

HOUSE BILL REPORT

HB 2119

As Reported by House Committee On:
Technology, Telecommunications & Energy
Appropriations

Title: An act relating to voluntary registration of greenhouse gas emissions.

Brief Description: Establishing the Washington climate action registry.

Sponsors: Representatives Linville, Morris, Romero, Kagi, Kirby, Edwards, Wallace, Chase, Cooper, Hunt and Upthegrove.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 3/3/03, 3/4/03 [DPS];
Appropriations: 3/8/03 [DP2S(w/o sub TTE)].

Brief Summary of Second Substitute Bill

- Directs the Washington Climate and Rural Energy Development Center to establish and maintain a Washington Climate Action Registry.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Morris, Chair; Ruderman, Vice Chair; Sullivan, Vice Chair; Blake, Hudgins, Kirby, Romero, Wallace and Wood.

Minority Report: Do not pass. Signed by 7 members: Representatives Crouse, Ranking Minority Member; Nixon, Assistant Ranking Minority Member; Anderson, Bush, Delvin, McMahan and Tom.

Staff: Pam Madson (786-7166).

Background:

A number of states have taken action to adopt voluntary or mandatory programs to reduce carbon emissions in recent years. One of the tools being developed is a greenhouse gas emissions (GHG) registry. A registry receives information from companies, government

agencies, and organizations that identifies the greenhouse gas emissions released by their operations.

Discussion of how best to implement a greenhouse gas registry is occurring at the state and national level. California, New Hampshire, New Jersey, and Wisconsin have registries in place. They vary in their design and operation. In 2001, environmental organizations, state, and federal agencies met to discuss issues related to state registries.

In the 1992 Energy Policy Act, a voluntary emissions reduction registration program was established and is managed by the Department of Energy. This year, federal agencies are developing recommendations to improve and expand this registry. The Environmental Protection Agency has launched a program called Climate Leaders to promote voluntary commitments from companies to reduce emissions using long-term strategies.

Summary of Substitute Bill:

The Washington Climate and Rural Energy Development Center (Center) is directed to establish and maintain a Washington Climate Action Registry. The Registry is a centrally located and defined process by which businesses, organizations, and government agencies may voluntarily record an inventory of their greenhouse gas emissions.

Purpose of the Registry and duties of the Center

The Center is directed to develop procedures for registering greenhouse gas emissions inventories and developing basic definitions and protocols so that inventories are consistent and can be verified by third parties.

The Registry that is developed must be designed to ensure that registrants receive the greatest possible consideration under any future federal regulatory system relating to greenhouse gases and provide registrants with greater opportunities to participate in trading greenhouse gas emissions reduction credits.

The Center must provide services such as technical and educational resources for recording emissions and resources to help registrants increase energy efficiency to help reduce greenhouse gases.

The Center must also encourage broad participation in the registry and recognize those who do participate.

Funding and operation

The Center must develop a fee schedule for registry services that will cover the cost of operating the registry.

Requirements of the emissions inventories recorded by a business, organization, or government agency

Inventories must be consistent across an economic sector but may be different for different sectors. They must be complete, accurate, and verifiable.

The Center must use a public process for adopting protocols that define the scope of the inventories and determine how emissions are measured, reported, and verified. Only records and inventories that are developed using the protocols established by the Center will be accepted for registration.

The Center must record all verified emissions inventories. If a registrant certifies that the information submitted would adversely affect the competitive position of the registrant, the information shall only be used by the Center and the third party conducting the verification review.

A registrant must include in its inventory all carbon dioxide emissions for the first three years. Direct and indirect emissions from acquired energy and electricity for the scope of the registrant's operations must also be reported. After three years of reporting, a registrant must report all primary greenhouse gases. Primary greenhouse gases include carbon dioxide, hydrofluorocarbons, methane, nitrous oxide, perfluorocarbons, and sulfur hexafluoride.

The inventory must cover the entire business, organization, or government agency's operations and not just a subsidiary operation. The scope of the reporting must include all activity within the state. However, initially, a business, organization, or government agency may report for a subsidiary if they commit in writing to a total inventory for the business, organization, or government agency by the third reporting year.

Emissions are reported by calendar year and inventories may be submitted for consecutive years back to 1990 if the registrant has sufficient verifiable data to do so.

The Center will note on an inventory if there is a significant change in scope of activity reported by the registrant. Registrants will be removed from the registry if they do not submit complete inventories.

Third-party verification

A registrant must provide, at its own expense, a third-party verification of its inventory. The Center will adopt a list of qualified persons who can complete an inventory verification.

Reports

Beginning in 2005 and each biennium thereafter, the Center must report to the Governor and appropriate committees of the Legislature on the number of organizations participating in the registry, the percentage of state emissions represented by the registry,

and the reductions achieved in greenhouse gas emissions.

Substitute Bill Compared to Original Bill:

The substitute bill provides that, if a mandatory federal greenhouse gas emissions registry is enacted, the Director of the Washington Climate and Rural Energy Development Center will report to the Legislature on conflicts between the federal law and state law on a greenhouse gas emissions registry.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: This proposal is a voluntary, market based approach to reducing greenhouse gas emissions. Fifty-four percent of greenhouse gas emissions come from motor vehicles. Federal law preempts action in this area. However, one-third comes from power plants and industry. Washington is an energy intensive state. New sources of energy will come from fossil fuels. A world market is developing for emission's credit trading. A mandatory federal program for reducing emissions is inevitable and likely in this decade. Businesses that act now can gain the expertise in measuring and understanding the sources of their greenhouse gas emissions. They will be in a better position to benefit from future credit trading programs. This information will also be valuable to the state's congressional delegation in influencing a federal emissions reduction program as it develops. Having a registry in place now with rules will help businesses evaluate whether to participate. Businesses need to know what the rules are. The City of Seattle government is doing a greenhouse gas emissions inventory. From this experience they have learned what produces emissions and what actions, some of which they have already taken, can reduce emissions. Greenhouse gas emissions contribute to global warming which creates many circumstances that can threaten human health. The registry is a tool to reduce these emissions. Companies can already disclose their emissions. Some disincentives are the fees and independent audits. If a company is a low emitter, it may not fair well if emissions reductions are the goal and it is compared to those beyond in its own sector. Verification is important to eliminate double counting. It is important to protect a company's proprietary information.

(Neutral) The Climate and Rural Energy Development Center has expertise in greenhouse gas evaluation and reporting and can manage a registry. In developing a registry, the center would take advantage of the expertise and work done in other states and would seek funding to help accomplish this.

(With concerns) This is an unnecessary program. There is a national registry that companies can report to. Companies are already voluntarily taking action to reduce their emissions. This is a national issue and it should be handled nationally.

Testimony Against: There is some discomfort with state by state approaches and some businesses would like to see a sunset should a federal program be established. A business must pay to be part of it and pay to verify the inventory and then must have emissions published. This may actually work against a company.

Testified: (In support) Mike Ruby, Environmetries, Inc; Margaret Kitchell, Physicians for Social Responsibility; Tim Newcomb, The Mountaineers; Karen Hertz; Toni Potter, Audubon Society; Louise Stonington, Sierra Club; Donna Ewing, League of Women Voters, Washington; Robert Murray, Consultant; Linda Vernooy, Global Warming Action; Richard Thompson; Dave Arbaugh, Calpine; Steve Lindstrom, Northwest Energy Coalition; and Heather Rhoads-Weaver, Northwest Sustainable Energy for Economic Development.

(Neutral) Jake Fey, Washington State University Energy Program.

(With concerns) Becky Bogard, American Forest and Paper Association Washington Partners.

(Opposed) Kristen Sawin, Association of Washington Business.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Telecommunications & Energy. Signed by 20 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Cody, Conway, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke and Talcott.

Minority Report: Do not pass. Signed by 7 members: Representatives Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Boldt, Buck, Clements, Cox and Sump.

Staff: Patricia Linehan (786-7178).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology, Telecommunications & Energy:

The second substitute bill removes the on-going reporting requirement. It directs that verification of greenhouse gas emissions inventories must not be paid for by the

registrant, and directs the center to stop accepting emission inventories once a mandatory federal registry becomes operational. Registrants' emissions inventory information is exempt from public disclosure.

Appropriation: None.

Fiscal Note: Requested on March 7, 2003.

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

Testimony For: This registry will be supported by fees from those who voluntarily participate in the program. We believe that firms will find these fees attractive. The proposed bill goes a long way toward establishing the marketability of emission reduction credits. King County, the City of Seattle, and the Puget Sound Clean Air Agency strongly support the creation of a greenhouse registry.

An effective registry does not exist nationally. There is a U.S. Department of Energy system, but it does not have any rules. It allows businesses to report whatever they want. The registration is not standardized, so there is no reliability or value to what is reported. The Washington registry would provide a standardized reporting system. When a Washington business invests in energy efficiency, it will be able to sell credits that have clear value. This proposed bill is an important step in reducing climate warming.

This will be of great benefit to businesses, because it will provide an official registry that proves what they have done to reduce emissions prior to a federal mandate. Also, it will provide a tool to enter the emission trading market. Registrant fees can be offset by selling emission credits.

(Neutral) The center will seek foundation money to do this and implementation of this proposed bill will be dependent upon our ability to locate the money for the start up costs.

Testimony Against: It is not expected that there will be a great deal of participation by the members of the Association of Washington Businesses. Three amendments will be needed before we could become neutral on the program. First, emission information needs to be made proprietary. Secondly, the registry should have a sunset date when a federal registry becomes mandatory. Lastly, the audits should be paid for by someone other than the registrants, because there should not be an appearance of a conflict of interest.

Testified: (In support) Donna Ewing, League of Women Voters; Louise Stovington, Sierra Club; and Mike Ruby, Environmetrics, Incorporated.

(Neutral) Jacob Fey, Washington State University.

(Opposed) Kristen Sawin, Association of Washington Business.