

FINAL BILL REPORT

SSB 5910

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Synopsis as Enacted

Brief Description: Accelerating the availability and use of renewable hydrogen in Washington state.

Sponsors: Senate Committee on Environment, Energy & Technology (originally sponsored by Senators Carlyle, Billig, Conway, Hawkins, Hunt, Mullet, Saldaña and Stanford).

Senate Committee on Environment, Energy & Technology

Senate Committee on Ways & Means

House Committee on Environment & Energy

House Committee on Appropriations

Background: Federal Infrastructure Investment and Jobs Act. The federal Infrastructure Investment and Jobs Act (IIJA) of 2021 provides \$8 billion over five years to support at least four regional clean hydrogen hubs to demonstrate the production, processing, delivery, storage, and end-use of clean hydrogen. The U.S. Department of Energy (DOE) must solicit proposals for regional clean hydrogen hubs by May 15, 2022, and select the four hubs one year later.

According to DOE, electrolysis is a promising option for carbon-free hydrogen production from renewable and nuclear resources. Electrolysis is the process of using electricity to split water into hydrogen and oxygen. This reaction takes place in a unit called an electrolyzer.

Energy Facility Site Evaluation Council. Created in 1970, the Energy Facility Site Evaluation Council (EFSEC) is the permitting and certifying authority for siting major energy facilities in Washington. An EFSEC site certification agreement authorizes an applicant to construct and operate an energy facility in lieu of permits or documents required by any other state agency or subdivision. Energy facilities of any size that exclusively use alternative energy resources, such as wind power, can also opt into the EFSEC review and certification process.

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

Utility and Transportation Commission Energy Decarbonization Study. In the 2021-23 operating budget, the Legislature provided the Utilities and Transportation Commission (UTC) funding to examine feasible and practical pathways for investor-owned electric and natural gas utilities to contribute their share to the statutory greenhouse gas emissions reductions limits and the impacts of energy decarbonization on residential and commercial customers and the utilities that serve them. The results of the examination must be reported to the Legislature by June 1, 2023.

Tax Exemptions for Renewable Hydrogen. Certain aspects of the production of renewable hydrogen are exempt from retail sales tax, use tax, and, where the renewable hydrogen is produced at a facility operating pursuant to a lease of public lands, leasehold excise tax. These exemptions expire July 1, 2025.

Renewable hydrogen is defined as hydrogen produced using renewable resources both as the source for the hydrogen and the source for the energy input into the production process.

Summary: Office of Renewable Fuels. The statewide Office of Renewable Fuels (Office) is established within the Department of Commerce (Commerce). The Office must report to the director of Commerce and may employ staff to carry out the Office's duties, subject to the availability of amounts appropriated. The purpose of the Office is to leverage, support, and integrate with other state agencies to:

- accelerate market development with assistance along the entire life cycle of renewable fuel projects;
- support research into the development and deployment of renewable fuel and green electrolytic hydrogen and their derivatives;
- drive job creation, improve economic vitality, and support the transition to clean energy;
- enhance resiliency by using renewable fuels and green electrolytic hydrogen to support climate change mitigation and adaptation; and
- partner with overburdened communities to ensure communities equitably benefit from renewable and clean fuels efforts.

The Office must:

- coordinate with federally recognized tribes; local, state, and federal governments; private entities; and the public four-year institutions of higher education to drive research, development, and deployment efforts in the production, distribution, and use of renewable fuels including green electrolytic hydrogen;
- review existing renewable fuels and green electrolytic hydrogen initiatives, policies, and public and private investments;
- encourage new and support existing public-private partnership and consider funding opportunities that provide for the coordination of public and private funds for the purposes of developing and deploying renewable fuels and green electrolytic hydrogen;
- assess opportunities for and barriers to deployment of renewable fuels and green

- electrolytic hydrogen in hard to decarbonize sectors;
- request recommendations from the Washington State Association of Fire Marshals regarding fire and safety standards adopted by the federal government and other authorities; and
- develop a plan and recommendations for consideration by the Legislature and Governor on renewable fuels and green electrolytic hydrogen policy and public funding, by December 1, 2023.

The Office may take all appropriate steps to seek and apply for federal funds, grants, and donations. These funds must be deposited in the Renewable Fuels Accelerator Account (Account).

Regional Clean Energy Hub. The Legislature finds that Washington State is strongly positioned to develop a regional clean energy hub meeting the criteria of the IIJA and that through state funding assistance may help to promote and strengthen applications to support a timely and competitive application to DOE by a public-private partnership entity that leverages private sector leadership and is composed of multiple interests.

Subject to funds appropriated, the director of Commerce must provide support to a public-private partnership, which must prepare a timely, responsive application for federal funding to develop a regional clean hydrogen hub; engage with a range of entities across the state; and include specific commitments from entities to assist in funding the application and develop plans to construct infrastructure for or to incorporate the production, distribution, and end use of renewable and green electrolytic hydrogen fuels into their transition to cleaner energy.

In addition to application assistance, the Legislature intends that the state fully support a regional clean energy hub with further direct financial assistance in developing the hub and the acquisition of hydrogen fuels for state agency and local government uses.

Valuation of Renewable Energy Property. The Department of Revenue must publish guidance, in cooperation with industry stakeholders, to advise county assessors when appraising renewable energy facilities for determining true and fair value. The guidance must include a cost-based appraisal method and the development of industry-specific valuation tables for specific types of renewable energy property. The term renewable energy property is defined.

Public Utility Districts—Electrolytic Hydrogen. Public utility districts are authorized to produce, use, sell, and distribute electrolytic hydrogen to the same extent that they are currently authorized to produce, use, sell, and distribute renewable hydrogen.

Municipal Utilities—Renewable Hydrogen and Electrolytic Hydrogen. Municipal utilities are authorized to produce, use, sell, and distribute renewable hydrogen and electrolytic hydrogen to the same extent that they are currently authorized to produce, use, sell, and

distribute gas and electricity.

Tax Exemptions—Green Electrolytic Hydrogen. Existing exemptions from retail sales tax, use tax, and leasehold excise tax that apply to certain aspects of the production of renewable hydrogen are expanded to include the production of green electrolytic hydrogen.

Renewable Fuels Accelerator Account. The Account is created in the state treasury. Revenues to the Account consist of appropriations made by the Legislature, federal funds, gifts, or grants from the private sector or foundations, and other sources. Moneys in the Account may be spent only after appropriation. The director of the Office, or director's designee, may authorize expenditures from the Account for the Office.

Gas Companies. Gas companies must file a notice with specific information with the Utilities and Transportation Commission (UTC) prior to replacing natural gas with renewable hydrogen or green electrolytic hydrogen to serve customers.

When making a determination on a company's request for approval of any tariff related to the use of green electrolytic hydrogen or renewable hydrogen as a replacement for natural gas, the UTC must consider the following:

- the Office of Renewable Fuel's assessment of opportunities for and barriers to the deployment of renewable fuels and green electrolytic hydrogen in hard to decarbonize sectors;
- information considered in the gas company's notice; and
- additional relevant data and analyses.

Green Electrolytic Hydrogen. Green electrolytic hydrogen is defined as hydrogen produced through electrolysis and does not include hydrogen manufactured using steam reforming or any other conversion technology that produces hydrogen from a fossil fuel feedstock.

Null and Void. The bill contains a null and void clause.

Votes on Final Passage:

Senate	49	0	
House	96	2	(House amended)
Senate	49	0	(Senate concurred)

Effective: June 9, 2022

March 31, 2022 (Sections 104 and 201)