

HOUSE BILL REPORT

SHB 2422

As Passed House:
February 9, 2012

Title: An act relating to aviation biofuels production.

Brief Description: Supporting the development of aviation biofuels production.

Sponsors: House Committee on Technology, Energy & Communications (originally sponsored by Representatives Billig, Haler, Stanford, McCoy, Maxwell, Eddy, Nealey, Crouse, Probst, Liias, Parker, Van De Wege, Upthegrove, Ormsby, Kenney, Morris and Moscoso).

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/20/12, 1/25/12 [DPS];
Capital Budget: 2/1/12 [DPS(TEC)].

Floor Activity:

Passed House: 2/9/12, 86-11.

Brief Summary of Substitute Bill

- Specifies that aviation biofuels production facilities may be a project of statewide significance.
- Authorizes the Washington State Housing Finance Commission to issue bonds and enter into other financial arrangements for the purpose of financing facilities that are primarily for the production, processing, or handling of aviation biofuels.
- Directs Innovate Washington to convene a Sustainable Aviation Biofuels Work Group.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives McCoy, Chair; Eddy, Vice Chair; Crouse, Ranking Minority Member; Short, Assistant Ranking Minority Member; Anderson, Billig, Carlyle, Dahlquist, Haler, Harris, Hasegawa, Hudgins, Kelley, Liias, Morris, Nealey and Wylie.

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.

Minority Report: Do not pass. Signed by 1 member: Representative McCune.

Staff: Scott Richards (786-7156).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill by Committee on Technology, Energy & Communications be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Jinkins, Lytton, Smith, Tharinger and Wylie.

Minority Report: Without recommendation. Signed by 1 member: Representative Pearson.

Staff: Meg Van Schoorl (786-7105).

Background:

Sustainable Aviation Fuels Northwest.

Sustainable Aviation Fuels Northwest (SAFN) is the regional stakeholder effort to explore the opportunities and challenges surrounding the production of sustainable aviation fuels. Led by Alaska Airlines; the Boeing Company; the Ports of Seattle, Portland, and Spokane; and the Washington State University, SAFN includes more than 40 organizations ranging across aviation, biofuels production, environmental advocacy, agriculture, forestry, federal and state government agencies, academic research, and technical consultancies. In May 2011 the SAFN released a report which concluded, among other things, that the Northwest offers significant assets to meet a portion of jet fuel demands from sustainable regional feedstocks.

State Energy Strategy.

The 2012 State Energy Strategy, prepared by the Department of Commerce (Department), is designed to promote a clean energy economy, competitive energy prices, and lower greenhouse gas emissions. Among other things, the strategy highlights Washington's unique opportunity to become a hub for the production and use of sustainable biofuels for aviation.

Project of Statewide Significance.

Since 1997 a statutory process has existed to expedite completion of projects of statewide significance. These projects include: (1) border crossings that involve private and public investments in conjunction with adjacent states or provinces; (2) development projects with net environmental benefits; (3) development projects furthering commercialization of innovations; and (4) private industrial development with investment in manufacturing or research and development.

To be designated by the Department as a project of statewide significance, the project must meet certain criteria, including requirements related to capital investment, job creation, or merit because of impacts on the economic circumstances of a county, on innovation activities, or the environment. In rural counties, the projected number of full-time jobs to be

created must be 50 or more. In non-rural counties, the projected number of full-time jobs must be 100 or more.

To apply for designation, a project proponent's application must be accompanied by a letter of approval from the local jurisdiction. The letter of approval must state that the local jurisdiction joins in the request and has or will hire the staff required to expedite the process. Local officials must enter in an agreement with the Office of Regulatory Assistance (ORA) that includes provisions for expedited permit processing, expedited environmental review, and local participation on the team assembled by the ORA.

Washington State Housing Finance Commission.

The Washington State Housing Finance Commission (HFC) was created by the Legislature to assist in making affordable and decent housing available throughout the state. Federal law authorizes state housing finance agencies to issue tax-exempt revenue bonds to fund low-cost housing assistance. The HFC does not use public funds, nor does it lend the credit of the state. The HFC has a \$6 billion statutory debt limit and currently has \$3.8 billion in outstanding indebtedness. In 2009 legislation authorized the HFC, if economically feasible, to issue bonds that may be used to provide financing for energy efficiency and renewable energy improvement projects.

Summary of Substitute Bill:

Projects of Statewide Significance.

Aviation biofuels production facilities are added to the definition of "project of statewide significance." Aviation biofuels production facility projects are exempted from meeting statutory criteria such as capital investment and employment levels.

Washington State Housing Finance Commission.

The HFC is authorized to issue bonds, make or purchase loans, or enter into financing documents for the purpose of financing facilities that are primarily for the production, processing, or handling of aviation biofuels or the nonfossil biogenic feedstocks of such fuels. Financing documents are defined as a lease, sublease, installment sale agreement, conditional sale agreement, loan agreement, mortgage, deed of trust guaranty agreement, or other agreement for the purpose of providing funds to pay or secure debt service on bonds.

Innovate Washington.

Innovate Washington is directed to convene a Sustainable Aviation Biofuels Work Group (Work Group). The purpose of the Work Group is to: (1) further the development of sustainable aviation fuel as a productive industry in Washington, using as a foundation the regional assessment prepared by the collaborative known as the SAFN; (2) facilitate communication and coordination among aviation biofuels stakeholders; (3) provide a forum for discussion and problem solving regarding potential and current barriers related to technology development, production, distribution, supply chain development, and commercialization of aviation biofuels; and (4) provide recommendations to the Legislature on potential legislation that will facilitate the technology development, production, distribution, and commercialization of aviation biofuels.

The Work Group must provide an annual update of its findings and recommendations to the Governor and the appropriate committees of the Legislature by December 1 of each year through 2014. The Work Group expires June 30, 2015.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony (Technology, Energy & Communications):

(In support) Washington is a leader in aviation biofuels in the United States. The development of aviation biofuels has tremendous potential for the state relating to jobs creation and economic development. Washington is perfectly positioned to promote aviation biofuels having strong agricultural and aircraft manufacturing sectors. This bill builds on the excellent work of SAFN, that brought together a diverse group of aviation biofuels stakeholders. Currently, there are no aviation biofuel biorefineries in Washington and there is a potential need in the region for aviation biofuels. Alaska Airlines and the United States Department of Defense have expressed interest in using more biofuels in their aircraft. This is an emerging sector and there is a diverse coalition of stakeholders wanting to grow feedstocks, process, and use aviation biofuels in Washington. This proposed legislation is consistent with the Department of Natural Resources' efforts in recent years to develop forest-based aviation biofuels feedstocks. Language is needed in the bill to make sure that efforts to develop aviation biofuels should support and protect existing uses of forest resources and the production of forest-based products, avoiding unnecessary competition. The Northwest produces virtually no petroleum. An aviation biofuels sector in Washington will create jobs, generate tax revenue, and keep dollars in the region.

(Opposed) None.

Staff Summary of Public Testimony (Capital Budget):

(In support) We have no bio-refinery for aviation biofuels in the northwest United States. The financing authorized in this bill offers an opportunity for one of the bio-refineries to build a new or expanded plant. Washington has agriculture, refining expertise, and demand at our commercial airports and especially at the military bases. In July 2011 aviation biofuels were approved for use in the United States for airplanes, which should alleviate prior uncertainty about investing in this industry. This would be a \$300 million project. The bill is designed with no specific site in mind. The Housing Finance Commission is excited to transfer its expertise at bond issuance to help the state grow a new industry. Issuing these bonds would have no impact on the ability to issue bonds for affordable housing.

(Opposed) None.

Persons Testifying (Technology, Energy & Communications): Representative Billig, prime sponsor; Chris Mulick, Washington State University; Scott Dilley, Washington Farm Bureau;

Rachael Jamison, Department of Natural Resources; and Miguel Perez-Gibson, Climate Solutions.

Persons Testifying (Capital Budget): Representative Billig, prime sponsor; and Kim Herman, Washington State Housing Financing Commission.

Persons Signed In To Testify But Not Testifying (Technology, Energy & Communications): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.