HOUSE BILL REPORT
SB 5036

As Passed House - Amended:
April 10, 2025

Title: An act relating to strengthening Washington's leadership and accountability on climate policy by transitioning to annual reporting of statewide emissions data.

Brief Description: Strengthening Washington's leadership and accountability on climate policy by transitioning to annual reporting of statewide emissions data.

Sponsors: Senators Boehnke, Chapman, Dozier, Fortunato, Harris, Hasegawa, Short and Wellman.

Brief History:

Committee Activity:

Environment & Energy: 3/20/25, 3/31/25 [DPA];

Appropriations: 4/5/25, 4/8/25 [DPA(ENVI)].

Floor Activity:

Passed House: 4/10/25, 95-0.

Brief Summary of Bill
(As Amended by House)

- Amends greenhouse gas (GHG) emission inventory reporting requirements, including by increasing the frequency of reports and by specifying that the reports must cover the most recent years for which data is available.
- Requires natural gas utilities to report GHG emissions to the Department of Ecology in the manner specified in the state Clean Air Act, rather than under federal regulations, in order to receive no-cost allowances under the Climate Commitment Act.

HOUSE COMMITTEE ON ENVIRONMENT & ENERGY

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.

Majority Report: Do pass as amended. Signed by 19 members: Representatives Doglio, Chair; Hunt, Vice Chair; Dye, Ranking Minority Member; Klicker, Assistant Ranking Member; Abell, Barnard, Berry, Duerr, Fey, Fitzgibbon, Kloba, Ley, Mena, Mendoza, Ramel, Stearns, Street, Wylie and Ybarra.

Minority Report: Without recommendation. Signed by 2 members: Representatives Abbarno and Stuebe.

Staff: Jacob Lipson (786-7196).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Environment & Energy. Signed by 31 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Berg, Bergquist, Burnett, Caldier, Callan, Corry, Cortes, Doglio, Dye, Fitzgibbon, Keaton, Leavitt, Lekanoff, Manjarrez, Marshall, Peterson, Pollet, Rude, Ryu, Springer, Stonier, Street, Thai and Tharinger.

Staff: Dan Jones (786-7118).

Background:

<u>State Emission Limits</u>.
The United States Environmental Protection Agency (EPA) and the Department of Ecology (Ecology) identify carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride as greenhouse gases (GHGs) because of their capacity to trap heat in the Earth's atmosphere. According to the EPA, the global warming potential (GWP) of each GHG is a function of how much of the gas is concentrated in the atmosphere, how long the gas stays in the atmosphere, and how strongly the particular gas affects global atmospheric temperatures. Under state law, the GWP of a gas is measured in terms of the equivalence to the emission of an identical volume of carbon dioxide over a 100-year timeframe (carbon dioxide equivalent or CO2e).

Since 2008 state law has established limits on the emission of GHGs in Washington. Ecology is responsible for monitoring and tracking the state's progress in achieving these emissions limits. In 2020 additional legislation was enacted to update the statewide emissions limits to the following:

- by 2020, reduce overall emissions of GHGs in the state to 1990 levels, or 90.5 million metric tons of carbon dioxide equivalents (MMT CO2e);
- by 2030, reduce overall emissions of GHGs in the state to 45 percent below 1990 levels, or 50 MMT CO2e;
- by 2040, reduce overall emissions of GHGs in the state to 70 percent below 1990

levels, or 27 MMT CO2e; and

- by 2050, reduce overall emissions of GHGs in the state to 95 percent below 1990 levels, or 5 MMT CO2e, and achieve net-zero GHG emissions.

The law establishing state emission limits includes various codified legislative findings and statements of intent. One such legislative finding is that Washington should continue its leadership on climate change policy by creating accountability for achieving the emissions reductions established in the statewide emission limits.

Greenhouse Gas Emission Reporting by Sources of Emissions.
Under the federal Clean Air Act, GHGs are regulated as an air pollutant and are subject to several air regulations administered by the EPA. These federal Clean Air Act regulations include a requirement that facilities and fuel suppliers whose associated annual emissions exceed 25,000 metric tons of CO2e report their emissions to the EPA. At the state level, GHG reporting is regulated by Ecology under the state Clean Air Act. This state law requires facilities and fuel suppliers whose emissions exceed 10,000 metric tons of CO2e each year to report their annual emissions to Ecology. As a result of legislation enacted in 2024, Ecology's rules may also require electric power entities to report GHG emissions from all electricity sold, imported, exported, or exchanged in Washington.

State Greenhouse Gas Emissions Inventory.
By December 31 of even-numbered years, Ecology and the Department of Commerce (Commerce) must report to the Governor and the appropriate committees of the Legislature the total emissions of GHGs for the preceding two years, and totals in each major source sector (Greenhouse Gas Inventory). The most recent Greenhouse Gas Inventory was published in January of 2025, and reported emissions from 1990 through calendar year 2021. The next Greenhouse Gas Inventory is scheduled to be published by December 1, 2026; Ecology has stated it will include data through calendar year 2023.

Climate Commitment Act.
Under the 2021 Climate Commitment Act (CCA), in order to ensure that GHG emissions are reduced consistently with the state's 2030, 2040, and 2050 emissions limits, Ecology must implement a cap on GHG emissions from covered entities. Ecology must also implement 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 (Program) commenced on January 1, 2023.

The Program:

- establishes annual allowance budgets that limit emissions from covered entities;
- defines those entities covered by the Program (covered entities), those entities that may voluntarily opt into coverage under the Program (opt-in entities), and other persons that participate in auctions or allowance markets by purchasing, holding, selling, or voluntarily retiring compliance instruments (general market participants);
- provides for the distribution of emissions allowances at no cost to certain covered

entities, or by purchase at auction;
- provides for offset credits as a method for meeting compliance obligations;
- defines the compliance obligations of covered entities;
- provides for the transfer of allowances and recognition of compliance instruments, including those issued by jurisdictions with which Washington may have linkage agreements in the future; and
- provides monitoring and oversight of the sale and transfer of allowances.

Natural gas utilities with qualifying levels of emissions are among those entities required to comply with the CCA beginning in the first compliance period (2023 through 2026). Ecology rules adopted to implement the CCA, establish the methods and procedures for allocating allowances to natural gas utilities at no cost during the first and second compliance periods. Ecology's rules provide that, relative to a baseline level of emissions set based on calendar year 2015 to 2019 emissions data, Ecology distributes no-cost allowances to natural gas utilities equal to 93 percent of baseline emission levels in 2023, declining by an additional 7 percent each year until 2030. From 2031 to 2042, the rate of decline of no-cost allowances relative to baseline levels decreases by 1.8 percent each year. Further no-cost allowance allocation rate decreases are prescribed for years 2043 through 2049.

Beginning in 2023, 65 percent of the no-cost allowances allocated to natural gas utilities must be consigned to auction for the benefit of customers, including at a minimum eliminating any additional cost burden to low-income customers from the implementation of the Program. Rules adopted by Ecology increase the percentage of allowances consigned to auction by 5 percent each year until a total of 100 percent is reached. Revenues from allowances consigned to sale at auction must be returned to the utility's customers by providing nonvolumetric credits on ratepayer utility bills, prioritizing low-income customers, or being used to minimize cost impacts on low-income, residential, and small business customers through activities such as weatherization and bill assistance.

In order to receive no-cost allowances, natural gas utilities were required to provide copies of their GHG emission reports filed with the EPA for 2015 through 2021. To continue receiving no-cost allowances, natural gas utilities must provide their annual GHG emission reports filed with the EPA.

Summary of Amended Bill:

By December 31, 2027, and December 1, 2029, Ecology and Commerce must post and maintain on Ecology's website, and notify the governor and the Legislature, of a summary of total GHG emissions for the most recent year data is available.

Beginning December 31, 2031, the biennial GHG inventory report becomes an annual GHG inventory report. Ecology must post and maintain the GHG inventory report on its website. The GHG inventory report must address the most recent two years for which GHG data is available, rather than the preceding two years.

The legislative findings regarding state emission reduction requirements are expanded to state that consistent tracking and annual reporting of statewide GHG emissions is an important responsibility that allows the Legislature to determine the state emissions trajectory and make policy interventions.

To receive no-cost allowances under the CCA, a natural gas utility must provide Ecology an annual GHG emissions report as required by the state Clean Air Act, rather than the GHG emissions report provided to the EPA.

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 (Environment & Energy):

(In support) Allowing the Legislature and policymakers to have access to timely data on GHG emissions will enable better policy decisions. Currently, the 2025 GHG inventory report contains data from 2021. Businesses and regulators need to know in a timely way if climate policies like the Climate Commitment Act and Clean Fuels Program are working, and will allow for more efficient and effective policy. Washington GHG emissions are not currently on track to meet 2030 state emission limits, but it will take years to know whether state limits have actually been achieved.

(Opposed) None.

(Other) This bill will increase the frequency of the publication of the GHG inventory, requiring annual publication of a report that is currently published every other year.

Staff Summary of Public Testimony (Appropriations):

(In support) King 5 News reported that greenhouse gas emissions were going up rather than decreasing, despite the multiple climate policies that have passed. Having more data is important to understand the results of different climate policies, and is worth the fiscal impact.

(Opposed) None.

Persons Testifying (Environment & Energy): (In support) Senator Matt Boehnke, prime sponsor; Todd Myers, Washington Policy Center; Keira Domer; and Dakota Manley, Washington state young republicans.

(Other) Joel Creswell, Washington State Department of Ecology.

Persons Testifying (Appropriations): Anthony Mixer, Washington State Young Republicans.

Persons Signed In To Testify But Not Testifying (Environment & Energy): None.

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