

HB 3003 -1 STAFF MEASURE SUMMARY

House Committee On Climate, Energy, and Environment

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Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 3/6, 3/22

WHAT THE MEASURE DOES:

Defines terms. Directs Oregon Watershed Enhancement Board to, by rule, identify riparian areas that would derive ecological benefit from the removal of western juniper. Directs the Oregon Department of Energy (ODOE) to, by rule, provide certification to biomass collectors who remove western juniper from riparian areas and sell it to biomass energy producers. Permits ODOE to collect fees for this certification activity. Beginning in tax year 2024, establishes an excise tax credit for electric utilities who purchase energy made from at least 50 percent western juniper biomass. Directs ODOE to verify that qualifying electricity has been produced using at least 50 percent western juniper biomass, and to certify the amount of tax credit that electric utilities are eligible for. Permits ODOE to charge a fee for these activities to electric utilities who are eligible for the tax credit. Allows utilities eligible for the tax credit to, under certain conditions, carry forward the tax credit to a future year no more than twice and/or transfer the credit to another taxpayer. Takes effect on the 91st day following adjournment sine die.

- *REVENUE: Revenue impact statement issued—Further analysis needed*
- *FISCAL: Fiscal impact statement issued—Further analysis needed*

Subsequent Referral to Joint Committee on Tax Expenditures

ISSUES DISCUSSED:

- Potential pollution from burning biomass
- Historical context
- Juniper's impact on water quantity
- Location of biomass incinerators
- Carbon sequestration potential of juniper
- Alternative uses for juniper wood

EFFECT OF AMENDMENT:

-1 Modifies definition of "qualifying western juniper biomass." Removes direction to Oregon Watershed Enhancement Board (OWEB) to, by rule, identify riparian areas. Requires a person selecting areas for treatment and conducting treatment of western juniper to: 1) follow certain criteria developed by the OWEB; 2) seek to retain old growth juniper trees with certain characteristics; 3) conduct a specific pretreatment analysis; 4) develop any grazing plan for a treatment site in cooperation with the landowner and the applicable soil and water conservation district; and 5) develop a post-treatment maintenance plan for the treatment site prior to beginning treatment. Modifies date taxes apply. Modifies percentage of fuel source produced from qualifying western juniper biomass from 50 percent to **30 percent**. Establishes a price of **\$40** per megawatt hour of electricity produced using at least **30 percent** qualifying western juniper biomass. Prohibits the credit allowed to a taxpayer from exceeding \$___ in any one tax year. Modifies direction to Oregon Department of Energy (ODOE) to establish certain rules. Modifies percentage of fuel source produced from qualifying western juniper biomass from 50 percent to **30 percent** that ODOE must verify and certify. Modifies entity ODOE charges and collects fee from.

BACKGROUND:

This summary has not been adopted or officially endorsed by action of the committee.

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Western juniper is a species of tree native to Eastern Oregon and Northeastern California. In the last 150 years, there has been a 300–1,000 percent increase in acreage occupied by western juniper in Oregon. The species can out-compete rangeland vegetation and is not resistant to fire, which has led to concerns about further spread. Western juniper can be used as biomass—a renewable or recurring organic matter—to produce biofuels, which are processed, ready-to-use energy sources such as liquid, gaseous, or solid fuels. Biofuel is most commonly produced through combustion (burning) of biomass in a process similar to production of coal or natural gas–based electricity.

Biomass was used to generate about five percent of total U.S. energy consumed in 2021. The majority of this energy was consumed by the industrial (48 percent) and transportation (31 percent) sectors, while nine percent was used by electric power producers. In 2020, ODOE reports that 0.4 percent of Oregon electricity was produced from biomass sources. Oregon law (ORS 315.141(3)) previously provided a tax credit for individual or corporate taxpayers who collect biomass used for biofuel production. This tax credit for biomass collection sunset after 2017.

House Bill 3003 would establish a new excise tax credit per kilowatt hour for electric companies or consumer-owned utilities who purchase energy made from at least 50 percent certified western juniper biomass beginning in tax year 2024.