

1 H.461

2 Introduced by Representatives Burke of Brattleboro, Gonzalez of Winooski,
3 McCarthy of St. Albans City, Sullivan of Burlington, and White
4 of Hartford

5 Referred to Committee on

6 Date:

7 Subject: Natural resources; public service; energy; transportation; cap and
8 invest program

9 Statement of purpose of bill as introduced: This bill proposes to authorize
10 Vermont to enter a transportation cap and invest program.

11 An act relating to a transportation cap and invest program

12 It is hereby enacted by the General Assembly of the State of Vermont:

13 Sec. 1. 10 V.S.A. § 578 is amended to read:

14 § 578. GREENHOUSE GAS REDUCTION GOALS

15 (a) General goal of greenhouse gas reduction. It is the goal of the State to
16 reduce emissions of greenhouse gases from within the geographical boundaries
17 of the State and those emissions outside the boundaries of the State that are
18 caused by the use of energy in Vermont in order to make an appropriate
19 contribution to achieving the regional goals of reducing emissions of
20 greenhouse gases from the 1990 baseline by:

1 Energy and Technology, on Natural Resources, Fish, and Wildlife, and on
2 Transportation and the Senate Committees on Finance, on Natural Resources
3 and Energy, and on Transportation concerning their advocacy on behalf of the
4 establishment of, or participation in, a cap and invest program pursuant to this
5 subsection.

6 Sec. 2. 30 V.S.A. § 255 is amended to read:

7 § 255. REGIONAL COORDINATION TO REDUCE GREENHOUSE
8 GASES

9 (a) Legislative findings. The General Assembly finds:

10 (1) There is ~~a growing~~ scientific consensus that the increased
11 anthropogenic emissions of greenhouse gases are enhancing the natural
12 greenhouse effect, resulting in changes in the earth's climate.

13 (2) Climate change poses serious potential risks to human health and
14 terrestrial and aquatic ecosystems globally, regionally, and in Vermont.

15 (3) A carbon constraint on fossil fuel-fired electricity generation and the
16 development of a CO2 allowance trading mechanism will create a strong
17 incentive for the creation and deployment of more efficient fuel-burning
18 technologies, renewable resources, and end-use efficiency resources and will
19 lead to lower dependence on imported fossil fuels.

1 (4) Absent federal action, a number of states are taking actions to work
2 regionally to reduce power sector carbon emissions and emissions from other
3 sectors, including transportation.

4 (5) Approximately 40 percent of the greenhouse gas emissions in
5 Vermont are caused by the transportation sector. As a result, any effort to
6 reduce greenhouse gas emissions and address climate change must include this
7 sector.

8 (6) Vermont has joined with at least six other states to design the
9 Regional Greenhouse Gas Initiative (RGGI), and, in 2005, Vermont's
10 Governor signed a memorandum of understanding (MOU) signaling
11 Vermont's intention to develop rules and programs to participate in RGGI.

12 ~~(6)~~(7) It is crucial to manage Vermont's implementation of ~~RGGI~~ cap
13 and invest programs and resulting reductions in its consumption of fossil fuels
14 for residential and commercial heating, ~~and~~ industrial processes, and
15 transportation so as to maximize ~~the State's contribution to lowering~~
16 reductions in carbon emissions while:

17 (A) minimizing impacts on electric system reliability and
18 unnecessary costs to Vermont energy consumers; ~~and~~

19 (B) minimizing the costs and the emissions resulting from the use of
20 petroleum-based fuels for space heating and process heating for residential,
21 commercial, and industrial purposes; and

1 (C) encouraging the electrification of transportation while
2 minimizing unnecessary costs to consumers and ensuring that the all
3 Vermonters benefit from this transition.

4 ~~(7)~~(8) The accelerated deployment of low-cost process, thermal, and
5 electrical energy efficiency, the strategic use of low- and zero-carbon
6 generation, and the selective use of switching fuel sources are the best means
7 to achieve these goals.

8 ~~(8)~~(9) It is crucial that funds made available from operation of a regional
9 carbon credits cap and ~~trade~~ invest system be devoted to the benefit of
10 Vermont energy consumers through investments in a strategic portfolio of
11 energy efficiency, weatherization, ~~and~~ low-carbon generation resources; and
12 beneficial electrification.

13 (b) Cap and ~~trade~~ invest program creation.

14 (1) The Agency of Natural Resources and the Public Utility
15 Commission shall, through appropriate rules and orders, establish a carbon cap
16 and ~~trade~~ invest program that will limit and then reduce the total carbon
17 emissions released by major electric generating stations that provide electric
18 power to Vermont utilities and end-use customers.

19 (2) The Agency of Natural Resources and the Public Utility
20 Commission, in consultation with the Agency of Transportation and with the
21 approval of the General Assembly, shall, through appropriate rules and orders,

1 establish a carbon cap and invest program that will reduce the total
2 transportation-related carbon emissions in Vermont. This cap and invest
3 program may take the form of an expansion of the existing RGGI, participation
4 in the Transportation and Climate Initiative of the Northeast and Mid-Atlantic
5 States (TCI), or a new and separate regional or national cap and invest
6 program.

7 (3) Vermont rules and orders establishing a carbon cap and ~~trade~~ invest
8 program shall be designed so as to permit the holders of carbon credits to trade
9 them in a regional market proposed to be established through the RGGI.

10 (c) Allocation of tradable carbon credits.

11 (1) The Secretary of Natural Resources, by rule, shall establish a set of
12 annual carbon budgets for emissions associated with the electric power sector
13 in Vermont that are consistent with the 2005 RGGI MOU, including any
14 amendments to that MOU and any reduced carbon cap resulting from a
15 subsequent program review by RGGI, and that are on a reciprocal basis with
16 the other states participating in the RGGI process. The Secretary of Natural
17 Resources shall, in consultation with the Secretary of Transportation, establish
18 a set of annual carbon budgets for emissions associated with the transportation
19 sector in Vermont that are consistent with the carbon cap and invest program
20 established pursuant to subsection (b) of this section.

1 (2) In order to provide the maximum long-term benefit to Vermont
2 consumers, particularly benefits that will result from accelerated and sustained
3 investments in energy efficiency and other low-cost, low-carbon power system,
4 building envelope, and other investments, the Public Utility Commission, by
5 rule or order, shall establish a process to allocate 100 percent of the Vermont
6 statewide budget of tradable power sector carbon credits to one or more
7 trustees acting on behalf of consumers in accordance with the following
8 principles. To the extent feasible, the allocation plan shall accomplish the
9 following goals:

10 (A) minimize windfall financial gains to power generators as a result
11 of the operation of the cap and ~~trade~~ invest program, considering both the costs
12 that generators may incur to participate in the program and any power revenue
13 increases they are likely to receive as a result of changes in regional power
14 markets;

15 (B) employ an administrative structure that will enable program
16 managers to perform any combination of holding, banking, and selling carbon
17 credits in regional, national, and international carbon credit markets in a
18 financially responsible and market-sensitive fashion, and provide funds to
19 defray the reasonable costs of the program trustee or trustees and Vermont's
20 pro rata share of the costs of the RGGI regional organization;

1 (C) optimize the revenues received from the management and sale of
2 carbon credits for the benefit of Vermont energy consumers and the Vermont
3 economy;

4 (D) minimize any incentives from operation of the cap and ~~trade~~
5 invest program for Vermont utilities to increase the overall carbon emissions
6 associated with serving their customers;

7 (E) build upon existing regulatory and administrative structures and
8 programs that lower power and heating costs, improve efficiency, and lower
9 the State's carbon profile while minimizing adverse impacts on electric system
10 reliability and unnecessary costs to Vermont energy consumers, and
11 minimizing the costs and the emissions resulting from the use of petroleum-
12 based fuels for space heating and process heating for residential, commercial,
13 and industrial purposes;

14 (F) ensure that carbon credits allocated under this program and
15 revenues associated with their sale remain public assets managed for the
16 benefit of the State's consumers, particularly benefits that will result from
17 accelerated and sustained investments in energy efficiency and other low-cost,
18 low-carbon power, or heating system or building envelope investments;

19 (G) where practicable, support efforts recommended by the Agency
20 of Natural Resources or the Department of Public Service to stimulate or

1 support investment in the development of innovative carbon emissions
2 abatement technologies that have significant carbon reduction potential.

3 (d) Appointment of consumer trustees. The Public Utility Commission, by
4 rule, order, or competitive solicitation, may appoint one or more consumer
5 trustees to receive, hold, bank, and sell tradable carbon credits created under
6 ~~this program~~ the programs established pursuant to subsection b of this section.

7 Trustees may include Vermont electric distribution utilities, the fiscal agent
8 collecting and disbursing funds to support the statewide efficiency utility, or a
9 financial institution or other entity with the expertise and financial resources to
10 manage a portfolio of carbon credits for the long-term benefit of Vermont
11 energy consumers. The net proceeds above costs from the sale of carbon
12 credits shall be deposited into the Electric Efficiency Fund established under
13 subdivision 209(d)(3) of this title. These funds shall be used by the entity or
14 entities appointed under subdivision 209(d)(2)(B) of this title to help meet the
15 building efficiency goals established under 10 V.S.A. § 581 by delivering
16 heating and process-fuel energy efficiency services to Vermont consumers who
17 use such fuel.

18 (e) Reports. On or before January 15 of each year, commencing in 2007,
19 the Department of Public Service in consultation with the Agency of Natural
20 Resources and the Public Utility Commission shall provide to the House
21 Committees on Commerce and Economic Development; on Energy and

1 Technology; ~~and~~ on Natural Resources, Fish, and Wildlife; and on
2 Transportation; and the Senate Committees on Finance; ~~and~~ on Natural
3 Resources and Energy; and on Transportation; a report detailing the
4 implementation and operation of RGGI and the transportation-related cap and
5 invest program, and the revenues collected and the expenditures made under
6 this section, together with recommended principles to be followed in the
7 allocation of funds. The provisions of 2 V.S.A. § 20(d) (expiration of required
8 reports) shall not apply to the report to be made under this subsection.

9 (f) State action off-sets. The State's negotiators to RGGI shall advocate for
10 and negotiate to adjust the rules of the program, as needed, so that greenhouse
11 gas reductions resulting from State investments and other public investments
12 and investments required by State law will not be prohibited from being
13 eligible for off-sets under the program.

14 Sec. 3. EFFECTIVE DATE

15 This act shall take effect on passage.