
Environment & Energy Committee

HB 2333

Brief Description: Assessing the carbon sequestration potential of state-owned lands for the purpose of generating offset credits under the climate commitment act.

Sponsors: Representatives Reeves, Walen, Chapman, Springer and Ramel.

Brief Summary of Bill

- Requires the Department of Natural Resources, in collaboration with the departments of Ecology (Ecology) and Enterprise Services, to conduct an assessment of state-owned assets in both the natural and built environment with potential to generate carbon offset credits.
- Prohibits Ecology from entering into a linkage agreement pursuant to the Climate Commitment Act until the assessment is complete.

Hearing Date: 1/22/24

Staff: Robert Hatfield (786-7117).

Background:

Climate Commitment Act Overview.

Under the Climate Commitment Act (CCA), in order to ensure that greenhouse gas (GHG) emissions are reduced consistent with the state's 2030, 2040, and 2050 emissions limits, the Department of Ecology (Ecology) must implement a cap on GHG emissions from covered entities and a program to track, verify, and enforce compliance through the use of compliance instruments, which include allowances or eligible offset credits. The Cap-and-Invest Program (Program) commenced on January 1, 2023.

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.

Offset Credits.

A portion of a covered or opt-in entity's compliance obligation may be met through offset credits from projects that result in GHG reductions or removals that are real, permanent, quantifiable, verifiable, and enforceable. Off-set projects must be in addition to GHG reductions or removals otherwise required and must be certified by a recognized registry within two years prior to the effective date of the section of the act creating offset credits. At least 50 percent of the offset credits must be from projects that provide direct environmental benefits in Washington during the first compliance period and the remaining offset projects must be in a linked jurisdiction with Washington. For the second compliance period, at least 75 percent of offset credits must be from projects that provide direct environmental benefits in Washington. However, Ecology may reduce the requirement if it determines there is not sufficient offset supply in the state to meet offset demand.

A covered or opt-in entity may use offset credits to meet no more than 5 percent of compliance obligations during the first compliance period. During the second compliance period, no more than 4 percent of compliance obligations may be met through offset credits. Offset projects on federally recognized tribal land do not count against the offset credit limits for covered or opt-in entities and may be no more than 3 percent of compliance obligation for the first compliance period and 2 percent for the second compliance period. Beginning January 1, 2031, these limits continue to apply unless modified by rule after a public consultation process.

Linkage with Other Jurisdictions.

Ecology must seek to link the Program with those of other jurisdictions in order to:

- allow for the mutual use and recognition of compliance instruments issued by Washington and other linked jurisdictions;
- broaden the GHG emission reduction opportunities to reduce the costs of compliance on covered entities and consumers;
- enable allowance auctions to be held jointly and provide for the use of a unified tracking system for compliance instruments;
- enhance market security;
- reduce program administration costs; and
- provide consistent requirements for covered entities whose operations span jurisdictional boundaries.

The state of California and the Canadian province of Quebec currently have a linked, combined carbon emission market that functions, in many respects, in a manner similar to the Program implemented by Ecology.

The Director of Ecology is authorized to execute linkage agreements with other jurisdictions with established external GHG emissions trading programs.

A linkage agreement approved by Ecology must:

- ensure that the linking jurisdiction has provisions to ensure the distribution of benefits from the linked program to vulnerable populations and overburdened communities;
- be determined by Ecology to not yield net adverse impacts to either jurisdictions' highly impacted communities or analogous communities in the aggregate, relative to the baseline level of emissions; and
- not adversely impact Washington's ability to achieve its statewide emission reduction limits.

Summary of Bill:

The Department of Natural Resources (DNR), in collaboration with the departments of Ecology and Enterprise Services, must conduct an assessment of state-owned assets in both the natural and built environment with potential to generate carbon offset credits as defined in the Climate Commitment Act (CCA) for the state's carbon market. The assessment must also include an analysis of the offset credit potential under protocols that the state might adopt in the future by rule, including offset protocols in voluntary carbon markets.

The DNR must coordinate with the following agencies to complete the assessment:

- the Department of Fish and Wildlife;
- the State Parks and Recreation Commission; and
- the Department of Transportation.

The DNR may coordinate with other state agencies as necessary to complete a comprehensive analysis of carbon offset potential from state-owned lands.

By July 1, 2025, the DNR, in collaboration with the departments of Ecology and Enterprise Services, must provide a report to the Legislature that includes the results of the assessment and any related recommendations, including recommendations for future coordination with local governments.

Ecology may not enter into a linkage agreement pursuant to the CCA until the assessment is complete.

Appropriation: None.

Fiscal Note: Requested on January 16, 2024.

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