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February 6, 2023

Sen. Christopher Bray
Senate Chair, Committee on Natural Resources and Energy
Vermont State House
115 State Street
Montpelier, VT 05633

RE: S.5, the Affordable Heat Act

Dear Chairman Bray,

Global Partners LP (Global Partners) appreciates the opportunity to present comments to S.5, the Affordable Heat Act. As one of the Northeast's largest independent suppliers, and operators of liquid energy terminals, as well as gasoline stations and convenience stores, reliability and quality service is key to everything we do. We are proud to support the communities where we live and work. Our efforts to be a good neighbor began more than 75 years ago, when our company began delivering home heating oil – door to door – in the neighborhoods around Greater Boston.

We are proud to serve the energy needs of Vermonters through our terminal location in Burlington (Global Burlington) and 95 convenience stores and supplied locations. Global Burlington is a key distribution hub and the only bulk liquid energy products terminal located in Vermont. As such, we believe Global is uniquely positioned to provide commentary concerning Vermont energy policy and help the state meet its climate goals.

Global generally supports the principles of Vermont's State Energy Policy¹, which focuses on ensuring that the energy needs of Vermonters are met "in a manner that is adequate, reliable, secure, and sustainable; that ensures affordability and encourages the State's economic vitality"² while also meeting state greenhouse gas emissions reductions³ in a way that is consistent with the Vermont Climate Action Plan.⁴ Our view is that these goals are best accomplished through performance-based programs that avoid specific technology choices. Open competition to deliver the cleanest fuels at the lowest cost will help to minimize the burden on Vermonters during this transition. Prescriptive policies that try to pick the technologies of the future may eliminate the option of more cost-effective choices to meet greenhouse gas (GHG) emissions goals, thus harming Vermonters. Moreover, these policies can adversely affect certain

¹ 30 V.S.A. § 202a

² 30 V.S.A. § 202a

³ 10 V.S.A. § 578

⁴ 10 V.S.A. § 592

populations. Global believes that there should be a special emphasis on pursuing the State's objectives in a manner that does not disproportionality place costs on those least able to afford it.

Specifically concerning the Clean Heat Standard (CHS) recommendation, Global believes that clarifying compliance obligations and building in sourcing optionality for emissions reductions would help ensure program success and increase the impact of Vermont's actions beyond its borders. First, the point of obligation should be placed on the entity that brings fuel into Vermont whether they are a wholesaler or retailer. This structure avoids compliance uncertainty for stakeholders and may galvanize earlier action by clarifying responsibility for emissions reductions. For example, a dealer could load up in another state (or country) and drive across the border to sell product that avoids CHS if CHS is only targeted at larger operators (like wholesalers and terminals). Clarity will also enable better supplier planning, which will be critical for delivering appropriate fuels to the state sooner rather than later.

Second, flexibility in credit acquisition and eligible measures is an important design consideration that should expand rather than limit emission reduction opportunities. Obligated parties should be able to source credits from other obligated parties and not just end users. For example, a company that has operations within Vermont should be able to lower the carbon intensity of its operations at its complex or develop offset projects elsewhere within the state to diminish, eliminate, or go carbon negative and produce credits for the market. In addition, many low carbon fuel programs, such as California's Low Carbon Fuel Standard, enable emissions reductions in the petroleum supply chain to qualify for the generation of credits, which is driving significant innovation in the fuels market. Vermont should consider similar policy design and allow projects that diminish the carbon intensity of petroleum products outside the state that are ultimately used within Vermont to qualify for credit generation as well. This concept supports the Vermont Global Warming Solutions Act of 2020 goal to diminish "those emissions outside the boundaries of the State that are caused by the use of energy in Vermont."⁵ Since much of the energy that is consumed within Vermont is produced outside state boundaries, developing a framework to encourage the reduction of emissions throughout the entire supply chain would help meet state goals. Public policy designed to address similar concerns elsewhere is already transforming global supply chains, which Vermont could also encourage.

In addition, the new version of the bill adds additional wrinkles such as establishing GHG carbon intensity requirements for eligibility for liquid and gaseous fuels that scale down over time and requiring the Clean Heat Standard Technical Advisory Group to administer an indirect land use change (ILUC) report. For reference, *Section 8125. TRADEABLE CLEAN HEAT CREDITS* reads as follows, "(1) To be eligible as a clean heat measure a liquid or gaseous clean heat measure shall have a carbon intensity value as follows: (A) below 80 in 2025; (B) below 60 in 2030; and (C) below 20 in 2050, provided the Commission may allow liquid and gaseous clean heat measures with a carbon intensity value greater than 20 if excluding them would be impracticable based on the characteristics of Vermont's buildings, the workforce available in Vermont to deliver lower carbon intensity clean heat measures, cost, or the effective administration of the Clean Heat Standard Due to the lack of waterborne and pipeline access,

⁵ Vermont Global Warming Solutions Act of 2020

supplying Vermont presents special challenges. As such, administrative flexibility for eligibility should be considered throughout the duration of the program to ensure the state is adequately supplied.

Finally, early action credits are an important component to maximizing emissions reductions. Additional thought should be given to creating an incentive for early overcompliance in initial compliance years, perhaps through a multiplier. Early emissions reductions are more impactful when accomplished sooner rather than later due to the Time Value of Carbon.⁶ In other words, due to the cumulative effects of carbon, emissions reductions today are a better mitigation tool than far off plans. Thus, utilizing existing infrastructure as discussed above is an essential tool in GHG emissions reductions policies. Vermont should engage with those who make up the liquid fuel infrastructure to craft policies and incentives, so the state can efficiently reach its ambitious 2030 GHG emission reduction targets, as they cannot be met through electrification alone.

In summary, taking the above discussed environmental policy principles, compliance certainty, and flexible policy design into account will result in better environmental outcomes, which is a shared goal for all of us.

Thank you again for your consideration of our views and experience. If you have any questions, please do not hesitate to contact me directly.

Sincerely,

Catie Kerns
Sr. Vice President, Corporate Affairs & Sustainability
Global Partners LP

⁶ Marshall, Liz, and Alexia Kelly. The Time Value of Carbon and Carbon Storage: Clarifying the Terms and Policy Implications of the Debate. World Resources Institute, Oct. 2010, https://files.wri.org/d8/s3fpublic/time_value_of_carbon_and_carbon_storage.pdf.