

HOUSE BILL REPORT

SSB 5910

As Reported by House Committee On:

Environment & Energy
Appropriations

Title: An act relating to accelerating the availability and use of renewable hydrogen in Washington state.

Brief Description: Accelerating the availability and use of renewable hydrogen in Washington state.

Sponsors: Senate Committee on Environment, Energy & Technology (originally sponsored by Senators Carlyle, Billig, Conway, Hawkins, Hunt, Mullet, Saldaña and Stanford).

Brief History:

Committee Activity:

Environment & Energy: 2/22/22, 2/24/22 [DPA];

Appropriations: 2/25/22, 2/28/22 [DPA(APP w/o ENVI)].

**Brief Summary of Substitute Bill
(As Amended By Committee)**

- Establishes the statewide Office of Renewable Fuels.
- Authorizes the director of the Department of Commerce to provide state funding assistance to help promote and strengthen applications to secure federal funding to develop a regional clean hydrogen hub.
- Authorizes public utility districts to produce, use, sell, and distribute green electrolytic hydrogen.
- Authorizes municipal utilities to produce, use, sell, and distribute green electrolytic hydrogen and renewable hydrogen.
- Adds the production of green electrolytic hydrogen to a number of existing tax exemptions that apply to the production of renewable hydrogen.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

- Requires the Department of Revenue to publish guidance to advise county assessors when appraising renewable energy facilities.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: Do pass as amended. Signed by 13 members: Representatives Fitzgibbon, Chair; Duerr, Vice Chair; Dye, Ranking Minority Member; Klicker, Assistant Ranking Minority Member; Abbarno, Berry, Boehnke, Fey, Goehner, Harris-Talley, Ramel, Shewmake and Slatter.

Staff: Robert Hatfield (786-7117).

Background:

Federal Infrastructure Investment and Jobs Act.

The federal Infrastructure Investment and Jobs Act of 2021 provides \$8 billion over five years to support at least four regional clean hydrogen hubs to demonstrate the production, processing, delivery, storage, and end-use of clean hydrogen. The United States Department of Energy (DOE) must solicit proposals for regional clean hydrogen hubs by May 15, 2022, and select the four hubs one year later.

"Renewable hydrogen" means hydrogen produced using renewable resources both as the source for the hydrogen and the source for the energy input into the production process.

Summary of Amended Bill:

Office of Renewable Fuels.

The statewide Office of Renewable Fuels (Office) is established within the Department of Commerce (Commerce). The Office must report to the director of Commerce and may employ staff to carry out the Office's duties, subject to the availability of amounts appropriated. The purpose of the Office is to leverage, support, and integrate with other state agencies to:

- accelerate market development with assistance along the entire life cycle of renewable fuel projects;
- support research into the development and deployment of renewable fuel and electrolytic hydrogen production and distribution and end uses;
- drive job creation, improve economic vitality, and support the transition to clean energy;
- enhance resiliency by using renewable fuels and electrolytic hydrogen to support climate change mitigation and adaption; and

- partner with overburdened communities to ensure communities equitably benefit from renewable and clean fuels efforts.

The Office must take certain specified actions, including:

- coordinate with specified local, state, and federal governments, federally recognized tribes, private entities, labor unions, and public four-year institutions of higher education to drive research, development, and deployment efforts in the production, distribution, and use of renewable fuels including, but not limited to, green electrolytic hydrogen;
- request recommendations from the Washington State Association of Fire Marshals regarding fire and safety standards adopted by the federal government and other authorities; and
- develop a plan and recommendations for consideration by the Legislature and the Governor on renewable fuels and electrolytic hydrogen policy and public funding, by December 1, 2023.

The Office may take all appropriate steps to seek and apply for federal funds, grants, and donations. These funds must be deposited in the Renewable Fuels Accelerator Account.

Regional Clean Energy Hub.

Subject to funds appropriated, and for the purpose of providing support for a timely and competitive application to the United States Department of Energy for a regional hydrogen hub, the Director of Commerce must provide support to a public-private partnership entity that leverages private sector leadership and is composed of multiple interests, including public and private project developers, manufacturers and end users, research institutions, academia, government, and communities around the state.

The public-private partnership entity should, among other things:

- agree to prepare a timely and responsive application for federal funding to develop a regional clean hydrogen hub in Washington, consistent with the requirements of the federal application process and the policies and strategy of the state of Washington; and
- include specific commitments, as required by the federal application, from industries, transportation agencies, utilities, and other public and private sector entities to assist in funding the application and to develop plans to either construct infrastructure for or to incorporate, or both, the production, distribution, and end use of renewable hydrogen and green electrolytic hydrogen fuels into their transition to cleaner energy.

Utilities and Transportation Commission Hydrogen Fuel Study.

By December 1, 2024, the Utilities and Transportation Commission (UTC) must submit to the Legislature a report addressing the following:

- whether rates and services of hydrogen fuels distributed through natural gas distribution infrastructure are within the regulation of the UTC, or whether such jurisdiction should be assigned by the Legislature like other public service

- companies;
- whether electric utilities regulated by the UTC should analyze the costs and benefits of adopting special tariffs for the production of renewable hydrogen and green electrolytic hydrogen fuels;
- recommended standards, including safety standards, for blending non-fossil feedstock hydrogen into natural gas distribution infrastructure; and
- non-fossil feedstock hydrogen's role in the natural gas decarbonization study required in the 2021-23 Operating Budget.

Renewable Fuels Accelerator Account.

The Renewable Fuels Accelerator Account (Account) is created in the state treasury. Revenues to the Account consist of appropriations made by the Legislature, federal funds, gifts or grants from the private sector or foundations, and other sources deposited in the Account. Moneys in the Account may be spent only after appropriation. The Director of the Office, or Director's designee, may authorize expenditures from the Account for the Office.

Green Electrolytic Hydrogen.

Green electrolytic hydrogen is defined as hydrogen produced through electrolysis and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

Amended Bill Compared to Substitute Bill:

The defined term "electrolytic hydrogen" is changed to instead refer to "green electrolytic hydrogen."

Federally recognized tribes and labor unions are added to the list of entities with whom the Office of Renewable Fuels is directed to coordinate.

A legislative finding is added to indicate that the state may help to promote and strengthen applications for regional hydrogen hub federal funding through state funding assistance to support a timely and competitive application to the United States Department of Energy by a public-private partnership entity that leverages private sector leadership and is composed of multiple interests, including public and private project developers, manufacturers and end users, research institutions, academia, government, and communities around the state.

Additional criteria are added for an entity to receive funding from the Department of Commerce for the purpose of preparing an application for regional hydrogen hub funding from the United States Department of Energy, including that the entity should, among other things, include specific commitments, as required by the federal application, from industries, transportation agencies, utilities, and other public and private sector entities to assist in funding the application and to develop plans to construct infrastructure for, or to

incorporate, or both, the production, distribution, and end use of hydrogen fuels into their transition to cleaner energy.

A section is removed that would have amended the scope of projects eligible for review and certification from the Energy Facility Site Evaluation Council.

A section is removed that would have authorized municipal utilities to produce, use, sell, and distribute renewable hydrogen and green electrolytic hydrogen.

A section is removed that would have authorized public utility districts to produce, use, sell, and distribute green electrolytic hydrogen.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 24, 2022.

Effective Date of Amended Bill: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 104, relating to the creation of the Renewable Fuels Accelerator Account, and except for Section 201, relating to funding for an application for federal funding for a regional hydrogen hub, which take effect immediately.

Staff Summary of Public Testimony:

(In support) Embracing innovation and opening up opportunities is a good idea. The natural gas industry is working hard to accelerate the use of hydrogen, which would make use of the 43,000 miles of natural gas distribution system in Washington.

There is an ongoing quest for appliances that are cost-effective and provide supplemental heating sources. Washington should not ban natural gas, but instead should look at how to apply renewable gases in order to use the same infrastructure. It is good to include hydrogen in the mix of available fuels. Moving to electric-only could leave people stranded, especially during storms. There is interest in looking to how the state blends and transitions to renewable fuels.

The renewable hydrogen hub authorized in the recent federal infrastructure bill is Washington's to lose. The hub will generate considerable investment. The deadline to submit applications for the hubs is May 15. There is currently no money in the proposed budgets to provide funds to support the application process.

This bill is vital in establishing Washington as a leader in the production of electrolytic hydrogen. Electrolytic hydrogen is an opportunity to build a renewable fuels workforce. A single state-coordinated application is the best way to produce a successful application for

federal hydrogen hub funding.

The bill provides a vision for future generations. Accelerating the generation and distribution of green hydrogen will serve to take stress off the electrical grid. Washington is perfectly positioned to be a national hydrogen hub. The bill will help support a safe and sustainable future.

(Opposed) None.

Persons Testifying: Dan Kirschner, Northwest Gas Association; Dave Warren, Washington Green Hydrogen Alliance and Renewable Hydrogen Alliance; Carolyn Logue, Northwest Hearth, Patio and Barbecue Association and Washington Air Conditioning Contractors Association; Logan Bahr, Tacoma Public Utilities; and Christine Reid, International Brotherhood of Electrical Workers Local 77.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Environment & Energy. Signed by 33 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Hoff, Jacobsen, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

Staff: Jessica Van Horne (786-7288).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Environment & Energy:

Public utility districts are authorized to produce, use, sell, and distribute green electrolytic hydrogen to the same extent that they are currently authorized to produce, use, sell, and distribute renewable hydrogen. Municipal utilities are also authorized to produce, use, sell, and distribute green electrolytic hydrogen and renewable hydrogen to the same extent that they are currently authorized to produce, use, sell, and distribute gas and electricity.

Existing exemptions from retail sales tax, use tax, and leasehold excise tax that apply to certain aspects of the production of renewable hydrogen, to include the production of green electrolytic hydrogen are expanded.

The Department of Revenue is required to publish guidance to advise county assessors

when appraising renewable energy facilities.

A requirement for the Utilities and Transportation Commission to submit a report to the Legislature on various topics related to advancing the production and use of nonfossil feedstock hydrogen in Washington is removed.

A null and void clause is also added, making the bill null and void unless funded in the operating budget.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 24, 2022.

Effective Date of Amended Bill: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 104, relating to the creation of the Renewable Fuels Accelerator Account, and except for Section 201, relating to funding for an application for federal funding for a regional hydrogen hub, which take effect immediately. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) There is between \$500 million and \$1 billion in the Infrastructure Investment and Jobs Act of 2021 to fund hydrogen networks and demonstrate end-use projects. Multiple potential projects exist in Washington, so being awarded a regional hydrogen hub is Washington's to lose. The bill sets up a structure that puts the state in a position to be a successful applicant for a regional hydrogen hub.

(Opposed) None.

Persons Testifying: Dave Warren, Washington Green Hydrogen Alliance and Renewable Hydrogen Alliance.

Persons Signed In To Testify But Not Testifying: None.