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S.233

Introduced by Senators Bray, Clarkson, Hardy, Lyons, McCormack and
Pearson

Referred to Committee on

Date:

Subject: Climate change; air pollution; renewable energy; heating; fuel

Statement of purpose of bill as introduced: This bill proposes to direct the
Public Utility Commission to adopt the Clean Heat Standard for heating fuel.

An act relating to the Clean Heat Standard

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

Sec. 1. 30 V.S.A. § 256 is added to read:

§ 256. CLEAN HEAT STANDARD

(a) The Clean Heat Standard is established. Under this program, fuel suppliers shall transform their supply to reduce the amount of greenhouse gases that are emitted from heating fuel. A supplier may meet the required amounts of clean heat through eligible tradeable clean heat credits that it owns and retires, reducing the amount of fossil fuel it sells, eligible clean heat transformation projects, or a combination of those credits and projects.

(b) Rules. The Public Utility Commission shall have the authority to adopt rules to implement the Clean Heat Standard.

1 (c) Credit banking. The Commission shall allow a supplier that has met the
2 required amount of clean heat each year, commencing with 2024, to retain
3 tradeable clean heat credits created or purchased in excess of that amount for
4 application to the supplier's required amount of clean heat in one of the
5 following three years.

6 (d) Alternative compliance payment. In lieu of providing clean heat or
7 tradeable clean heat credits or supporting energy transformation projects to
8 satisfy the requirements of this section, a retail fuel supplier in this State may
9 pay to the Vermont Clean Energy Development Fund established under section
10 8015 of this title an alternative compliance payment at the applicable rate set
11 forth in section 8005 of this title.

12 (e) Technical Advisory Group. The Commission shall establish the
13 Technical Advisory Group to assist the Commission in the initial design and
14 ongoing management of the Clean Heat Standard, including establishing and
15 revising the carbon dioxide equivalents (CO₂e) for fuel types, clean heat
16 credits for measures, strategies to optimize the program's greenhouse gas
17 reductions; the program's coordination with other energy programs, including
18 the RES Tier 3 program; and any other matters referred to the Technical
19 Advisory Group by the Commission.

20 (f) Emission thresholds. The rules shall state the emissions threshold at
21 and above which the obligation to comply with the program applies to a person

1 or facility. The emissions threshold may vary by category of facility and may
2 change over time.

3 (g) Required amounts. The amounts of total clean heat required by this
4 subsection shall be three percent of each retail fuel supplier's annual retail
5 fossil fuel sales during the year beginning on January 1, 2024, increasing by an
6 additional three percent reaching six percent on and after January 1, 2025 and
7 remaining at this amount to produce greenhouse gas reductions equal to or
8 better than 40 percent by 2030 and 100 percent by 2040.

9 (h) Public process. This subdivision applies to the first rulemaking under
10 this subsection. Before filing proposed rules with the Secretary of State, the
11 Secretary and the Public Utility Commission jointly shall conduct a public
12 process on the development of the proposed rules that includes the following
13 elements:

14 (1) an opportunity for potentially affected persons and members of the
15 public to submit comments and recommendations on the design and
16 implementation of the program, both in writing and at one or more public
17 meetings held for the purpose;

18 (2) after providing the opportunity described in subdivision (1) of this
19 subsection, publication of a draft rule; and

20 (3) an opportunity for potentially affected persons and members of the
21 public to submit comments and recommendations on the draft rule issued

1 pursuant to subdivision (2) of this subsection, both in writing and at one or
2 more public meetings held for the purpose.

3 (i) Reports.

4 (1) For purposes of this subdivision, “standing committees” refers to the
5 House Committees on Energy and Technology and on Natural Resources, Fish,
6 and Wildlife and to the Senate Committees on Finance and on Natural
7 Resources and Energy.

8 (2) On or before January 15, 2024, the Public Utility Commission shall
9 submit a written report to the standing committees detailing the efforts
10 undertaken to establish the Clean Heat Standard pursuant to this section.

11 (3) On or before January 15 of each year following the year in which
12 rules are first adopted under this subsection, the Public Utility Commission
13 shall submit to the standing committees a written report detailing the
14 implementation and operation of the Clean Heat Standard program required by
15 this subsection. The provisions of 2 V.S.A. § 20(d) (expiration of required
16 reports) shall not apply to the report to be made under this subdivision.

17 (j) Enforcement. Rules adopted under this section may be enforced
18 pursuant to chapters 201 and 211 of this title or by the Public Utility
19 Commission pursuant to its authority under this title.

1 Sec. 2. 30 V.S.A. § 257 is added to read:

2 § 257. TRADEABLE CLEAN HEAT CREDITS

3 (a) The Commission shall establish or adopt a system of tradeable clean
4 heat credits for resources and projects that may be earned by reducing
5 greenhouse gas emissions qualifying for the Clean Heat Standard. The credits
6 shall be expressed in units of carbon dioxide equivalents (CO₂e). The system
7 shall provide a process for the recognition, approval, and monitoring of the
8 clean heat credits.

9 (b) The Commission shall ensure that all fuel supplier disclosures and
10 representations made regarding a supplier's portfolio are accurate and
11 reasonably supported by objective data. The Commission shall ensure that
12 suppliers disclose the types of fuel mix or transformation projects used.

13 Sec. 3. PUBLIC UTILITY COMMISSION IMPLEMENTATION

14 (a) Commencement. On or before August 31, 2022, the Public Utility
15 Commission shall commence a proceeding to implement Sec. 1 (Clean Heat
16 Standard) of this act.

17 (b) Notice; comment; workshop. The proceeding shall include one or more
18 workshops to solicit the input of potentially affected parties and the public.
19 The Commission shall provide notice of the workshops on its website and
20 directly to the Department of Public Service, Vermont's retail fuel suppliers,
21 Renewable Energy Vermont, business organizations such as Associated

1 Industries of Vermont, environmental and consumer advocacy organizations
2 such as the Vermont Natural Resources Council and the Vermont Public
3 Interest Research Group, and to any other person that requests direct notice or
4 to whom the Commission may consider direct notice appropriate. The
5 Commission also shall provide an opportunity for submission of written
6 comments, which the notice shall include.

7 (c) Order. On or before July 1, 2023, the Board shall issue an order to take
8 effect on January 1, 2024 that initially implements Secs. 1 and 2 of this act.

9 Sec. 4. EFFECTIVE DATES

10 (a) Secs. 1 and 2 shall take effect on January 1, 2024.

11 (b) This section and Sec. 3 shall take effect on July 1, 2022.