

SENATE BILL REPORT

SB 5688

As of February 8, 2023

Title: An act relating to providing carbon sequestration and ecosystem services in the management of public lands.

Brief Description: Providing carbon sequestration and ecosystem services in the management of public lands.

Sponsors: Senators Lovelett, Nguyen, Hunt, Liias, Rolfes and Saldaña; by request of Department of Natural Resources.

Brief History:

Committee Activity: Environment, Energy & Technology: 2/10/23.

Brief Summary of Bill

- Requires the Department of Ecology to establish a program to provide assistance to any state agency or local government seeking to develop an offset program relating to the lands they manage.
- Authorizes the Department of Natural Resources to enter into contracts for ecosystem service projects for up to 125 years in order to generate revenue by providing ecosystem services that directly or indirectly benefit humans or enhance social welfare.
- Requires the Board of Natural Resources to approve contract terms and minimum payment for ecosystem services, unless it transfers its authority to the Commissioner of Public Lands by resolution.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

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Background: State Lands. The Department of Natural Resources (DNR) manages a

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number of different categories of land on behalf of the state of Washington, each for a specific purpose and under different management requirements. These include approximately 3 million acres of federally-granted lands and state forest lands, which DNR manages to support common schools, counties, and other public institutions. It also include approximately 2.6 million acres of state-owned aquatic lands.

State forest lands are managed for the benefit of the counties in which the lands are located. DNR has authority to sell timber and other valuable resources from state lands. Revenues generated by state forestlands are distributed to the counties in the same manner as general taxes are paid and distributed to the various taxing districts.

The Board of Natural Resources (Board) sets policies to guide how DNR manages the state's lands and resources.

Cap and Invest Program. In 2021, the Legislature passed the Climate Commitment Act and directed the Department of Ecology (Ecology) to implement a cap and invest program (Program) to reduce greenhouse gas (GHG) emissions consistent with the statewide statutory emissions limits.

Starting January 1, 2023, covered entities must either reduce their emissions or obtain allowances to cover any remaining emissions. The total number of allowances will decrease over time to meet statutory limits. The Program must track, verify, and enforce compliance through the use of compliance instruments. A compliance instrument is an allowance or offset credit issued by Ecology or a trading program that has linked with Washington's Program. One compliance instrument is equal to one metric ton of carbon dioxide equivalent.

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. Offset projects must be in addition to emissions reductions that are required by law and a certain percentage must provide direct environmental benefits to Washington State.

Summary of Bill: Offset Program Assistance. Ecology must establish a program to provide assistance to any state agency or local government seeking to develop an offset program relating to the lands they manage. The assistance may include, but is not limited to, funding or technical assistance to assess a project's technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal hurdles, and project risks and pitfalls.

Ecosystem Service Projects. DNR is authorized to enter into contracts for ecosystem service projects (ES projects), on terms and conditions acceptable to DNR, for the purpose of generating revenue by providing ecosystem services that directly or indirectly benefit humans or enhance social welfare.

Ecosystem service includes, but is not limited to, carbon sequestration and storage, air and water filtration, climate stabilization, disturbance mitigation, pollination, pest and disease control, waste decomposition and detoxification, and nutrient cycling.

The contracts may last for up to 125 years. Proceeds from the contracts must be deposited into the appropriate account in the state treasury and distributed in the same manner as money derived from the sale or lease of valuable materials under current law.

DNR may:

- enter into payment for ES projects on all public lands it manages;
- directly offer for sale ecosystem service credits with established compliance or voluntary ecosystem service marketplaces;
- enter into contracts with ES project developers or brokers to bring ecosystem service credits to market;
- enter into contracts or agreements with third-party ES project developers or brokers for purposes that include, but are not limited to, determining the feasibility of entering into a contract for payment for a ES project, establishing a payment for a ES project with an ecosystem service marketplace, and marketing and selling credits on an established ecosystem service marketplace.

DNR's website must publish notice of intent to contract by negotiation 90 days before the negotiations begin. DNR may conduct any additional advertising that is in the best interest of the state.

Upon executing a contract for payment for a ES project, DNR must provide a report to the Board that includes the term of the contract and projected revenues.

Before entering into the sale of ecosystem service credits, the Board must approve contract terms and a minimum payment for ecosystem services that is valid for a period of 180 days, or longer as established by resolution. The Board may reestablish the minimum payment at any time. The Board may transfer its authority to approve ecosystem service credit sales to the Commissioner of Public Lands by resolution.

Appropriation: None.

Fiscal Note: Requested on February 4, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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