

SENATE BILL REPORT

SB 6679

As Reported By Senate Committee On:
Natural Resources, Ocean & Recreation, February 06, 2008

Title: An act relating to reducing greenhouse gases emissions.

Brief Description: Creating a forestry carbon offset program.

Sponsors: Senators Hargrove, Jacobsen, Hatfield and Kohl-Welles.

Brief History:

Committee Activity: Natural Resources, Ocean & Recreation: 1/30/08, 2/6/08 [DPS-WM, w/oRec].

SENATE COMMITTEE ON NATURAL RESOURCES, OCEAN & RECREATION

Majority Report: That Substitute Senate Bill No. 6679 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Jacobsen, Chair; Hatfield, Vice Chair; Morton, Ranking Minority Member; Fraser, Hargrove, Rockefeller and Spanel.

Minority Report: That it be referred without recommendation.

Signed by Senator Stevens.

Staff: Sherry McNamara (786-7402)

Background: The term "climate change" refers to any significant change in measures of climate, such as temperature, which last for decades or longer. Climate change may result from natural causes or human activities.

In February 2007 the Governor issued an Executive Order establishing goals for reducing greenhouse gas (GHG) emissions. Last year, the Legislature placed into statute the goals for GHG emission reductions and required the Department of Ecology (Ecology) and Community, Trade and Economic Development (CTED) to provide a report every even-numbered year on the total GHG emissions for each major source sector.

In general terms, a cap and trade program is a way to reduce pollution using market forces. The government sets the cap on air pollutant emissions; entities are given an allowance to emit a pollutant. Entities with unused allowances are permitted to sell their surpluses to entities that have over spent their allowances.

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.

Living forests absorb carbon dioxide from the atmosphere, storing carbon in the wood mass of the trees themselves. Forests can serve as "carbon sinks" and mitigate carbon levels in the atmosphere.

Summary of Bill (Recommended Substitute): Cap and Trade System: Ecology must design a market-based cap and trade system consistent with the goals established by the Legislature. In designing the system, Ecology must:

- coordinate the development with other entities, such as the Western Climate Initiative;
- seek to ensure that the system is equitable, administratively simple, and minimizes administrative costs; and
- in conjunction with CTED, must establish voluntary allowances and accounting systems for carbon storage within the forest industry.

Ecology, in conjunction with the Department of Transportation and the Department of Licensing must establish a method to require every motor vehicle registered in the state to annually purchase carbon credits based on a GHG index or rating system for emissions from the forestry carbon offset program.

Ecology, in conjunction with the Department of Revenue must develop options for a method to require manufacturers, wholesalers, and retailers who sell products in Washington that are produced with a carbon intensive process, including foreign products, to purchase carbon credits from the forestry carbon offset program. Ecology must develop administrative rules that provide credit to the automobile industry for the adoption of the California motor vehicle standards.

Ecology is required to report to the Legislature by December 1, 2008, on the progress in achieving these requirements.

Forestry Carbon Offset Program: CTED must design and implement a forestry carbon offset program. CTED must establish a forestry carbon offset program advisory group of at least nine members, including representatives of government agencies, businesses, and private forest landowners, forest products industry, and a forest conservation organization.

Rules that are adopted for the forestry carbon offset program must set standards to ensure that in order to be marketed, registered, transferred, or sold, a forestry carbon offset must be created as a result of forest management activities that:

- have the effect of increasing carbon storage on forest lands and products;
- provide environmental, social, and economic benefits by protecting or enhancing long-term timber supplies, native fish and wildlife habitat, and water quality.

CTED must contract with the University of Washington, College of Forest Resources who must work in conjunction with a nonprofit consortium involved in research on renewable industrial materials, to establish a formula to ensure that the forestry carbon offset accounting system:

- accounts for relevant sources of carbon credits for carbon storage or sequestration;
- accounts for duration and permanence of the carbon storage or emission reductions;
- includes provisions for establishing the appropriate baseline for forestry and forest product manufacturing practices;

- accounts for site-class specific forest management practices.

CTED must report to the Legislature by December 1, 2008, on the progress in achieving these requirements.

EFFECT OF CHANGES MADE BY NATURAL RESOURCES, OCEAN & RECREATION COMMITTEE (Recommended Substitute): Requires the Department of Ecology to develop administrative rules that define principles and standards for providing credit to Washington's automobile industry for adopting the California motor vehicle emission standards.

Appropriation: None.

Fiscal Note: Requested on January 23, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This bill is about economic incentives to change people's behaviors, and to keep working forests in Washington. A system that changes behavior by having people "get out of their cars" and find other modes of transportation. Placing a cap on foreign-made products that are produced with more carbon will help our state industries. Wood products store carbon for long periods of time; where as substitute products, such as steel and concrete, use more carbon to be produced and are more harmful to the environment. We support the forest protocols in this bill; they are similar to the Chicago Climate Exchange protocols. Forest landowners should benefit and be treated equitably. It is critical to maintain manufacturing capacity in Washington.

CON: While there is agreement with the fundamental concept in this bill, the concern is that it will penalize people who live and drive in rural areas. The bill refers to vehicles which includes all types of motorized transportation and could potentially skew market choices for people purchasing motor vehicles.

OTHER: The Governor wholeheartedly agrees with the concepts in this bill; however, there is concern with the timing. It is important to make sure that it is consistent with the Governor's bill. The key is how we proceed and work on these processes over the year, and bring legislation back in 2009 for the Legislature. Whatever the system finally ends up being, we don't want to put this state at a disadvantage, and at the same time we want to make sure credit is given where credit is due.

Persons Testifying: PRO: Senator Hargrove, prime sponsor; Robert Meier, Rayonier; Debra Munguia, Washington Forest Protection Association; Joseph Kendo, Washington State Labor Council; Kristen Sawin, Weyerhaeuser.

CON: Scott Hazlegrove, Washington State Auto Dealers Association.

OTHER: Jay Manning, Janice Adair, Department of Ecology; Craig Partridge, Department of Natural Resources; Julie Anderson, Department of Community, Trade and Economic Development.