

# HOUSE BILL REPORT

## HB 2794

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**As Reported by House Committee On:**  
Natural Resources, Ecology & Parks

**Title:** An act relating to minimizing the environmental cost of greenhouse gas emissions by encouraging mitigation for carbon dioxide.

**Brief Description:** Encouraging carbon dioxide mitigation.

**Sponsors:** Representatives Chase, B. Sullivan, Dickerson, Upthegrove, Ericks, Linville, Pettigrew, Hunt, Murray, McCoy, Miloscia, Grant, Sells, Williams, Kenney, Simpson and Kagi.

**Brief History:**

**Committee Activity:**

Natural Resources, Ecology & Parks: 1/26/06, 2/2/06 [DPS].

**Brief Summary of Substitute Bill**

- Provides a tax credit of \$1 to businesses and not-for-profit organizations for every ton of mitigated carbon dioxide emissions.

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### HOUSE COMMITTEE ON NATURAL RESOURCES, ECOLOGY & PARKS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives B. Sullivan, Chair; Upthegrove, Vice Chair; Buck, Ranking Minority Member; Kretz, Assistant Ranking Minority Member; Blake, Chandler, Dickerson, Eickmeyer, Hunt and Kagi.

**Minority Report:** Do not pass. Signed by 1 member: Representative Orcutt.

**Staff:** Amy Van Horn (786-7168).

**Background:**

Since 2004, electricity generators have been able to fund carbon dioxide mitigation projects undertaken by third parties in order to meet their own requirements to reduce carbon dioxide. State law does not require businesses outside the electricity industry to reduce their carbon dioxide emissions.

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**Summary of Substitute Bill:**

Businesses and not-for-profit entities may earn a tax credit of \$1 per ton of mitigated carbon dioxide emissions. Entities may either implement their own mitigation projects, or they may contribute money to a central account which will fund other mitigation projects. A new account is created for this purpose, named the Carbon Dioxide Mitigation Account. Up to one million tax credits may be granted by the program per year.

#### Qualified Third-Party Organizations

The Department of Ecology (Department) must generate and maintain a list of technically qualified, independent third-party organizations to certify mitigation projects.

The third-party organizations will contract with the entities seeking the tax credit. The third-party organization will establish the entity's baseline emissions level, work with the entity to establish a mitigation plan, and verify its mitigated emissions.

#### Qualifying Projects

Projects to offset carbon emissions must meet the following criteria:

- projects must occur inside the State of Washington;
- projects must occur in addition to projects that would have been likely to occur in the absence of the tax credit;
- projects must not be required by law or regulation;
- the mitigated emissions must not be claimed under any other greenhouse gas emissions reduction program;
- projects cannot exist before the tax year the credit is taken, except for expansion projects; and
- projects must produce quantifiable and measurable results.

The Department may audit all aspects of the contracts and projects established, and may nullify or modify faulty certifications.

#### Carbon Dioxide Mitigation Account

An account is created in the State Treasury for funding carbon dioxide mitigation projects. The account is funded by entities choosing to fund mitigation projects indirectly, instead of implementing mitigation projects themselves. Such entities deposit money directly into the Carbon Dioxide Mitigation Account. Moneys may only be spent after appropriation. The Department will use the account to contract with one or more third-party organizations to locate, design, and implement projects that mitigate carbon dioxide emissions. Projects funded through the account must satisfy the same standards as projects directly funded and implemented by a business or not-for-profit entity claiming the carbon credit.

#### **Substitute Bill Compared to Original Bill:**

The original bill required that a company offset 100 percent of its carbon emissions to participate in the program. The substitute bill removed that requirement. The substitute bill also added the requirements that a carbon mitigation project must not be required by any law

or regulation, and that the emissions mitigated must not be claimed under any other greenhouse gas reduction program. The substitute bill added a provision which limits the total number of credits granted per year under the program to one million credits.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (In support of original bill) The planet is warming alarmingly fast. Even if we stopped emitting greenhouse gases today, the planet will still warm another degree Fahrenheit, which is equivalent to 10 percent of the change in an ice age. This program will spur innovation and is a move forward for dealing with climate change.

**Testimony Against:** None.

**Persons Testifying:** (In support of original bill) Representative Chase, prime sponsor; Tracy Carroll, Global Warming Education Fund; Mike Ryherd, Puget Sound Clean Air Agency; Donna Ewing, League of Women Voters; Heather Price, University of Washington; and Linda Ver Nooy, Global Warming Action.

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