

Agency of Natural Resources

H.715 – Clean Heat Standard

Testimony before Senate Committee on Natural Resources and Energy

March 30, 2022

Overview

- Reducing GHG emissions from the thermal sector is critical to achieving the reductions required by the Global Warming Solutions Act
- This is more difficult for Vermont compared to most other States given the climate and older housing stock in Vermont
- Emissions reductions in this sector will largely occur as a result of choices by individuals; tens of thousands of weatherization improvements and heating system changeouts will need to occur to meet the requirements
- The Climate Council, through the Climate Action Plan, made clear that there is a preference that Vermonters be able to make voluntary decisions regarding their homes, with incentives to encourage the necessary investments by individuals
- This approach is far preferable to the tools otherwise available to ANR – such as a statewide permit system for all heating units in Vermont, consistent with Clean Air Act requirements
- The Agency supports the basic concept of a Clean Heat Standard; however, there are critical aspects that need to be considered.

Analogies to Renewable Energy Standard are Incomplete

- Some aspects of the CHS are similar to RES: credits for compliance, PUC/DPS oversight, Technical Advisory Group
- Focus on similarities ignores key distinctions
- Vermont passed RES more than a decade after all other New England states
 - A Renewable Energy Credit tracking mechanism was in place and development was funded by other States
 - There was a strong foundation for providing reasonable projections of compliance costs
- Electric Distribution Utilities (obligated entities under RES) have long-standing history of reporting and compliance with PUC and DPS
- Existence of REC markets and Alternative Compliance Payments meant that maximum costs to Vermonters of imposing RES were known at the time the bill passed

Costs are a Legitimate Issue for Vermonters and Necessitate Meaningful Review

- Development of a CHS cannot lose sight of the fact that the near- and middle-term costs of implementation are likely to be significant. There needs to be an active, intentional effort to preserve affordability as the program is developed.
- The argument that “we can’t afford not to pass CHS” is defeatist and ignores other approaches
 - Many other states and countries have similar GHG reduction requirements and most will not use a CHS to reduce thermal sector emissions
- Given the timeline for CHS implementation, there is ample opportunity for the legislature to require the PUC provide an estimate of costs and allow for an informed vote on whether the CHS is the most appropriate path forward to meet the GWSA requirements without adversely impacting the timeline H.715 establishes for the PUC to implement a final order.

Changes that Restrict Flexibility or Reduce Public Process Will do a Disservice to Vermonters

- Wood heating and biofuels provide diversity of available compliance mechanisms, enhancing choices and reducing costs for Vermonters, and are particularly important in the near-term to supporting the transition away from more carbon-intensive fuels
- Providing sufficient funding for the PUC public engagement process is key to ensuring that a complex program is designed and implemented in a way that supports Vermonters in making these challenging transitions, and truly seeks to understand how to best assist low-income Vermonters

Allowing Double Counting is Always Problematic (Section 8124(g))

- Double counting will likely foreclose Vermont involvement in any future regional CHS collaborative
 - Lessons NOT learned from 2005 SPEED program (See, Declaratory Ruling Regarding Conn. Gen. Stat §16-1(a)(20), as Amended by PA 13-303, Concerning the Possible Double Counting of RECs, Docket No. 15-01-03 (Pub. Utils. Regulatory Auth. Mar. 11, 2015)).
- The bill needs to clarify that double counting Tier 3 does not result in robbing Peter to pay Paul
 - CHS compliance entities paying Electric Distribution Utilities for credits looks good for utilities’ balance sheets but lards costs on Vermonters