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TESTIMONY OF LESLIE ANDERSON

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BEFORE THE VERMONT SENATE COMMITTEE ON NATURAL RESOURCES AND ENERGY

Concerning the Clean Heat Standard (CHS) Act of 2022

The Propane Gas Association of New England (PGANE) is pleased to have the opportunity to offer its comments regarding H 715, and ask the committee to please amend H. 715, the Clean Heat Standard, to include a “check-back” requirement ensuring the legislature reviews the Clean Heat Standard before it is implemented.

PGANE is a regional alternative energy trade association representing members of the propane industry in the 6 New England States. We exist to serve the propane industry by promoting safety, education, and public awareness of the uses of propane. Our membership includes propane companies and suppliers, including numerous small companies who are often family owned and operated, many for several generations.

As Vermont relies more and more on electricity, Vermont should look to partner with propane to provide energy security and affordable energy solutions for energy burdened and low-income Vermonters.

Propane is the cleanest burning of all combustion fuels, and critical for energy security. For rural Vermonters and citizens living in older homes it is an affordable and reliable energy that promotes environmental justice. For families with health concerns or small children or for critical infrastructure such as hospitals and cell towers, propane is a reliable energy source for backup generators when the electricity fails. For tourists camping and hiking through our state, or visiting a hot air balloon festival, propane is the portable clean energy that is utilized. For Vermonters living off the grid, building a net zero home, or living in a tiny home, propane is the backup, cooking, and hot water source they utilize to complement solar. Vermont will always need a non-toxic energy source that is blessed by chemistry to fit into a small container and generate a great deal of energy in times of natural disaster.

The lack of inclusion of a propane industry representative as part of the Vermont Climate Council has resulted in the Climate Action Plan (CAP) finding incorrect premises and making flawed recommendations. For example, the plan does not even mention renewable propane, demonstrating the lack of knowledge within the council concerning propane. Today, renewable propane use isn't even necessary because conventional propane is an underutilized resource, but Vermont could easily develop anaerobic digestion-based plants that produce DME and mix this with propane to significantly reduce the carbon intensity. California has provided grants for the development of this new technology that produces a negative carbon intensity, yet it is not even addressed in the CHS. The CHS instead discourages innovation by penalizing propane customers, even though the propane of the future will likely be cleaner than electricity in Vermont.

It is incredulous to see the state of Vermont not embrace propane as part of their strategy to reduce carbon emissions. Especially in a state that is so reliant on propane for energy security and backup power. Without a strong reliable non-toxic partner to provide diverse energy backup Vermont is putting its citizens at extreme risk.

Using propane furthers the fundamental environmental goal to **Reduce, Reuse, and Recycle** as promoted by EPA. Most people do not realize that propane is a beneficial byproduct and not a traditional fossil fuel. Approximately five percent of natural gas processing and three percent of oil processing produces propane. Indeed, a global surplus of propane exists and is projected to continue for the next decade. If propane is not captured and beneficially used to offset another energy source, it is simply burned off. Rather than wasting the propane that is left over from the natural gas and oil used in Vermont to power our vehicles, electricity, and other needs each year, Vermont should be good environmental stewards and reuse this propane. This would be a true win for the environment and a reduction in carbon emissions. In fact, Vermont should consider propane as carbon neutral since propane that is not used in Vermont will likely be flared off and produce the same CO₂ emissions.

Unfair Burdens

The Clean Heat Standard (CHS) creates an unfair burden on our members. As written, the CHS fails to be applied at the wholesale level as directed by the Vermont Climate Action Plan (CAP) (see page 98 of CAP). Instead, it targets small local businesses, and propane retailer branch locations throughout rural Vermont. These retailers are not large-scale fossil fuel companies, they are in fact the local small businesses that serve their local communities. Because the CHS burdens these local small businesses it will increase record keeping and burdensome tracking obligations on a much higher scale than was contemplated under the CAP and on many more businesses than if it were implemented at the wholesale level as the CAP recommends. The result of not following the CAP recommendations will be to increase administrative costs and burden local businesses while passing on increased costs to Vermont consumers.

Recordkeeping burdens and additional regulations will likely decrease competition, eliminate small local businesses, and lead to higher prices. As prices for propane are forced to increase to the citizens of Vermont, many of our customers will turn to increasing their usage of wood heat, which is much more harmful to the environment than the burning of propane. Across the globe, propane is being used by countries to reduce emissions from wood burning, yet the Vermont plan encourages this high emission unfriendly environmental type of energy. Giving dirtier wood burning energy incentives unfairly encourages the replacement of cleaner burning propane. The CAP is picking winners and losers without a factual environmental basis while increasing a safety and health hazards to Vermont citizens. This is grossly unfair to our members who contribute energy security and an EPA alternative clean energy source that accelerates decarbonization. The propane industry may not be as powerful and doesn't have the lobbying power that the wood industry and electric industries utilize, but it is a critical energy source in times of need, and it is extremely clean. The use of propane accelerates decarbonization, and Vermont should encourage the use of propane.

Unanticipated Consequences of Higher Prices and Increased Emissions

Our Vermont propane wholesalers and marketers have significant concerns with unanticipated consequences on prices and, more importantly, supply security. Should propane suppliers determine the CHS to be too burdensome, they may leave Vermont and choose to supply Vermont energy needs from outside the state. This would undoubtedly mean additional propane transport trucks on the roads going greater distances to procure energy supplies at greater costs to the consumer, more wear and tear on the road, and increased transportation emissions. During this time of driver shortages and periods of intense winter demand, Vermont's security of supply would certainly be at risk, and Vermonters could freeze to death, as we saw last year in Texas. We are also concerned with the enforcement mechanism to ensure compliance with product imported into Vermont. Vermont businesses will be at a competitive disadvantage if education of out of state marketers and enforcement is not substantial.

In addition, we are extremely concerned that the credit cap price is uncertain. The Act as currently written will create price uncertainty and drive-up consumer prices unless a credit cap is published a year in advance. This is because prebuy contracts and fixed price contracts are offered for the upcoming season nearly a year ahead. If propane companies do not know what the cost for credits are when these programs are offered, they will either do away with the programs or add a higher cost to cover the credit costs, which will ultimately drive-up consumer prices and/or eliminate pre-buy contracts. The credit cap uncertainty will add additional costs to rural Vermonters in addition to the credit cost which will be passed along. Again, if the Climate Council has included someone from our industry, these types of issues would have been raised and considered with drafting the CHS.

Propane Protects During Climate Change Events

Vermont's history with Irene shows the importance of this need for critical infrastructure in Vermont. Propane is the unsung energy hero of extreme weather events, and if climate change is going to increase the likelihood of these events as many predict, then we need to make sure that Vermont has a healthy vibrant propane industry to step in and provide energy security during emergencies. Vermont needs a reliable backup power to provide heat to our homes and to cook and boil water during emergencies. Propane is the best solution for Vermont since it is nontoxic, does not contaminate groundwater or surface water, is portable, and is already present across our state supporting local businesses and employees by providing green jobs.

For the most recent reminder that propane is the portable energy needed during times of crisis, consider COVID – 19. During the pandemic, propane was the energy that timely met our energy needs. Propane was also used for handwashing stations and hot showers for the homeless, as well as a source of outdoor heating for businesses, including numerous restaurants, and testing sites throughout the state. In Vermont, propane is a critical backup energy used by many citizens and businesses when the power goes out. Because propane is blessed by chemistry and easily compacted into a portable tank it is the perfect fuel for emergency situations and for rural states. As Vermont relies more and more on electricity, Vermont should look to partner with propane to provide energy security and affordable energy solutions for energy burdened and low-income Vermonters.

Propane Reduces CO2, Improves Human Health, Prevents Deforestation, and Improves Gender Equality

Our industry is concerned about the environment and is actively working to reduce carbon emissions. Let me tell you how the propane industry is reducing millions of tons of carbon emissions each year. Across the globe, propane is being used to solve the world's greatest health threat, indoor air pollution caused primarily by burning wood for cooking and heating. Over 3.5 million people die annually from cooking with solid fuels. This leads to deforestation at an alarming rate in many developing countries and causes enormous carbon dioxide emissions. Moving one family from wood to propane saves over one ton of CO2 per year. In India, the propane industry has partnered with the Indian government to move 3 million people annually from solid fuels to propane, saving over 3 million tons of CO2 emissions per year for the last three years. In addition, moving 50 families to propane from wood saves an acre of rainforest land. **Across the globe propane is being used improve human health, reduce carbon emissions, and prevent deforestation.** Propane is also literally improving the lives of women around the globe. Once women and girls switch from gathering wood, an activity that takes up to six hours per day and is fraught with danger including snake bite and rape, women are freed to become educated, and spend more quality time with their children. Vermont needs to join in this effort recognized by many countries around the globe, and partner with propane as a solution for reducing carbon dioxide emissions!

Transportation and Environmental Equity

Please do not exclude propane from the Vermont transportation plan. Propane is a proven solution for transportation emissions. Around the globe, propane is the highest used alternative fuel for transportation. Propane school buses are proven solutions for rural states. Propane buses cost one quarter the price of an electric bus and start at forty-five below zero without engine warmers. They are a proven technology that provide range solutions that can not be met by electric busses, and because of their price, from an environmental justice perspective, the state could replace all their diesel buses with propane buses for a quarter of the price than electric. Instead of buying one electric bus for Burlington, Vermont could buy 4 buses for rural energy dependent environmental justice communities and lead the way in terms of environmental justice equity across the state four times faster.

Because of the impact of higher propane prices on environmental justice communities, we ask the committee to please amend H. 715, the Clean Heat Standard, to include a "check-back" requirement ensuring the legislature reviews the Clean Heat Standard before it is implemented.

If H. 715 becomes law, the three-member Public Utility Commission will be asked to do something that has never been done before: assess a fee on heating oil, kerosene, and propane companies in Vermont. We know this will make heating Vermont homes more expensive, but we don't know by how much until the PUC has finished its work. This is not a tax on out-of-state wholesalers. It will be paid by local fuel dealers who will have no choice but to pass the cost on to their customers. Given the consequences, the Legislature should review the program after it is designed by the PUC and before it is implemented. This is what the "check back" amendment will accomplish.

We don't know if the Clean Heat Standard will leave Vermonters in the cold. We should ensure the Legislature can hit the pause button if the PUC can't design a program that protects rural Vermonters from rising energy costs. I have included suggested language for an amendment at the end of my testimony.

I thank you for the opportunity to comment.

Amendment to H.715: The Clean Heat Standard

First: In Sec. 2, 30 V.S.A. chapter 94, in section 8121, by inserting a subsection (e) to read as follows:

(e) The Commission's order implementing the Clean Heat Standard shall not take effect until after an act affirming the March 15, 2023 report on projected costs and benefits of the Clean Heat Standard is passed by the General Assembly and is enacted into law in accordance with Chapter II, § 11 of the Vermont Constitution. In the absence of such an act, the Public Utility Commission shall take no further action in developing and implementing the Clean Heat Standard.

Second: In Sec. 3, Public Utility Commission implementation, by striking out subsection (i) in its entirety and inserting in lieu thereof a new subsection (i) to read as follows:

(i) Reports. On or before March 15, 2023 and January 15, 2024, the Commission shall submit a written report to and hold hearings with the House Committees on Energy and Technology and on Natural Resources, Fish, and Wildlife and the Senate Committees on Finance and on Natural Resources and Energy detailing the efforts undertaken to establish the Clean Heat Standard pursuant to this act.

(1) The 2023 report shall include modeled impacts of the Clean Heat Standard on customers, including impacts to customer rates and fuel bills for participating and nonparticipating customers, fossil fuel reductions, and greenhouse gas reductions. The modeled impacts shall estimate high, medium, and low price and GHG reduction impacts.

(2) The 2024 report shall update the estimates provided in the 2023 report.