Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Natural Resources, Ecology & Parks Committee

HB 2794

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 Summary of Bill

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

Hearing Date: 1/26/06

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.

Summary of Bill:

Businesses and not-for-profit entities may earn a tax credit of $1 per ton of mitigated carbon dioxide emissions. A qualified third party organization must certify that the entity has offset 100 percent of its 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.

<u>Qualified Third Party Organizations</u>

The Department of Ecology (Department) must generate and maintain a list of technically qualified, independent third party organizations to certify mitigation projects [Section 2(2)].

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 by emissions audit that 100 percent of the entity's carbon dioxide emissions have been mitigated.

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 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 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 dioxide credit.

Appropriation: None.

Fiscal Note: Requested on 1/17/06.

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