

HOUSE BILL REPORT

HB 2512

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to renewable fuel content compliance.

Brief Description: Regarding renewable fuel content compliance.

Sponsors: Representatives Morris, Quall, Hudgins and Chase.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/25/08, 2/1/08 [DPS].

Brief Summary of Substitute Bill

- Requires each special fuel licensee to provide evidence that at least 2 percent of its total diesel fuels sale in Washington are biodiesel fuel.
- Requires each fuel licensee to provide evidence that at least 2 percent of its total gasoline sales in Washington are denatured alcohol.
- Requires fuel licensees to submit a quarterly renewable fuel content report to the Department of Community, Trade and Economic Development.
- Requires the Governor to designate the appropriate state agency to adopt rules to enforce minimum renewable fuel content and reporting requirements.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives McCoy, Chair; Eddy, Vice Chair; Hudgins, Hurst, Kelley, Morris, Takko and Van De Wege.

Minority Report: Without recommendation. Signed by 4 members: Representatives Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Hankins and Herrera.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Scott Richards (786-7156).

Background:

Renewable Fuel Standards

In 2006 the Legislature enacted minimum renewable fuel content standards for biodiesel and ethanol.

Biodiesel

Special fuel licensees, other than international fuel tax agreement licensees, dyed special fuel users, and special fuel distributors, must provide evidence to the Department of Licensing that at least 2 percent of the total annual diesel fuel sold in Washington is biodiesel fuel by the earlier of November 30, 2008, or upon determination by the Department of Agriculture that enough feedstock is being grown in the state to satisfy the 2 percent requirement.

If the Director of the Department of Agriculture determines that in-state oil seed crushing capacity and feedstocks can satisfy a 3 percent requirement, these special fuel licensees must provide evidence that at least 5 percent of the total annual diesel fuel sold in the state is biodiesel.

Ethanol

Motor vehicle fuel licensees, other than motor vehicle fuel distributors, must provide evidence to the Department of Licensing that at least 2 percent of total gasoline sold in Washington, measured on a quarterly basis, is denatured ethanol.

All gasoline sold in Washington must contain higher percentages of denatured ethanol if the Director of the Department of Ecology determines that ethanol content greater than 2 percent will not jeopardize continued attainment of federal Clean Air Act standards, and the Director of the Department of Agriculture determines that sufficient raw materials are available within Washington to support economical production of ethanol at higher levels.

Summary of Substitute Bill:

Each special fuel licensee, other than international fuel tax agreement licensees, dyed special fuel users, and special fuel distributors, are required to provide evidence to the Department of Licensing (DOL) that at least 2 percent of its total annual diesel fuels sales in Washington are biodiesel fuel. Each motor vehicle fuel licensees, other than motor vehicle fuel distributors, are required to provide evidence to the DOL that at least 2 percent of its total gasoline sales are denatured alcohol.

Licensees must submit a quarterly renewable fuel content report to the Energy Policy Division (Division) of the Department of Community, Trade and Economic Development. The Division must design, distribute, and collect the quarterly reports. A penalty of \$10,000 is imposed on licensees for failure to submit a quarterly report. Collected penalties must be deposited into the Energy Freedom Account. The Division is prohibited from publicly releasing, unless pursuant to an order of a court of competent jurisdiction, information submitted by licensees,

except information disclosed in aggregate form that does not permit the identification of information related to individual fuel licensees.

By December 1, 2009 the Division must report to the Governor and to the appropriate committees of the Legislature the following:

- recommendations on the lowest cost method for ensuring compliance with the minimum renewable fuel content and reporting requirements; and
- which state agency should adopt rules to enforce the minimum renewable fuel content and reporting requirements.

By December 30, 2009 the Governor must determine and designate the appropriate state agency to adopt rules to enforce the minimum renewable fuel content and reporting requirements.

Substitute Bill Compared to Original Bill:

The substitute bill provides a renewable fuel content requirement on each licensee. Each licensee must submit a quarterly report to the Energy Policy Division of the Department of Community, Trade and Economic Development on their procurement and sales of biofuels. The bill specifies a penalty for failure to submit a quarterly report. The Division is prohibited from publicly releasing information submitted by licensees except in the aggregate. The Division, by December 1, 2009, must report to the Governor and to the appropriate committees of the Legislature its recommendations on the lowest cost method for ensuring compliance with the minimum renewable fuel content and reporting requirements, and which state agency should adopt rules to enforce the minimum renewable fuel content and reporting requirements. The Governor, by December 30, 2009, must determine and designate the appropriate state agency to adopt rules to enforce the minimum renewable fuel content and reporting requirements.

Appropriation: None.

Fiscal Note: Available. Fiscal note requested on substitute bill on February 4, 2008.

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

Staff Summary of Public Testimony:

(In support) This bill clarifies issues in the original bill passed in 2006 relating to the authority to enforce the minimum renewable fuel content standard. This bill develops a process of an interim mandatory reporting system until the Governor makes a determination of the least cost method of enforcing the minimum renewable fuel content standard and the appropriate agency to enforce the renewable energy standard. The timelines are appropriate and this is the right step to enforce the standard. This bill is critical to clarifying that the renewable fuel standard applies to all motor vehicle fuel licensees. The renewable fuel standard, once implemented, will stimulate economic development in the state.

(Opposed) The changes in the bill are more than technical changes. The Legislature made a conscious decision to make the standard an aggregate standard rather than an individual licensee standard. There are environmental issues associated with going to a 10 percent standard for ethanol. Licensees on a voluntary basis are already reporting to the Department of Licensing. There needs to be reporting requirements for biofuel producers sending biofuel out of the state.

Persons Testifying: (In support) Representative Morris, prime sponsor; Todd Ellis, Imperium Renewables; Miguel Perez-Gibson, Climate Solutions; Tim Raphael, Pacific Ethanol; Ryan Cruse, Whole Energy Fuels; David Johnson, Washington State Building and Construction Association; and Mike Pelly, Olympia Green Fuels.

(Opposed) Greg Hanon, Western States Petroleum Association; and Charlie Brown, Washington Oil Marketers Association.

Persons Signed In To Testify But Not Testifying: None.