

HOUSE BILL REPORT

HB 2333

As Reported by House Committee On:
Environment & Energy

Title: An act relating to assessing the carbon sequestration potential of state-owned lands for the purpose of generating offset credits under the climate commitment act.

Brief Description: Assessing the carbon sequestration potential of state-owned lands for the purpose of generating offset credits under the climate commitment act.

Sponsors: Representatives Reeves, Walen, Chapman, Springer and Ramel.

Brief History:

Committee Activity:

Environment & Energy: 1/22/24, 1/29/24 [DPS].

Brief Summary of Substitute Bill

- Requires the Department of Natural Resources, in collaboration with the Department of Enterprise Services, to conduct an assessment of state-owned assets in both the natural and built environment with potential to generate carbon offset credits.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Doglio, Chair; Mena, Vice Chair; Berry, Duerr, Fey, Lekanoff, Ramel, Slatter and Street.

Minority Report: Do not pass. Signed by 5 members: Representatives Dye, Ranking Minority Member; Ybarra, Assistant Ranking Minority Member; Abbarno, Barnard and Sandlin.

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

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.

Staff: Robert Hatfield (786-7117).

Background:

Climate Commitment Act Overview.

Under the Climate Commitment Act (CCA), in order to ensure that greenhouse gas (GHG) emissions are reduced consistent with the state's 2030, 2040, and 2050 emissions limits, the Department of Ecology (Ecology) must implement a cap on GHG emissions from covered entities and a program to track, verify, and enforce compliance through the use of compliance instruments, which include allowances or eligible offset credits. The Cap-and-Invest Program commenced on January 1, 2023.

Offset Credits.

A portion of a covered or opt-in entity's compliance obligation may be met through offset credits from projects that result in GHG reductions or removals that are real, permanent, quantifiable, verifiable, and enforceable. Offset projects must be in addition to GHG reductions or removals otherwise required and must be certified by a recognized registry within two years prior to the effective date of the section of the act creating offset credits. At least 50 percent of the offset credits must be from projects that provide direct environmental benefits in Washington during the first compliance period and the remaining offset projects must be in a linked jurisdiction with Washington. For the second compliance period, at least 75 percent of offset credits must be from projects that provide direct environmental benefits in Washington. However, Ecology may reduce the requirement if it determines there is not sufficient offset supply in the state to meet offset demand.

A covered or opt-in entity may use offset credits to meet no more than 5 percent of compliance obligations during the first compliance period. During the second compliance period, no more than 4 percent of compliance obligations may be met through offset credits. Offset projects on federally recognized tribal land do not count against the offset credit limits for covered or opt-in entities and may be used to meet no more than 3 percent of compliance obligations for the first compliance period and 2 percent for the second compliance period. Beginning January 1, 2031, these limits continue to apply unless modified by rule after a public consultation process.

Summary of Substitute Bill:

The Department of Natural Resources (DNR), in collaboration with the Department of Enterprise Services (DES), must conduct an assessment of state-owned assets in both the natural and built environment with potential to generate carbon offset credits as defined in the Climate Commitment Act (CCA) for the state's carbon market. The assessment must also include an analysis of the offset credit potential under protocols that the state might

adopt in the future by rule, including offset protocols in voluntary carbon markets.

The DNR must coordinate with the following agencies to complete the assessment:

- the Department of Fish and Wildlife;
- the State Parks and Recreation Commission; and
- the Department of Transportation.

The DNR may coordinate with other state agencies as necessary to complete a comprehensive analysis of carbon offset potential from state-owned lands.

By December 31, 2025, the DNR, in collaboration with the DES, must provide a report to the Legislature that includes the results of the assessment and any related recommendations, including recommendations for future coordination with local governments.

Substitute Bill Compared to Original Bill:

The substitute bill removes the Department of Ecology from the list of agencies tasked with preparing the assessment called for in the bill.

The substitute bill removes the provision prohibiting the state from entering into a linkage agreement under the Climate Commitment Act until after the assessment called for in the bill is completed.

The substitute bill changes the due date for the assessment called for in the bill from July 1, 2025, to December 31, 2025.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on January 29 2024.

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

Staff Summary of Public Testimony:

(In support) There are lots of state agencies that own or manage land. The bill focuses on doing an inventory of those state assets to see what the state has that could be used as an ecosystem service project.

The Department of Natural Resources (DNR) received some money to do an assessment of DNR-managed lands to assess its potential for generating carbon offsets. The report is due at the end of 2024, and this bill would complement that work.

There are two paths outlined in the bill: the offset market under the Climate Commitment Act, but also carbon offsets under the voluntary market. It is great for the state to have a sense of what opportunities and pathways there are for possible carbon offsets.

(Opposed) The assessment in the bill needs to be done, but it needs to be done with an eye to what a properly managed forest looks like. There is concern that the state is not maximizing available revenues from carbon offsets.

(Other) The urgency to reduce greenhouse gas emissions has never been greater. There is concern that without collaboration between agencies, it might result in an inaccurate assessment. Carbon sequestration does not drive the Department of Fish and Wildlife's efforts, because the department's mandate is to manage its lands for the benefit of fish and wildlife. The bill would benefit from increased interagency collaboration.

There are two concerns with the bill. First, it creates an obstacle to linkage under the Climate Commitment Act, which is unnecessary, and could complicate efforts in that space. Also, the bill requires the Department of Ecology (Ecology) to collaborate with the DNR in doing the assessment, but Ecology is a regulator in this market, and so it would be a conflict of interest to also have Ecology play a role in the assessment.

The bill takes a broad look at a very complex subject. Carbon offsets should not undermine Washington's working forests. Working forests play a vital role in the global decarbonization strategy. There is concern about carbon offset protocols that threaten working forests.

Persons Testifying: (In support) Representative Kristine Reeves, prime sponsor; Isaac Kastama, Clean and Prosperous Washington; and Brian Considine, Department of Natural Resources.

(Opposed) John Worthington.

(Other) Harriet Morgan, Department of Fish and Wildlife; Heath Heikkila, American Forest Resource Council; and Adam Eitmann, Department of Ecology.

Persons Signed In To Testify But Not Testifying: None.