FINAL BILL REPORT
E2SHB 2815

C 14 L 08

Synopsis as Enacted

Brief Description: Providing a framework for reducing greenhouse gas emissions in the Washington economy.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Dunshee, Priest, Linville, Upthegrove, Nelson, Goodman, Hurst, Lantz, Hunt, Cody, McCoy, Quall, Pettigrew, Fromhold, Dickerson, Darneille, Appleton, Green, Sells, Pedersen, Jarrett, Conway, Morrell, Miloscia, Sullivan, Schual-Berke, McIntire, Williams, Hudgins, Simpson, Ericks, VanDeWege and Ormsby; by request of Governor Gregoire).

House Committee on Ecology & Parks
House Committee on Appropriations
Senate Committee on Water, Energy & Telecommunications
Senate Committee on Ways & Means

Background:

Governor Gregoire's Executive Order Setting Greenhouse Gas Emissions Goals.

On February 7, 2007, Governor Gregoire issued an executive order establishing goals for Greenhouse Gas (GHG) emissions reductions, for increasing clean energy sector jobs, and for reducing expenditures on imported fuel. The executive order also directed the Department of Ecology (DOE) and the Department of Community, Trade and Economic Development (DCTED) to lead stakeholders in a process that will consider a full range of policies and strategies to achieve the greenhouse gas (GHG) emissions goals.

In response to the Governor's executive order, the DOE and the DCTED have formed the Washington Climate Advisory Team (CAT) to assist with the development of specific action-oriented recommendations for climate change mitigation policies and plans for Washington. Their report is due to the Governor in 2008. The final report will compile and summarize recommended policy options of the CAT based on the outcome of final votes on individual recommendations.

ESSB 6001.

GHG Emissions Reductions.

With enactment of ESSB 6001 in 2007, the following goals are established for statewide GHG emissions:

- by 2020 reduce GHG emissions to 1990 levels;
- by 2035 reduce GHG emissions to 25 percent below 1990 levels; and

- by 2050 reduce GHG emissions to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

By 2020 there is a goal to increase the number of clean energy sector jobs to 25,000.

The Governor must develop policy recommendations on how the state can achieve the GHG emissions reductions goals. The recommendations must include how market mechanisms would assist in achieving the goals.

GHG Emissions Reports.
The DOE and the DCTED reported to the Legislature in December 2007 on the total GHG emissions for 1990 and totals in each major sector for 1990. By December 31 of each even-numbered year beginning in 2010, the DOE and the DCTED must report to the Governor and the Legislature the total GHG emissions for the preceding two years and totals in each major source sector.

The GHG Emissions Performance Standard.
All baseload electric generation (electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent) that begins operation after June 30, 2008, and is located in Washington, must comply with certain performance standards. There are designated statutory exemptions.

Enforcing the GHG Emissions Performance Standard.
By June 30, 2008, the DOE and the Energy Facility Site Evaluation Council (EFSEC) must coordinate and adopt rules to implement and enforce the GHG emissions performance standard, including the evaluation of sequestration and mitigation plans. In addition, the DCTED must consult with specified groups, such as the Bonneville Power Administration, and consider the effects of the standard on system reliability and the overall costs to electricity customers. In order to update the standard, the DCTED must conduct a survey every five years of new combined-cycle natural gas thermal electric generation turbines commercially available and offered for sale by manufacturers and purchased in the United States. The DCTED must use the survey results to adopt by rule the average available GHG emissions output. The survey results must be reported to the Legislature every five years, beginning June 30, 2013.

The DOE, in consultation with the DCTED, the EFSEC, the Washington Utilities and Transportation Commission (WUTC), and the governing boards of consumer-owned utilities, must review the GHG emissions performance standard no less than every five years or upon the implementation of a federal or state law or rule regulating carbon dioxide emissions of electric utilities, and report to the Legislature.

Summary:

<u>GHG Emissions Reductions</u>.

The state must limit emissions of GHG to achieve the following statewide emission reductions:

- by 2020 reduce overall GHG emissions in the state to 1990 levels;
- by 2035 reduce overall GHG emissions in the state to 25 percent below 1990 levels; and
- by 2050 reduce overall GHG emissions in the state to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

By December 1, 2008, the DOE must submit a GHG reduction plan for review and approval to the Legislature describing the necessary actions needed to achieve the GHG emission reductions.

The DOE must develop and implement a system for monitoring and reporting GHG emissions. By December 31 of each even-numbered year beginning in 2010, the DOE and the DCTED must report to the Governor and the Legislature the total GHG emissions for the preceding two years, and totals in each major source sector.

Except for the purposes of reporting, emissions of carbon dioxide from the industrial combustion of biomass in the form of fuel wood, wood waste, wood byproducts, and wood residuals is not considered a GHG as long as the region's silvicultural sequestration capacity is maintained or increased.

The DOE, in coordination with the Western Climate Initiative (WCI), will develop a design for a regional multisector market-based system to limit and reduce GHG emissions. By December 2008 the DOE and the DCTED will provide the Legislature with specific recommendations for implementing the design for the multisector market-based system. The recommendations will include: (1) the schedule for implementing the design by January 1, 2012; (2) any necessary changes to the reporting requirements; and (3) recommendations for actions that would prevent manipulation of the multisector market-based system.

The DOE and the DCTED will report to the Legislature by December 2008 on the final recommendations of the CAT, including strategies to reduce the quantity of emissions of GHG per distance traveled in the transportation sector. The report will also include a request for any needed resources or statutory authority to reduce GHG emissions, recommendations on how projects funded by the Green Energy Incentive Account may be used to expand electrical transmission infrastructure into urban and rural areas of the state for purposes of allowing the recharging of plug-in hybrid vehicles, recommendations on how local governments could be included in the multisector market-based system, recommendations regarding the circumstances under which generation of electricity or alternative fuel from landfill gas and gas from anaerobic digesters may receive an offset or credit in the multisector market-based system, and recommendations from the Department of Natural Resources and the Department of Agriculture on how forestry and agricultural lands and practices may participate voluntarily as an offset or other credit program in the regional multisector market-based system.

Reporting.

The DOE must adopt rules requiring persons to report their GHG emissions. Any fees for reporting will be determined by the DOE and deposited into the Air Pollution Control Account. If persons fail to report or fail to pay the required reporting fee, penalties may be imposed.

Owners or operators of a fleet of on-road motor vehicles that emit at least 2,500 metric tons of direct GHG emissions annually in the state, or a source or combination of sources that emit at least 10,000 metric tons of direct GHG emissions annually in the state, must report their total annual GHG emissions beginning in 2010 for their 2009 emissions. The DOE rules must establish an annual reporting schedule where reports must be submitted by October 31 each year. The DOE may phase in the reporting requirements until either the threshold is met or January 1, 2012, whichever occurs first. The DOE has discretion to amend the rules to include other persons that emit less than the annual GHG emission levels required to report in order to comply with federal reporting requirements. With the assistance of the Department of Transportation (DOT), the DOE must identify a mechanism to report an aggregate estimate of the annual GHG emissions generated from or emitted by otherwise unreported on-road motor vehicles. The DOE may defer the reporting requirements for emissions associated with the interstate and international commercial aircraft, rail, truck, or marine vessels until either there is a federal requirement to report the emissions or the DOE finds there is a generally accepted reporting protocol for determining interstate emissions.

The Energy Facility Site Evaluation Council (EFSEC) must adopt rules that require the same GHG emissions reporting requirements in site certifications on persons operating or responsible for the operation of a facility permitted by the EFSEC.

If the federal government adopts rules governing the reporting of GHG emissions, the DOE must propose amendments to its rules to ensure consistency and non-duplicative reporting with the federal rules.

Within 18 months of the next, and each successive, global or national assessment of climate change, the DOE and the University of Washington's Climate Impacts Group must report to the Legislature regarding the science on human-caused climate change and provide recommendations on whether the state GHG emission reductions need to be updated.

<u>Vehicle Miles Traveled</u>.

The following statewide benchmarks are established:
- decrease the annual per capita vehicle miles traveled by 18 percent by 2020;
- decrease the annual per capita vehicle miles traveled by 30 percent by 2035; and
- decrease the annual per capita vehicle miles traveled by 50 percent by 2050.

The DOT, using a collaborative process with the DOE and the DCTED, must make recommendations to the Legislature by December 1, 2008, that include a set of tools and best practices to assist state, regional, and local entities in making progress toward achieving these benchmarks. The recommendations must identify current strategies to reduce vehicle miles traveled in Washington, as well as successful strategies in other jurisdictions. The recommendations must identify potential new revenue options for local and regional governments to finance vehicle miles traveled reduction efforts. In addition, the recommendations must also include tools that measure annual progress toward the benchmarks and adequately distinguish between common travel purposes. The DOT must also establish a process to periodically evaluate the progress toward the benchmarks and

recommend whether the benchmarks should be adjusted, and estimate the projected reductions in GHG emissions if the benchmarks are achieved. The DOT must also examine the access of public transportation areas with affordable housing and make recommendations for steps to ensure that those areas are adequately served by public transportation.
Prior to the implementation of the benchmarks, the DOT must provide a report on the anticipated impacts of the benchmarks.

Green Economy Jobs Growth Initiative.

By 2020 the state's goal is to increase the number of clean energy jobs to 25,000. The DCTED, in consultation with the Employment Security Department (ESD), the State Workforce Training and Education Coordinating Board (SWTECB), the State Board of Community and Technical Colleges (SBCTC), and the Higher Education Coordinating Board (HECB) must develop a defined list of terms, consistent with current workforce and economic development terms, associated with green economy industries and jobs. The ESD, in consultation with the DCTED, the SWTECB, the SBCTC, the HECB, the Washington State University Small Business Development Center, and the Washington State University Extension Energy Program (WSU) will conduct labor market research to analyze the current labor market and projected job growth in the green economy, the current and projected recruitment and skill requirement of green industry employers, the wage and benefits ranges of jobs within green economy industries, and the education and training requirements of entry-level and incumbent workers in those industries. Based on the survey, the ESD will propose which industries will be considered high-demand green industries. The University of Washington Business and Economic Development Center must analyze and report back to the Legislature on the current opportunities for and participation in the green economy by minority and women-owned business enterprises in Washington. The report will also identify existing barriers to minority and women-owned business enterprises successful participation in the green economy, and develop strategies with specific policy recommendations to improve their successful participation in the green economy.

A new account, the Green Industries Job Training Account (Account), is created in the state treasury. Moneys from the Account must be utilized to supplement the state opportunity grant program. All receipts from appropriations must be deposited into the Account. Expenditures may be used only as grants, distributed on a competitive basis, for the purpose of: (1) training workers for high-wage occupations in high-demand industries related to the green economy; and (2) educational purposes related to the green economy.

In order to distribute grants for training workers for high-wage occupations in high-demand industries related to the green economy, the SWTECB must create and pilot green industry skill panels consisting of business representatives, labor unions, state and local veterans agencies, employer associations, educational institutions, local workforce development councils, and any other key stakeholders. The panel must conduct labor market and industry analyses, plan strategies to meet recruitment and training needs, and leverage and align other public and private funding sources.

The State Board for Community and Technical Colleges may distribute grants for educational purposes related to the green economy. The grants from the Account may be used for certain purposes when other public or private funds are insufficient or unavailable. Allowable uses include: (1) curriculum development; (2) transitional jobs strategies for dislocated workers in declining industries; (3) workforce education; and (4) adult basic and remedial education.

Organizations eligible to receive grants from the Account must demonstrate expertise in implementing effective education and training programs that meet industry demand and in recruiting and supporting the target workers.

Targeted workers include: (1) entry-level or incumbent workers preparing for high-wage occupations; (2) dislocated workers in declining industries; (3) dislocated agriculture, timber or energy workers in declining industries; (4) eligible veterans or National Guard members; (5) disadvantaged populations; and (6) anyone eligible to participate in the opportunity grant program.

Priority will be given to organizations that:
- use labor market and industry analyses developed by the ESD and the green industry skill panels in the design and delivery of their program;
- leverage and align existing resources and public programs and for recruiting, supporting, educating, and training target workers;
- work collaboratively with other relevant stakeholders in the regional economy;
- link adult basic and remedial education with occupation skills training;
- involve employers and labor unions in the determination of relevant skills and competencies; and
- ensure that supportive services, integrated with education and training, are delivered by organizations with direct access to the targeted workers.

Votes on Final Passage:

House	64	31
Senate	29	19

Effective: June 12, 2008