

SENATE BILL REPORT

SB 5208

As of February 10, 2025

Title: An act relating to establishing a new clean energy fund program.

Brief Description: Establishing a new clean energy fund program.

Sponsors: Senators MacEwen and Dozier.

Brief History:

Committee Activity: Environment, Energy & Technology: 2/11/25.

Brief Summary of Bill

- Authorizes the Department of Commerce to administer a loan program to fund certain clean energy projects (clean energy loans), subject to appropriation and other specified requirements.
- Creates the Clean Energy Fund Account, to receive funds from state, federal, and other sources, and to be used for clean energy loans.
- Provides that Climate Commitment Account funds may be used for clean energy loans.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Staff: Matt Shepard-Koningsor (786-7627)

Background: Limits on Greenhouse Gas Emissions. The Washington Greenhouse Gas (GHG) Inventory is a historical record of GHG emissions in the state. It estimates statewide emissions and measures reductions compared to a 1990 baseline. Washington updated its GHG emission limits in 2020. The next requirement applies in 2030, where the state must reduce human-caused GHG emissions to 50 million metric tons or 45 percent below 1990 levels. There are separate, specific GHG emission limits for state agencies. Several state programs are aimed at reducing GHG emissions, including the Climate Commitment Act's

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Cap-and-Invest Program, the Clean Fuel Standard, Refrigerant Management Program, and the State Energy Performance Standard.

State Energy Office and Clean Energy Fund. The State Energy Office within the Department of Commerce (Commerce) is required to develop, implement, and periodically update a State Energy Strategy, which provides recommended steps toward achieving a clean energy economy by 2050.

Commerce administers state and federal funding to support clean energy projects through operating and capital budget appropriations, which includes funding appropriated for the Clean Energy Fund (CEF). The CEF was first authorized in the 2013-15 Biennial Capital Budget and has subsequently been reauthorized in each biennial capital budget. The 2023-25 Biennial Capital Budget appropriated \$60 million to the CEF, largely for competitive grants to eligible entities for projects providing a public benefit through research, development, demonstration, or deployment of clean energy technologies that save energy and reduce energy costs, reduce harmful air emissions, or increase energy independence for the state.

All state spending must have a public benefit or purpose. When state funds go to private entities in form of grants or loans, state constitutional lending of credit provisions raise additional considerations.

Climate Commitment Account. The Climate Commitment Account is one of several accounts created in the Climate Commitment Act. The Climate Commitment Account receives a portion of auction revenues for certain programs, activities, and projects that are physically located in Washington, including, in part, those relating to:

- implementing the working families' tax credit;
- reducing and mitigating impacts from GHGs and co-pollutants in overburdened communities;
- deploying renewable energy resources; and
- increasing energy efficiency or reducing GHG emissions at industrial facilities or in the agricultural sector.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Clean Energy Loans. *Eligible Projects.* Subject to appropriation, Commerce may offer loans to aid projects aligning with or implementing Washington's stated policy goals relating to fostering a prosperous clean energy economy (clean energy loans). Clean energy loans may be used for:

- acquiring electric or hydrogen vehicles, or charging and refueling infrastructure for such vehicles;
- evaluating sites or providing technical assistance for new or improved clean energy generation or transmission facilities;
- installing solar, wind, geothermal, or hydrogen equipment to assist with meeting an

- eligible applicant's energy use requirements;
- developing advanced nuclear reactor technology, including small modular reactors;
- decarbonizing an eligible applicant's facility;
- promoting research and development of new and emerging clean energy generation or storage technology;
- modernizing the electrical grid; or
- researching and implementing clean energy technology in agriculture or forestry.

As practicable, Commerce must award clean energy loans in a manner to ensure funds are proportionally distributed among the greatest number of eligible projects during each funding cycle. For clean energy loans offered to public or governmental entities, Commerce may establish reduced or capped interest rates modeled on interest rate options available for public works projects. For clean energy loans approved to nonpublic or private entities, Commerce may not offer an interest rate below the U.S. prime rate plus 2 percent.

Eligible Recipients. Eligible recipients of clean energy loans include any:

- person or organization engaging in business, broadly defined to include all activities engaged in with the object of gain, benefit, or advantage to the person or organization;
- consumer- or investor-owned utility, as defined in state law;
- nonprofit corporation or association, organized under state law;
- operating agency or joint operating agency, as defined in state law;
- political subdivision of the state; and
- national laboratory with a facility located in the state.

Due Diligence Requirements. When administering the clean energy loans, Commerce must conduct due diligence activities associated with the use of public funds, including, but not limited to, ensuring that applications, contracts, and agreements fully comply with all applicable disclosure and ethics laws. In the case of a violation, Commerce may cancel a loan and require the recipient to repay any funds received. Commerce must reserve its right to pursue other legal remedies available. Commerce must specify the due diligence requirements in funding agreements.

Clean Energy Fund Account. The Clean Energy Fund Account (account) is created to receive funds from state, federal, and other sources. Account funds may be used only for clean energy loans, except for up to 1 percent may be used by Commerce for administration costs. Commerce must maintain separate accounting for any federal funds in the account. The account must receive its proportionate share of monthly investment earnings from the state treasurer.

Climate Commitment Account. Climate Commitment Account funds may be used for clean energy loans.

Other. The act may be known and cited as the Clean Energy Fund Act. Legislative intent language is provided.

Appropriation: The bill contains a section or sections to limit implementation to the availability of amounts appropriated for that specific purpose.

Fiscal Note: Requested on January 20, 2025.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause, with certain sections taking effect immediately.