

Recommendations re the Affordable Clean Heat Bill (S.5) of 2023

- By Mike Yantachka, former Representative and member of the House Energy & Technology Committee

4/3/2023

I am pleased to see that the Legislature is once again addressing the need to transition from polluting fossil fuels to cleaner alternatives for heating Vermont's homes and businesses. As a member of the House Committee that developed the Clean Heat Standard (CHS) bill of 2022 (H.715), and which I supported 100%, I would like to offer some thoughts and recommendations as you take up S.5.

S.5, like H.715, relies on a complex structure that I believe is an inefficient way to achieve the desired goal of helping Vermonters move away from fossil fuels for heating. My suggestion is to simplify, simplify, simplify.

The Vermont Climate Council worked very hard to develop the CHS concept, and the House Energy and Technology Committee, under the leadership of Rep. Tim Briglin, worked very hard to implement its recommendations only to fail by one vote to pass it into law after Governor Scott's veto. In my opinion, the CHS is a good concept, but the implementation as we conceived it in H.715 and as proposed in S.5 has some weaknesses.

While the bill addresses the governor's concern about delegation of authority and policymaking to the unelected Public Utility Commission (PUC) by requiring legislative approval for CHS implementation, there is still the question of how much fossil fuel prices will rise and how the increased costs will be mitigated for those who cannot take advantage of the transition assistance.

The methodology for implementing the CHS is also complex. The bill relies on extensive analysis that would be done by a Technical Advisory Group to compute a life-cycle analysis of GHG emissions of any proposed biofuels as well as the imported fossil fuels. The definition of obligate parties will require different treatment of distributors who buy their fuels from out of state versus those who buy from a Vermont terminal. Administering the market for clean heat credits will require some level of bureaucracy beyond the \$1.725M set aside for PUC and PSD staffing.

Furthermore, the timing is critical if GHG emissions are to be achieved to meet the GWSA requirements. The PUC proposed rules will not be presented to the legislature until January, 2025. Assuming the legislature approves the rules and they are signed into law by the end of the 2025 session, implementation would not start until January, 2026. That is two years before the law could start affecting GHG emissions.

Keeping in mind that the objectives of the CHS are 1) to reduce greenhouse gas (GHG) emissions resulting from heating our homes and businesses, and 2) to help Vermonters to achieve the necessary transition from fossil fuels to clean electricity, we must ask if there is a better, more efficient way to accomplish these objectives.

The objective is to provide assistance to Vermonters to weatherize their homes and take advantage of cold climate heat pumps and advanced wood heating. This will take money, obviously. We already know what to do, and we are doing it with the influx of federal money from ARPA, the Bipartisan Infrastructure Law, and the Inflation Reduction Act. We are spending money to help low- and moderate-income families weatherize their homes and install cold climate heat pumps, heat pump water heaters and high efficiency wood stoves. The problem is that we will need to keep doing these things after all that federal money runs out. Establishing a Clean Heat Fund to continue this work in the future would be a relatively simple step compared to the CHS.

The issue of cost should be seen in light of the record fuel price volatility and increases of the 2022 -23 heating season which saw heating oil prices range from \$3.50 to \$4.50 per gallon compared to the \$2.50 per gallon of the previous year. The estimated price increase of fuel oil under CHS is 70 cents per gallon, and opponents of the bill predict even higher prices. *Predictability is important.* Just as we have a state gasoline tax to fund our transportation infrastructure, we can implement a Fossil Fuel Environmental Tax to fund the transition away from fossil fuels.

The existing Gross Receipts fuel tax of 2 cents/gallon on fuel oil and a similar assessment on NG currently raises about \$6M/year for low-income weatherization. Increasing the amount to 10 cents/gallon would raise about \$30M/year. This is a known amount, defeating the objection of unknown costs; it is within the “noise-level” volatility of weekly fluctuations in price that we see at the pumps; it is straightforward and does not require an increased bureaucracy or complex analysis; and it does not require the PUC making policy and rules. As the demand for weatherization and CH assistance increases, a higher FFE Tax could be phased in over time, thereby lessening the impact on those who cannot convert as prices rise. The steps in S.5 to lessen the impact on renters and others who do not immediately benefit from conservation measures should remain in the bill. While we know that taxing fuel is anathema to the Governor and to the general public, the price of heating fuels will go up whichever method is adopted, but gradual increases can make it more palatable. This approach also has the benefit of being implemented immediately as opposed to waiting two years.

The climate crisis demands action; and objections, regardless of the reason, do not acknowledge the reality of our contribution to climate change and the necessity of

addressing it. So, call a spade a spade, keep it simple and transparent, and help the public see the benefits it will achieve.