Anaerobic Digesters

2020 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: $778,000 — Sales and Use Tax

WHAT IS AN ANAEROBIC DIGESTER?

An **anaerobic digester** is a closed, oxygen-free container where organic materials like manure decompose, releasing biogas that can be used to generate heat, electricity and renewable fuel.

Preference scheduled to expire January 1, 2029.

Preference used by dairies and others to build and operate anaerobic digesters (ADs)

The preference is for materials and services used to build and operate anaerobic digesters. When established in 2001, the intent was to encourage construction of ADs on dairies. It was later expanded to include ADs using non-dairy livestock manure.

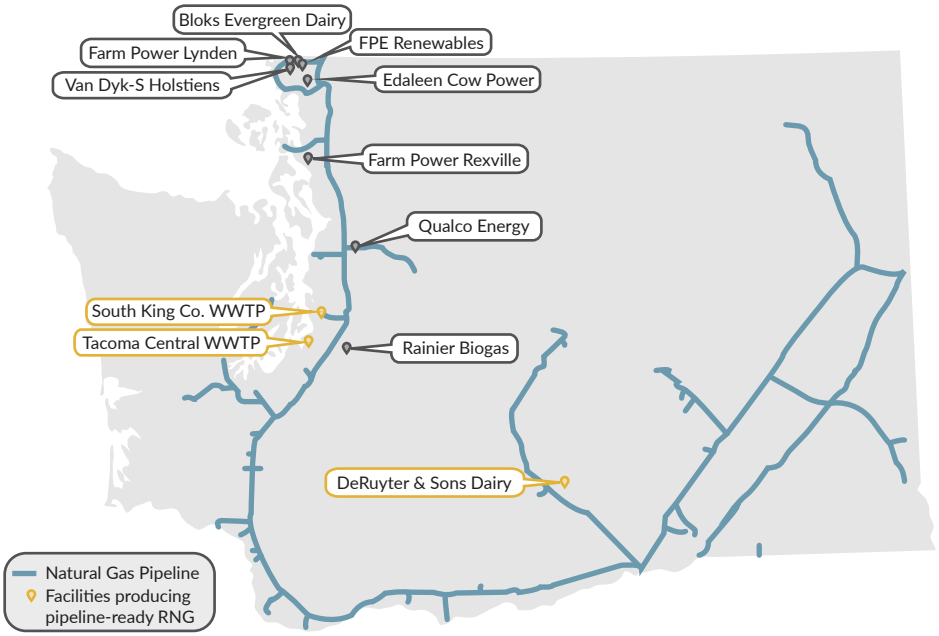
In 2018, the Legislature broadened the preference and set a new goal to encourage renewable natural gas (RNG) production in WA

Preference now includes:

- ADs that use **any organic material**, including wastewater treatment plants and food waste recycling centers.
- Equipment and services used to produce **RNG and marketable coproducts**.
- **A goal** for ADs to **produce RNG and other marketable coproducts**, such as fertilizer and compost.

It is too soon to determine if the preference is encouraging more RNG production

Two facilities – a wastewater treatment plant and a dairy-based AD – are producing pipeline-ready RNG. Another treatment plant is preparing to do so. However, these facilities began RNG production activities before the preference was expanded in 2018.



Preference one of many factors impacting AD project viability

Factors impacting development include:

- Federal policies and regulations.
- Uncertainty of transportation markets.
- Construction and operating costs.
- Minimum volume requirements.
- Access to pipeline infrastructure.
- Inconsistent utility pipeline quality standards for RNG.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Continue and monitor future use

The preference has been used by dairies, wastewater treatment plants, and others to build and operate ADs. It is too soon to determine if 2018 legislative action will encourage additional investment in ADs or renewable natural gas production. The Legislature should review use of the preference closer to its January 1, 2029, expiration.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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