its rules to ensure administrative consistency with federal rules and avoid duplication of reporting.

The Energy Facility Site Evaluation Council (EFSEC). EFSEC must, simultaneously with Ecology, adopt rules that impose the same GHG reporting requirements in site certifications on persons operating or responsible for the operation of a facility permitted by EFSEC. EFSEC will contract with Ecology to monitor the reporting requirements adopted under this section.

Transportation Sector. The Department of Transportation (DOT) is required to adopt statewide goals to reduce the annual per capita vehicle mile traveled by 2050 consistent with Executive Order 07-02. The DOT must establish benchmarks to meet these goals and use as a baseline 75 billion miles traveled less the vehicle miles attributed to vehicles over 10,000 pounds. DOT must use a collaborative process to develop tools and best practices to assist state and local entities in meeting the benchmarks. The process must allow for participation by various transportation planning groups and provide for public review and comment. In addition, the process must identify strategies to reduce vehicle miles traveled, successful strategies in other jurisdictions; potential new revenue options for regional governments to finance reducing vehicle miles traveled; and examine access to public transportation for people living in areas with affordable housing to business centers. DOT must report to the Legislature on the anticipated impacts of the goals and the economic hardship on small businesses; strategies that recognize the differences between urban and rural transportation requirements; and impacts on low-income residents, agricultural workers, distressed rural counties and counties with more than 50 percent of their land base in public or tribal lands.

Clean Energy Jobs. The Green Economy Jobs Growth Initiative is established based on the goal of increasing the number of clean energy sector jobs to 25,000 by 2020. The

Employment Security Department (ESD) with CTED, the State Workforce Training and Education Coordinating Board (SWTECB), the State Board of Community and Technical Colleges, the Higher Education Coordinating Board, the Washington State University (WSU) Small Business Development Center, and WSU Extension Energy Program must analyze the labor market for current labor market and projected job growth in the green economy, current and projected recruitment and skill requirements, wage and benefits ranges, and education and training requirements for entry-level and incumbent workers.

The University of Washington Business and Economic Development Center must analyze the current opportunities for and participation in the green economy by minority and women-owned business enterprises, identify existing barriers to their successful participation in the green economy, and develop strategies with specific policy recommendation to improve their successful participation in the green economy.

CTED with ESD must develop criteria for targeting existing investments and make recommendations for new or expanded financial incentives and strategies to recruit, retain, and expand green economy industries and small businesses; and to stimulate research and development of green technology and innovation.

The SWTECB must create and pilot green industry skill panels. The panels must consist of business representatives from areas such as: industry sectors related to clean energy, labor unions, joint apprenticeship programs, and veterans agencies. Any of these stakeholder organizations are eligible to receive grants under this section. Panel applicants must provide labor market and industry analysis that demonstrates high demand, or demand of strategic importance to the development of the state's clean energy economy. The panel must: conduct labor market and industry analysis, plan strategies to meet recruitment and training needs of the industry and small business, and leverage and align other public and private funding sources.

The green industries jobs training account is created to supplement the state opportunity grant program (workforce education program). The grant may be used for curriculum development, transitional job strategies for dislocated workers, workforce education to target populations, adult basic and remedial education, as necessary, linked to occupation skills training. Allowable uses do not include student assistance and support services available through the state opportunity grant program.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 21, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Second Substitute Bill (Water and Energy & Telecommunications): PRO: This provides a delicate balance between the interests of forestry, agriculture, and the environment. The jobs section is needed to ensure our businesses fare well in the creation of green jobs. This provides a dynamic framework for the green jobs. It positions the state as a hub for sustainable industries and creating green jobs. The bill treats biomass separately from fossil fuels. The carbon neutrality for biomass is

critical for the last remaining mills in the state. Reducing vehicle miles traveled is critical to reducing the GHG emissions.

OTHER: A national solution would provide the best approach. Cap and trade may not be the best approach and other alternatives should be considered. There are concerns that this could put local businesses at a competitive disadvantage compared to other states. The vehicle miles traveled requirements is troubling because it is not within a study realm. The vehicle miles traveled is conclusory in its strategies; there should be more alternatives and oversight of the process.

Persons Testifying (Water and Energy & Telecommunications): PRO: Sean O'Sullivan, Association of Western Pulp and Paper Workers, John Little, WW Carpenters, Debora Muguia, Washington Forest Protection Association, Bill Stauffacher, American Forest & Paper Association, Northwest Pulp & Paper, Ken Johnson, Puget Sound Energy, Cliff Traisman, Washington Environmental Council, Brad Jurkaick, Business Leaders for Climate Progress, Jeff Johnson, Washington State Labor Council; Carolyn Cummins, State Board for Community and Technical Colleges, Elisa Otter, Cascade Climate Network, JP Kemmick, Cascade Climate Network, Matt Steuerwalt, Governor's Office, Janice Adair, Ecology, Jody Snyder, Pierce County Recycling, Composting, & Disposal, Bill LaBorde, Environment Washington.

OTHER: John Stuhlmiller, Washington Farm Bureau, Dan Coyne, Alaska Airlines, Grant Nelson, Association of Washington Business, Van Collins, Associated General Contractors, Dave Overstreet, American Automobile Association.

Staff Summary of Public Testimony on Engrossed Second Substitute Bill (Ways & Means): PRO: The bill is one of four environmental-community priorities for the session. Funding will enable Ecology to come back to the Legislature for final decisions and set up the framework for larger discussions with the Western Climate Initiative in the fall. The green jobs component is an important part of the bill that is not funded currently.

Persons Testifying (Ways & Means): PRO: Clifford Traismen, Washington Conservation Voters and Washington Environmental Council; Miguel Perez Gibson, Climate Solutions.