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H.96

Introduced by Representatives Stebbins of Burlington, Sibia of Dover,  
Anthony of Barre City, Arsenault of Williston, Austin of  
Colchester, Bartholomew of Hartland, Black of Essex, Bluemle  
of Burlington, Bongartz of Manchester, Brady of Williston,  
Brown of Richmond, Burke of Brattleboro, Burrows of West  
Windsor, Campbell of St. Johnsbury, Carroll of Bennington,  
Casey of Montpelier, Chesnut-Tangerman of Middletown  
Springs, Christie of Hartford, Cina of Burlington, Coffey of  
Guilford, Cole of Hartford, Conlon of Cornwall, Cordes of  
Lincoln, Dodge of Essex, Durfee of Shaftsbury, Elder of  
Starksboro, Garofano of Essex, Goldman of Rockingham,  
Headrick of Burlington, Holcombe of Norwich, Hooper of  
Burlington, Houghton of Essex Junction, Hyman of South  
Burlington, James of Manchester, Jerome of Brandon,  
Kornheiser of Brattleboro, Krasnow of South Burlington,  
LaLonde of South Burlington, Logan of Burlington, Long of  
Newfane, McCann of Montpelier, McCarthy of St. Albans City,  
McGill of Bridport, Mihaly of Calais, Mrowicki of Putney,  
Nicoll of Ludlow, Notte of Rutland City, O'Brien of Tunbridge,  
Ode of Burlington, Pajala of Londonderry, Patt of Worcester,

1 Pouech of Hinesburg, Rachelson of Burlington, Rice of Dorset,  
2 Satcowitz of Randolph, Scheu of Middlebury, Sheldon of  
3 Middlebury, Stevens of Waterbury, Stone of Burlington, Toleno  
4 of Brattleboro, Torre of Moretown, Troiano of Stannard, and  
5 Williams of Barre City

6 Referred to Committee on

7 Date:

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

9 Statement of purpose of bill as introduced: This bill proposes to establish the  
10 Clean Heat Standard to reduce Vermont’s greenhouse gas emissions from the  
11 thermal sector. The Clean Heat Standard shall be administered by the Public  
12 Utility Commission with assistance from the Clean Heat Standard Technical  
13 Advisory Group and the Equity Advisory Group.

14 An act relating to affordably meeting the mandated greenhouse gas  
15 reductions for the thermal sector through electrification, decarbonization,  
16 efficiency, and weatherization measures

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

18 Sec. 1. SHORT TITLE

19 This act shall be known and may be cited as the “Affordable Heat Act.”

20 Sec. 2. FINDINGS

21 The General Assembly finds:

1           (1) All of the legislative findings made in 2020 Acts and Resolves  
2           No. 153, Sec. 2, the Vermont Global Warming Solutions Act of 2020  
3           (GWSA), remain true and are incorporated by reference here.

4           (2) Under the GWSA and 10 V.S.A. § 578, Vermont has a legal  
5           obligation to reduce greenhouse gas emissions to specific levels by 2025, 2030,  
6           and 2050.

7           (3) The Vermont Climate Council was established under the GWSA and  
8           was tasked with, among other things, recommending necessary legislation to  
9           reduce greenhouse gas emissions. The Initial Vermont Climate Action Plan  
10           calls for the General Assembly to adopt legislation authorizing the Public  
11           Utility Commission to administer the Clean Heat Standard consistent with the  
12           recommendations of the Energy Action Network’s Clean Heat Standard  
13           Working Group.

14           (4) As required by the GWSA, the Vermont Climate Council published  
15           the Initial Vermont Climate Action Plan on December 1, 2021. As noted in  
16           that plan, over one-third of Vermont’s greenhouse gas emissions in 2018 came  
17           from the thermal sector. In that year, approximately 72 percent of Vermont’s  
18           thermal energy use was fossil based, including 29 percent from the burning of  
19           heating oil, 24 percent from fossil gas, and 19 percent from propane.

20           (5) To meet the greenhouse gas emission reductions required by the  
21           GWSA, Vermont needs to transition away from its current carbon-intensive

1 building heating practices to lower-carbon alternatives. It also needs to do this  
2 equitably, recognizing economic effects on energy users, especially energy-  
3 burdened users; on the workforce currently providing these services; and on  
4 the overall economy.

5 Sec. 3. 30 V.S.A. chapter 94 is added to read:

6 CHAPTER 94. CLEAN HEAT STANDARD

7 § 8121. INTENT

8 It is the intent of the General Assembly that the Clean Heat Standard be  
9 designed and implemented in a manner that achieves Vermont's thermal sector  
10 greenhouse gas emissions reductions necessary to meet the requirements of  
11 10 V.S.A. § 578(a), minimizes costs to customers, and recognizes that  
12 affordable heating is essential for Vermonters. It shall minimize adverse  
13 impacts to customers with low income and moderate income and those  
14 households with the highest energy burdens.

15 § 8122. CLEAN HEAT STANDARD

16 (a) The Clean Heat Standard is established. Under this program, obligated  
17 parties shall reduce greenhouse gas emissions attributable to the Vermont  
18 thermal sector by retiring required amounts of clean heat credits to meet the  
19 thermal sector portion of the greenhouse gas emission reduction obligations of  
20 the Global Warming Solutions Act.

1        (b) By rule or order, the Commission shall establish or adopt a system of  
2        tradeable clean heat credits earned from the delivery of clean heat measures  
3        that reduce greenhouse gas emissions.

4        (c) An obligated party may obtain the required amount of clean heat credits  
5        through delivery of eligible clean heat measures, through contracts for delivery  
6        of eligible clean heat measures, through the market purchase of clean heat  
7        credits, or through delivery of eligible clean heat measures by a designated  
8        statewide default delivery agent.

9        (d) The Public Utility Commission shall adopt rules and may issue orders  
10       to implement the Clean Heat Standard program.

11       § 8123. DEFINITIONS

12       As used in this chapter:

13       (1) “Carbon intensity value” means the amount of lifecycle greenhouse  
14       gas emissions per unit of energy of fuel expressed in grams of carbon dioxide  
15       equivalent per megajoule (gCO<sub>2</sub>e/MJ).

16       (2) “Clean heat credit” means a tradeable, nontangible commodity that  
17       represents the amount of greenhouse gas reduction attributable to a clean heat  
18       measure. The Commission shall establish a system of management for clean  
19       heat credits pursuant to this chapter.

20       (3) “Clean heat measure” means fuel and technologies delivered and  
21       installed to end-use customers in Vermont that reduce greenhouse gas

1 emissions. Clean heat measures shall not include switching from using one  
2 fossil fuel to another fossil fuel. The Commission may adopt a list of  
3 acceptable actions that qualify as clean heat measures.

4 (4) “Commission” means the Public Utility Commission.

5 (5) “Default delivery agent” means the entity designated by the  
6 Commission to provide services that generate clean heat measures.

7 (6) “Energy burden” means the annual spending on thermal energy as a  
8 percentage of household income.

9 (7) “Entity” means any individual, trustee, agency, partnership,  
10 association, corporation, company, municipality, political subdivision, or any  
11 other form of organization.

12 (8) “Fuel pathway” means a detailed description of all stages of fuel  
13 production and use for any particular fuel, including feedstock generation or  
14 extraction, production, transportation, distribution, and combustion of the fuel  
15 by the consumer. The fuel pathway is used in the calculation the carbon  
16 intensity value and lifecycle greenhouse gas emissions of each fuel.

17 (9) “Heating fuel” means fossil-based heating fuel, including oil,  
18 propane, natural gas, coal, and kerosene.

19 (10) “Obligated party” means:

20 (A) a regulated natural gas utility serving customers in Vermont; or

1           (B) for other heating fuels, the entity that makes the first sale of the  
2           heating fuel into or in the State for consumption within the State.

3           (11) “Thermal sector” has the same meaning as the “Residential,  
4           Commercial and Industrial Fuel Use” sector as used in the Vermont  
5           Greenhouse Gas Emissions Inventory and Forecast.

6           § 8124. CLEAN HEAT STANDARD COMPLIANCE

7           (a) Required amounts.

8           (1) The Commission shall establish the number of clean heat credits that  
9           each obligated party is required to retire each calendar year. The size of the  
10           annual requirement shall be set at a pace sufficient for Vermont’s thermal  
11           sector to achieve lifecycle carbon dioxide equivalent (CO<sub>2</sub>e) emission  
12           reductions consistent with the requirements of 10 V.S.A. § 578(a) expressed as  
13           lifecycle greenhouse gas emissions pursuant to subsection 8125(f) of this title.

14           (2) Annual requirements shall be expressed as a percent of each  
15           obligated party’s contribution to the thermal sector’s lifecycle CO<sub>2</sub>e emissions  
16           in the previous year with the annual percentages being the same for all parties.  
17           To ensure understanding among obligated parties, the Commission shall  
18           publicly provide a description of the annual requirements in plain terms.

19           (3) To support the ability of the obligated parties to plan for the future,  
20           the Commission shall establish and update annual clean heat credit  
21           requirements for the next 10 years. Every three years, the Commission shall

1 extend the requirements three years; shall assess emission reductions actually  
2 achieved in the thermal sector; and, if necessary, revise the pace of clean heat  
3 credit requirements for future years to ensure that the thermal sector portion of  
4 the emission reduction requirements of 10 V.S.A. § 578(a) for 2030 and 2050  
5 will be achieved.

6 (4) The Commission may temporarily adjust the annual requirements for  
7 good cause after notice and opportunity for public process. Good cause may  
8 include a shortage of clean heat credits or undue adverse financial impacts on  
9 particular customers or demographic segments.

10 (b) Annual registration.

11 (1) Each entity that sells heating fuel into or in Vermont shall register  
12 annually with the Commission by an annual deadline established by the  
13 Commission. The form and information required in the registration shall be  
14 determined by the Commission and shall include all data necessary to establish  
15 annual requirements under this chapter. The Commission shall use the  
16 information provided in the registration to determine whether the entity shall  
17 be considered an obligated party and the amount of its annual requirement.

18 (2) At a minimum, the Commission shall require registration  
19 information to include legal name; doing business as name, if applicable;  
20 municipality; state; type of heating fuel sold; and the volume of sales of  
21 heating fuels into or in the State for final sale or consumption in the State in

1 the calendar year immediately preceding the calendar year in which the entity  
2 is registering with the Commission.

3 (3) Each year, and not later than 30 days following the annual  
4 registration deadline established by the Commission, the Commission shall  
5 share complete registration information of obligated parties with the Agency of  
6 Natural Resources and the Department of Public Service for purposes of  
7 conducting the Vermont Greenhouse Gas Emissions Inventory and Forecast  
8 and meeting the requirements of 10 V.S.A. § 591(b)(3).

9 (4) The Commission shall maintain, and update annually, a list of  
10 registered entities on its website that contains the required registration  
11 information, except that the public list shall not include heating fuel volumes  
12 reported.

13 (5) For any entity not registered, the first registration form shall be due  
14 30 days after the first sale of heating fuel to a location in Vermont.

15 (6) Clean heat requirements shall transfer to entities that acquire an  
16 obligated party.

17 (7) Entities that cease to operate shall retain their clean heat requirement  
18 for their final year of operation.

19 (c) Early action credits. Beginning on January 1, 2023, clean heat  
20 measures that are installed and provide emission reductions are creditable and  
21 shall count towards the future clean heat credit requirements of an obligated

1 party. Upon the establishment of the clean heat credit system, entities may  
2 register credits for actions taken starting in 2023.

3 (d) Equitable distribution of clean heat measures.

4 (1) The Clean Heat Standard shall be designed and implemented to  
5 enhance social equity by minimizing adverse impacts to customers with low  
6 income and moderate income and those households with the highest energy  
7 burdens. The design shall ensure all customers have an equitable opportunity  
8 to participate in, and benefit from, clean heat measures regardless of heating  
9 fuel used, income level, geographic location, or homeownership status.

10 (2) Of their annual requirement, each obligated party shall retire at least  
11 16 percent from customers with low income and 16 percent from customers  
12 with moderate income. At least one-half of these credits shall be from  
13 installed clean heat measures that require capital investments in homes, have  
14 measure lives of 10 years or more, and are estimated by the Technical  
15 Advisory Group to lower annual energy bills. Examples shall include  
16 weatherization improvements and installation of heat pumps, heat pump water  
17 heaters, and advanced wood heating systems. The Commission may identify  
18 additional measures that qualify as installed measures.

19 (3) The definitions of customer with low income and customer with  
20 moderate income shall be set by the Commission in consultation with the  
21 Equity Advisory Group and in alignment with other existing definitions.

1           (4) The Commission may consider frontloading the credit requirements  
2           for customers with low income and moderate income so that the greatest  
3           proportion of clean heat measures reach Vermonters with low income and  
4           moderate income in the earlier years.

5           (5) In order to best serve customers with low income and moderate  
6           income, the Commission shall have authority to change the percentages  
7           established in subdivision (2) of this subsection and the criteria used to define  
8           customers with low income and moderate income for good cause after notice  
9           and opportunity for public process.

10           (6) In determining whether to exceed the minimum percentages of clean  
11           heat measures that must be delivered to customers with low income and  
12           moderate income, the Commission shall take into account participation in other  
13           government-sponsored low-income and moderate-income weatherization  
14           programs.

15           (7) A clean heat measure delivered to a customer qualifying for a  
16           government-sponsored, low-income energy subsidy shall qualify for clean heat  
17           credits required by subdivision (2) of this subsection.

18           (e) Credit banking. The Commission shall allow an obligated party that  
19           has met its annual requirement in a given year to retain clean heat credits in  
20           excess of that amount for future sale or application to the obligated party's

1 annual requirements in future compliance periods, as determined by the  
2 Commission.

3 (f) Default delivery agent.

4 (1) An obligated party may meet its annual requirement through a  
5 designated default delivery agent appointed by the Commission. The default  
6 delivery agent shall deliver creditable clean heat measures to Vermont homes  
7 and businesses when:

8 (A) an obligated party chooses to assign its annual requirement to the  
9 default delivery agent; or

10 (B) an obligated party fails to produce or acquire its required amount  
11 of clean heat credits as described in subdivision (g)(2) of this section.

12 (2) The Commission shall designate the default delivery agent. The  
13 default delivery agent shall be a single statewide entity capable of providing a  
14 variety of clean heat measures and contracted for a multiyear period through a  
15 competitive procurement process. The entity selected as the default delivery  
16 agent may also be a market participant but shall not be an obligated party.

17 (3) By rule or order, the Commission shall adopt annually the cost per  
18 clean heat credit to be paid to the default delivery agent by an obligated party  
19 that chooses this option. In adjusting the default delivery agent credit cost, the  
20 Commission shall consider the default delivery agent's anticipated costs to  
21 deliver clean heat measures and costs borne by customers, among other factors

1 determined by the Commission. Changes to the cost of credits shall take effect  
2 not less than 180 days after adoption.

3 (4) All funds received from noncompliance payments pursuant to  
4 subdivision (g)(2) of this section shall be used by the default delivery agent to  
5 provide clean heat measures to customers with low income.

6 (g) Enforcement.

7 (1) The Commission shall have the authority to enforce the requirements  
8 of this chapter and any rules or orders adopted to implement the provisions of  
9 this chapter. The Commission may use its existing authority under this title.  
10 As part of an enforcement order, the Commission may order penalties and  
11 injunctive relief.

12 (2) The Commission may order an obligated party that fails to retire the  
13 number of clean heat credits required in a given year, including the required  
14 amounts from customers with low income and moderate income, to make a  
15 noncompliance payment to the default delivery agent. The per-credit amount  
16 of the noncompliance payment shall be three times the amount established by  
17 the Commission under subsection (f) of this section for timely per-credit  
18 payments to the default delivery agent.

19 (3) Any statements or other representations made by obligated parties  
20 related to compliance with the Clean Heat Standard are subject to the

1 Commission’s enforcement authority, including the power to investigate and  
2 assess penalties, under this title.

3 (h) Records. The Commission shall establish requirements for the types of  
4 records to be submitted by obligated parties, a record retention schedule for  
5 required records, and a process for verification of records and data submitted in  
6 compliance with the requirements of this chapter.

7 (i) Reports.

8 (1) As used in this subsection, “standing committees” means the House  
9 Committee on Natural Resources, Fish, and Wildlife and the Senate  
10 Committees on Finance and on Natural Resources and Energy.

11 (2) After the adoption of the rules implementing this chapter, the  
12 Commission shall submit a written report to the standing committees detailing  
13 the efforts undertaken to establish the Clean Heat Standard pursuant to this  
14 chapter.

15 (3) On or before August 31 of each year following the year in which the  
16 rules are first adopted under this section, the Commission shall submit to the  
17 standing committees a written report detailing the implementation and  
18 operation of the Clean Heat Standard. This report shall include an assessment  
19 on the equitable adoption of clean heat measures required by subsection (d) of  
20 this section, along with recommendations to increase participation for the  
21 households with the highest energy burdens. The provisions of 2 V.S.A.

1     § 20(d) (expiration of required reports) shall not apply to the report to be made  
2     under this subsection.

3     § 8125. TRADEABLE CLEAN HEAT CREDITS

4         (a) Credits established. By rule or order, the Commission shall establish or  
5         adopt a system of tradeable clean heat credits that are earned by reducing  
6         greenhouse gas emissions through the delivery of clean heat measures. While  
7         credit denominations may be in simple terms for public understanding and ease  
8         of use, the underlying value shall be based on units of carbon dioxide  
9         equivalent (CO<sub>2</sub>e). The system shall provide a process for the recognition,  
10        approval, and monitoring of the clean heat credits. The Department of Public  
11        Service shall perform the verification of clean heat credit claims and submit  
12        results of the verification and evaluation to the Commission annually.

13        (b) Credit values. Clean heat credits shall be based on the accurate and  
14        verifiable lifecycle CO<sub>2</sub>e emission reductions in Vermont's thermal sector that  
15        result from the delivery of eligible clean heat measures to end-use customer  
16        locations into or in Vermont.

17            (1) For clean heat measures that are installed, credits will be created for  
18            each year of the expected life of the installed measure. The annual value of the  
19            clean heat credits for installed measures in each year shall be equal to the  
20            lifecycle CO<sub>2</sub>e emissions of the fuel use that is avoided in a given year

1 because of the installation of the measure, minus the lifecycle emissions of the  
2 fuel that is used instead in that year.

3 (2) For clean heat measures that are fuels, clean heat credits will be  
4 created only for the year the fuel is delivered to the end-use customer. The  
5 value of the clean heat credits for fuels shall be the lifecycle CO<sub>2</sub>e emissions  
6 of the fuel use that is avoided, minus the lifecycle CO<sub>2</sub>e emissions of the fuel  
7 that is used instead.

8 (c) List of eligible measures. Eligible clean heat measures delivered to or  
9 installed in Vermont shall include:

10 (1) thermal energy efficiency improvements and weatherization;

11 (2) cold-climate air, ground source, and other heat pumps, including  
12 district, network, grid, microgrid, and building geothermal systems;

13 (3) heat pump water heaters;

14 (4) controlled electric water heaters;

15 (5) solar hot water systems;

16 (6) electric appliances providing thermal end uses;

17 (7) renewable electricity systems paired with heat pumps or electric  
18 appliances providing thermal end uses, including on-site and community-scale  
19 renewable electricity systems;

20 (8) advanced wood heating;

21 (9) noncombustion or renewable energy-based district heating services;

1           (10) the supply of sustainably sourced biofuels; and

2           (11) the supply of green hydrogen.

3           (d) Renewable natural gas. For pipeline renewable natural gas and other  
4 renewably generated natural gas substitutes to be eligible, an obligated party  
5 shall purchase renewable natural gas and its associated renewable attributes  
6 and demonstrate that it has secured a contractual pathway for the physical  
7 delivery of the gas from the point of injection into the pipeline to the obligated  
8 party's delivery system.

9           (e) Carbon intensity of fuels.

10           (1) To be eligible as a clean heat measure a liquid or gaseous clean heat  
11 measure shall have a carbon intensity value as follows:

12                   (A) below 80 in 2025;

13                   (B) below 60 in 2030; and

14                   (C) below 20 in 2050, provided the Commission may allow liquid  
15 and gaseous clean heat measures with a carbon intensity value greater than 20  
16 if excluding them would be impracticable based on the characteristics of  
17 Vermont's buildings, the workforce available in Vermont to deliver lower  
18 carbon intensity clean heat measures, cost, or the effective administration of  
19 the Clean Heat Standard.

1           (2) The Commission shall establish and publish the rate at which carbon  
2           intensity values shall decrease annually for liquid and gaseous clean heat  
3           measures consistent with subdivision (1) of this section as follows:

4                   (A) on or before January 1, 2025 for 2025 to 2030; and

5                   (B) on or before January 1, 2030 for 2031 to 2050.

6           (3) For the purpose of this section, the carbon intensity values shall be  
7           understood relative to No. 2 fuel oil delivered into or in Vermont in 2022  
8           having a carbon intensity value of 100. Carbon intensity values shall be  
9           measured based on fuel pathways.

10           (f) Emissions schedule.

11           (1) To promote certainty for obligated parties and clean heat providers,  
12           the Commission shall, by rule or order, establish a schedule of lifecycle  
13           emission rates for heating fuels, biofuels, electricity, and any other fuel used by  
14           a clean heat measure. The schedule shall be based on transparent, verifiable,  
15           and accurate emissions accounting adapting the Argonne National Laboratory  
16           REET Model, Intergovernmental Panel on Climate Change (IPCC)  
17           modeling, or an alternative of comparable analytical rigor to fit the Vermont  
18           thermal sector context, and the requirements of 10 V.S.A. § 578(a).

19           (2) For each fuel pathway, the schedule shall account for greenhouse gas  
20           emissions from biogenic and geologic sources, including fugitive emissions.  
21           In determining the baseline emission rates for clean heat measures that are

1 fuels, emissions baselines shall fully account for methane emissions reductions  
2 or captures already occurring, or expected to occur, for each fuel pathway as a  
3 result of local, State, or federal policies that have been enacted or adopted.

4 (3) The schedule may be amended based upon changes in technology or  
5 evidence on emissions, but clean heat credits previously awarded or already  
6 under contract to be produced shall not be adjusted retroactively.

7 (g) Review of consequences. The Commission shall periodically assess  
8 harmful consequences that may arise in Vermont or elsewhere from the  
9 implementation of clean heat measures and shall set standards or limits to  
10 prevent those consequences. Such consequences may include deforestation,  
11 conversion of grasslands, or the creation of new methane to meet fuel demand.

12 (h) Time stamp. Clean heat credits shall be “time stamped” for the year in  
13 which the clean heat measure delivered emission reductions. For each  
14 subsequent year during which the measure produces emission reductions,  
15 credits shall be generated for that year. Only clean heat credits that have not  
16 been retired shall be eligible to satisfy the current year obligation.

17 (i) Delivery in Vermont. Clean heat credits shall be earned only in  
18 proportion to the deemed or measured thermal sector greenhouse gas emission  
19 reductions achieved by a clean heat measure delivered in Vermont. Other  
20 emissions offsets, wherever located, shall not be eligible measures.

1       (j) Credit eligibility. All eligible clean heat measures that are delivered in  
2       Vermont shall be eligible for clean heat credits and may be retired and count  
3       towards an obligated party's emission reduction obligations, regardless of who  
4       creates or delivers them and regardless of whether their creation or delivery  
5       was required by other State policies and programs. This includes individual  
6       initiatives, emission reductions resulting from the State's energy efficiency  
7       programs, the low-income weatherization program, and the Renewable Energy  
8       Standard Tier 3 program.

9       (k) Credit registration.

10       (1) The Commission shall create an administrative system to register,  
11       sell, transfer, and trade credits to obligated parties. The Commission may hire  
12       a third-party consultant to evaluate, develop, implement, maintain, and support  
13       a database or other means for tracking clean heat credits and compliance with  
14       the annual requirements of obligated parties.

15       (2) The system shall require entities to submit the following information  
16       to receive the credit: the location of the clean heat measure, whether the  
17       customer or tenant has a low or moderate income, the type of property where  
18       the clean heat measure was installed or sold, the type of clean heat measure,  
19       and any other information as required by the Commission.

20       (l) Greenhouse Gas Emissions Inventory and Forecast. Nothing in this  
21       chapter shall limit the authority of the Secretary of Natural Resources to

1 compile and publish the Vermont Greenhouse Gas Emissions Inventory and  
2 Forecast in accordance with 10 V.S.A. § 582.

3 § 8126. CLEAN HEAT STANDARD TECHNICAL ADVISORY GROUP

4 (a) The Commission shall establish the Clean Heat Standard Technical  
5 Advisory Group (TAG) to assist the Commission in the ongoing management  
6 of the Clean Heat Standard. Its duties shall include:

7 (1) establishing and revising the lifecycle carbon dioxide equivalent  
8 (CO<sub>2</sub>e) emissions accounting methodology to be used to determine each  
9 obligated party's annual requirement pursuant to subdivision 8124(a)(2) of this  
10 chapter;

11 (2) establishing and revising the clean heat credit value for different  
12 clean heat measures;

13 (3) periodically assessing and reporting to the Commission on the  
14 sustainability of the production of clean heat measures by considering factors  
15 including greenhouse gas emissions; carbon sequestration and storage; human  
16 health; land use changes; ecological and biodiversity impacts; groundwater and  
17 surface water impacts; air, water, and soil pollution; and impacts on food costs;

18 (4) setting the expected life length of clean heat measures for the  
19 purpose of calculating credit amounts;

20 (5) establishing credit values for each year over a clean heat measure's  
21 expected life, including adjustments to account for increasing interactions

1 between clean heat measures over time so as to not double-count emission  
2 reductions;

3 (6) facilitating the program's coordination with other energy programs;

4 (7) calculating the impact of the cost of clean heat credits and the cost  
5 savings associated with delivered clean heat measures on per-unit heating fuel  
6 prices;

7 (8) coordinating with the Agency of Natural Resources to ensure that  
8 greenhouse gas emissions reductions achieved in another sector through the  
9 implementation of the Clean Heat Standard are not double counted in the  
10 Vermont Greenhouse Gas Emissions Inventory and Forecast;

11 (9) advising the Commission on the periodic assessment and revision  
12 requirement established in subdivision 8124(a)(3) of this chapter; and

13 (10) any other matters referred to the TAG by the Commission.

14 (b) Members of the TAG shall be appointed by the Commission and shall  
15 include the Department of Public Service, the Agency of Natural Resources,  
16 and parties who have, or whose representatives have, expertise in one or more  
17 of the following areas: technical and analytical expertise in measuring  
18 lifecycle greenhouse gas emissions; energy modeling and data analysis, clean  
19 heat measures and energy technologies, sustainability and non-greenhouse gas  
20 emissions strategies designed to reduce and avoid impacts to the environment,  
21 delivery of heating fuels, and climate change mitigation policy and law. The

1 Commission shall accept and review motions to join the TAG from interested  
2 parties who have, or whose representatives have, expertise in one or more of  
3 the areas listed in this subsection. Members who are not otherwise  
4 compensated by their employer shall be entitled to per diem compensation and  
5 reimbursement for expenses under 32 V.S.A. § 1010.

6 (c) The Commission shall hire a third-party consultant responsible for  
7 developing clean heat measure characterizations and relevant assumptions,  
8 including CO<sub>2</sub>e lifecycle emissions analyses. The TAG shall provide input  
9 and feedback on the consultant's work.

10 (d) Emission analyses and associated assumptions developed by the  
11 consultant shall be reviewed and approved annually by the Commission. In  
12 reviewing the consultant's work, the Commission shall provide a public  
13 comment period on the work. The Commission may approve or adjust the  
14 consultant's work as it deems necessary based on its review and the public  
15 comments received.

16 § 8127. CLEAN HEAT STANDARD EQUITY ADVISORY GROUP

17 (a) The Commission shall establish the Clean Heat Standard Equity  
18 Advisory Group to assist the Commission in developing and implementing the  
19 Clean Heat Standard in a manner that ensures an equitable share of clean heat  
20 measures are delivered to Vermonters with low income and moderate income  
21 and that Vermonters with low income and moderate income who are not early

1 participants in clean heat measures are not negatively impacted in their ability  
2 to afford heating fuel. Its duties shall include:

3 (1) providing feedback to the Commission on strategies for engaging  
4 Vermonters with low income and moderate income in the public process for  
5 developing the Clean Heat Standard program;

6 (2) supporting the Commission in assessing whether customers are  
7 equitably served by clean heat measures and how to increase equity;

8 (3) identifying actions needed to provide customers with low income  
9 and moderate income with better service and to mitigate the fuel price impacts  
10 calculated in section 8126 of this title;

11 (4) assisting the Commission in defining customers with low income  
12 and moderate income;

13 (5) recommending any additional programs, incentives, or funding  
14 needed to support customers with low income and moderate income and  
15 organizations that provide social services to Vermonters in affording heating  
16 fuel and other heating expenses;

17 (6) providing feedback to the Commission on the impact of the Clean  
18 Heat Standard on the experience of Vermonters with low income and moderate  
19 income; and

1           (7) providing information to the Commission on the challenges renters  
2           face in equitably accessing clean heat measures and recommendations to  
3           ensure that renters have equitable access to clean heat measures.

4           (b) The Clean Heat Standard Equity Advisory Group shall consist of up to  
5           10 members appointed by the Commission and at a minimum shall include at  
6           least one representative from each of the following groups: the Department of  
7           Public Service; the Department for Children and Families' Office of Economic  
8           Opportunity; community action agencies; Efficiency Vermont; individuals  
9           with socioeconomically, racially, and geographically diverse backgrounds;  
10           renters and rental property owners; and a member of the Vermont Fuel Dealers  
11           Association. Members who are not otherwise compensated by their employer  
12           shall be entitled to per diem compensation and reimbursement for expenses  
13           under 32 V.S.A. § 1010.

14           § 8128. CONSUMER PROTECTION

15           (a) Entities that provide clean heat measures shall not unfairly induce  
16           customers to install or adopt clean heat measures. Entities shall not engage in  
17           predatory practices to generate clean heat measures.

18           (b) On or before January 15, 2026, the Department of Public Service, in  
19           consultation with the Attorney General's Office, shall file proposed rules with  
20           the Secretary of State's Office that define how clean heat measure providers

1 shall act, how customers will be protected from fraudulent and predatory  
2 actions, and what remedies will be available.

3 § 8129. SEVERABILITY

4 If any provision of this chapter or its application to any person or  
5 circumstance is held invalid or in violation of the Constitution or laws of the  
6 United States or in violation of the Constitution or laws of Vermont, the  
7 invalidity or the violation shall not affect other provisions of this chapter that  
8 can be given effect without the invalid provision or application, and to this end,  
9 the provisions of this chapter are severable.

10 Sec. 4. 10 V.S.A. § 582 is amended to read:

11 **§ 582. GREENHOUSE GAS INVENTORIES; REGISTRY**

12 (a) Inventory and forecasting. The Secretary shall work, in conjunction  
13 with other states or a regional consortium, to establish a periodic and consistent  
14 inventory of greenhouse gas emissions. The Secretary shall publish the  
15 Vermont Greenhouse Gas Emission Inventory and Forecast by ~~no~~ not later  
16 than June 1, 2010, and updates shall be published annually until 2028, until a  
17 regional or national inventory and registry program is established in which  
18 Vermont participates, or until the federal National Emissions Inventory  
19 includes mandatory greenhouse gas reporting. The Secretary of Natural  
20 Resources shall include a sensitivity analysis in the Vermont Greenhouse Gas

1 Emissions Inventory and Forecast that measures the lifecycle greenhouse gas  
2 emissions of liquid, gaseous, and solid biogenic fuels combusted in Vermont.

3 \* \* \*

4 Sec. 5. PUBLIC UTILITY COMMISSION IMPLEMENTATION

5 (a) Commencement.

6 (1) On or before August 31, 2023, the Public Utility Commission shall  
7 commence a proceeding to implement Sec. 3 (Clean Heat Standard) of this act.

8 (2) On or before October 1, 2024, the Commission shall submit to the  
9 General Assembly an interim report on the development of the Clean Heat  
10 Standard.

11 (b) Facilitator. On or before October 1, 2023, the Commission shall hire a  
12 third-party consultant to design and conduct public engagement. The  
13 Commission may use funds appropriated under this act on hiring the  
14 consultant.

15 (c) Public engagement process. Before commencing rulemaking, the  
16 Commission shall use the forms of public engagement described in this  
17 subsection to inform the design and implementation of the Clean Heat  
18 Standard. Any failure by the Commission to meet the specific procedural  
19 requirements of this section shall not affect the validity of the Commission's  
20 actions.

1           (1) The Commission shall hold at least six public meetings, and of those  
2           meetings, at least three shall allow members of the public to participate in  
3           person and remotely. The meetings shall be held in at least six different  
4           geographically diverse counties of the State. The meetings shall be recorded  
5           and publicly posted on the Commission's website.

6           (2) Of the six meetings, the Commission, with the assistance of the  
7           consultant, shall also use deliberative polling or another method of receiving  
8           focused feedback from specific constituents during at least two meetings. The  
9           facilitator shall assist the Commission in developing a format for soliciting  
10           feedback at the meetings. Each of these meetings shall focus on seeking input  
11           from a specific group, which may include heating fuel dealers; customers with  
12           low income, moderate income, and fixed income and their advocates; and  
13           customers who use large amounts of heating fuel.

14           (3) The Commission shall hold at least two workshops to solicit the  
15           input of potentially affected parties. To facilitate participation, the  
16           Commission shall provide notice of the workshops on its website, shall publish  
17           the notice once in a newspaper of general circulation in each county of  
18           Vermont, and shall also provide direct notice to any person that requests direct  
19           notice or to whom the Commission may consider direct notice appropriate.  
20           The Commission also shall provide an opportunity for submission of written  
21           comments, which the notice shall include.

1       (d) Advertising. The Commission shall use funding appropriated in this act  
2       on advertising the public meetings in order to provide notice to a wide variety  
3       of segments of the public.

4       (e) Draft proposed rules. The Commission shall publish draft proposed  
5       rules publicly and provide notice of it to the stakeholders who registered their  
6       names and e-mail addresses with the Commission during the workshops. The  
7       Commission shall provide a 30-day comment period on the draft and accept  
8       written comments from the public and stakeholders. The Commission shall  
9       incorporate necessary changes in response to the public comments before filing  
10       the proposed rules with the Secretary of State and the Legislative Committee  
11       on Administrative Rules.

12       (f) Final rules. On or before January 15, 2025, the Commission shall  
13       submit to the General Assembly final proposed rules to implement the Clean  
14       Heat Standard. The Commission shall not file the final proposed rules with the  
15       Secretary of State until June 1, 2025.

16       (g) Consultant. On or before January 15, 2024, the Commission shall  
17       contract with a consultant to assist with implementation of 30 V.S.A. § 8125  
18       (clean heat credits).

19       (h) Funding. On or before January 15, 2024, the Commission shall report  
20       to the General Assembly on suggested revenue streams that may be used or

1 created to fund the Commission's administration of the Clean Heat Standard  
2 program.

3 (i) Check-back reports. On or before February 15, 2024 and January 15,  
4 2025, the Commission shall submit a written report to and be available to  
5 provide oral testimony to the House Committee on Natural Resources, Fish,  
6 and Wildlife and the Senate Committees on Finance and on Natural Resources  
7 and Energy detailing the efforts undertaken to establish the Clean Heat  
8 Standard. The reports shall include, to the extent available, estimates of the  
9 impact of the Clean Heat Standard on customers, including impacts to  
10 customer rates and fuel bills for participating and nonparticipating customers,  
11 net impacts on total spending on energy for thermal sector end uses, fossil fuel  
12 reductions, greenhouse gas emission reductions, and, if possible, impacts on  
13 economic activity and employment. The modeled impacts shall estimate high-,  
14 medium-, and low-price impacts. The reports shall recommend any legislative  
15 action needed to address enforcement of the Clean Heat Standard.

16 Sec. 6. PUBLIC UTILITY COMMISSION AND DEPARTMENT OF  
17 PUBLIC SERVICE POSITIONS; APPROPRIATION

18 (a) The following new positions are created in the Public Utility  
19 Commission for the purpose of carrying out this act:

20 (1) one permanent exempt Staff Attorney 3;

21 (2) one permanent exempt Analyst; and

1           (3) one limited-service exempt Analyst.

2           (b) The sum of \$800,000.00 is appropriated to the Public Utility  
3           Commission from the General Fund in fiscal year 2023 for the positions  
4           established in subsection (a) of this section; for the consultant required by  
5           Sec. 4 of this act; and for additional operating costs required to implement the  
6           Clean Heat Standard, including marketing and public outreach for Sec. 4 of  
7           this act.

8           (c) The following new positions are created in the Department of Public  
9           Service for the purpose of carrying out this act:

10           (1) one permanent exempt Staff Attorney; and

11           (2) one permanent classified Program Analyst.

12           (d) The sum of \$400,000.00 is appropriated to the Department of Public  
13           Service from the General Fund in fiscal year 2023 for the positions established  
14           in subsection (c) of this section, to retain consultants that may be required to  
15           support verification and evaluation required by 30 V.S.A. § 8125(a), and for  
16           associated operating costs related to the implementation of the Clean Heat  
17           Standard.

18           Sec. 7. SECTORAL PROPORTIONALITY REPORT

19           (a)(1) On or before November 15, 2024, the Agency of Natural Resources  
20           and the Department of Public Service, in consultation with the Agencies of  
21           Agriculture, Food and Markets, of Commerce and Community Development,

1 and of Transportation and the Vermont Climate Council, shall report to the  
2 House Committees on Energy and Technology and on Natural Resources, Fish,  
3 and Wildlife and to the Senate Committees on Finance and on Natural  
4 Resources and Energy regarding:

5 (A) the role of individual economic sectors in achieving the  
6 greenhouse gas emission reduction requirements pursuant to 10 V.S.A.  
7 § 578(a);

8 (B) each economic sector's proportional contribution to greenhouse  
9 gas emissions in Vermont as inventoried pursuant to 10 V.S.A. § 582; and

10 (C) the extent to which cost-effective, feasible, and cobeneficial  
11 reasonably available greenhouse gas emission reduction measures are available  
12 commensurate with each sector's proportional contribution and emissions  
13 reduction impact.

14 (2) The report shall consider the analyses performed in support of the  
15 December 1, 2021 Climate Action Plan and the 2022 Comprehensive Energy  
16 Plan. The report shall consider additional analyses as necessary.

17 (b) The report shall make recommendations to the General Assembly to  
18 amend 10 V.S.A. § 578 to include sector-specific greenhouse emissions  
19 reduction requirements and, as necessary, subsector-specific greenhouse  
20 emission reduction requirements for the purposes of informing and  
21 appropriately scaling the implementation of programs and policies that achieve

1 greenhouse gas emission reductions. As used in this section, “sector” means  
2 those established in the annual Vermont Greenhouse Gas Emissions Inventory  
3 and Forecast produced by the Agency of Natural Resources pursuant to  
4 10 V.S.A. § 582. The recommendations shall be made in consideration of the  
5 factors established in 10 V.S.A. § 592(d).

6 (c) The Agency of Natural Resources and the Department of Public  
7 Service, in consultation with the Vermont Climate Council, shall submit an  
8 updated report and any corresponding recommendations in accordance with  
9 this section on July 1 of a year immediately preceding a year in which an  
10 updated Climate Action Plan is adopted pursuant to 10 V.S.A. § 592(a).

11 Sec. 8. EFFECTIVE DATE

12 This act shall take effect on passage.