

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

A N A C T

RELATING TO HEALTH AND SAFETY -- THE RHODE ISLAND CLEAN HEAT
STANDARD ACT

Introduced By: Senators DiMario, Gu, Kallman, and Valverde

Date Introduced: March 22, 2024

Referred To: Senate Environment & Agriculture

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 23 of the General Laws entitled "HEALTH AND SAFETY" is hereby
2 amended by adding thereto the following chapter:

3 CHAPTER 23.8

4 THE RHODE ISLAND CLEAN HEAT STANDARD ACT

5 **23-23.8-1. Short title.**

6 This chapter shall be known and may be cited as the "Rhode Island Clean Heat Standard
7 Act."

8 **23-23.8-2. Legislative findings.**

9 The general assembly hereby recognizes and declares that:

10 (1) There is a need for obligated parties to reduce greenhouse gas emissions attributable to
11 the Rhode Island thermal sector by retiring required amounts of clean heat credits to meet the
12 emissions reductions required in § 42-6.2-3 ("act on climate").

13 (2) The clean heat standard shall be designed and implemented to enhance social equity by
14 minimizing adverse impacts to low-income and moderate-income customers and those households
15 with the highest energy burdens. The design shall ensure all customers have an equitable
16 opportunity to participate in, and benefit from, clean heat measures regardless of heating fuel used,
17 income level, geographic location, or homeownership status.

18 **23-23.8-3. Definitions.**

1 As used in this chapter:

2 (1) "Clean heat credit" means a tradeable, non-tangible commodity that represents the
3 amount of greenhouse gas reduction caused by a clean heat measure.

4 (2) "Clean heat measure" means fuel and technologies delivered and installed to end-use
5 customers in Rhode Island that reduce greenhouse gas emissions. Clean heat measures shall not
6 include switching from one fossil fuel use to another fossil fuel use, or the use of renewable natural
7 gas or hydrogen. The council shall adopt a list of acceptable actions that qualify as clean heat
8 measures, which shall include weatherization, air-source heat pumps, air-source heat pump water
9 heaters, ground-source heat pumps, electric stoves, and electric dryers.

10 (3) "Council" or "the council" means the Rhode Island executive climate change
11 coordinating council.

12 (4) "Default delivery agent" means the entity designated by the council to provide services
13 that generate tradeable clean heat credits.

14 (5) "Energy burden" means the annual spending on thermal energy as a percentage of
15 household income.

16 (6) "Entity" means any individual, trustee, agency, partnership, association, corporation,
17 company, municipality, political subdivision, or any other form of organization.

18 (7) "Heating fuel" means fossil-based heating fuel, including oil, propane, natural gas, coal,
19 and kerosene.

20 (8) "Obligated party" means:

21 (i) A natural gas utility, whether investor-owned or a municipal utility, serving customers
22 in Rhode Island; or

23 (ii) For other heating fuels, the entity that makes the first sale of heating fuel into or in the
24 state for consumption within the state. Electricity suppliers shall not be obligated parties.

25 (9) "Thermal sector" means the residential, non-residential, commercial, and industrial fuel
26 use sectors.

27 (10) "Weatherized" and/or "weatherization" means the process of protecting a building and
28 its interior from the elements, particularly from sunlight, precipitation, and wind, and of modifying
29 a building to reduce energy consumption and optimize energy efficiency.

30 **23-23.8-4. Clean heat standard implementation.**

31 (a) The council shall promulgate and enforce rules to establish or adopt a system of
32 tradeable clean heat credits earned from the delivery of clean heat measures that reduce greenhouse
33 gas emissions.

34 (b) The council shall make every effort to coordinate with energy efficiency programs to

1 prioritize energy efficiency and weatherization first before implementing other clean heat
2 measures. Clean heat measures shall be consistent with least cost procurement in § 39-1-27.7.

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

7 (d) The council shall establish a system of recognition for clean heat credits pursuant to
8 this section.

9 **23-23.8-5. Compliance with the clean heat standard.**

10 (a) Required amounts:

11 (1) The council shall establish the number of clean heat credits that each obligated party is
12 required to retire each calendar year. The size of the annual requirement shall be set at a pace
13 sufficient for the thermal sector to achieve lifecycle carbon dioxide equivalent (CO₂e) emission
14 reductions consistent with chapter 6.2 of title 42 for 2030, 2040, and 2050.

15 (2) Annual requirements shall be expressed as a percent of each obligated party's
16 contribution to the thermal sector's lifecycle CO₂e emissions in the previous year with the annual
17 percentages being the same for all parties.

18 (3) The council may adjust the annual requirements for good cause after notice and
19 opportunity for public process. Good cause may include a shortage of clean heat credits or undue
20 adverse financial impacts on particular customers or demographic segments. Any downward
21 adjustment shall be allowed for only a short, temporary period.

22 (b) Annual registration:

23 (1) The council shall require registration information to include legal name, doing business
24 as name if applicable, municipality, state, type of heating fuel sold, and the volume of sales of
25 heating fuels into or in the state for final sale or consumption in the state in the calendar year
26 immediately preceding the calendar year in which the entity is registering with the council.

27 (2) Each year, and not later than thirty (30) days following the annual registration deadline
28 established by the council, the council shall share complete registration information of obligated
29 parties with the department of environmental management for purposes of conducting the Rhode
30 Island greenhouse gas emissions inventory and forecast.

31 (3) The council shall maintain, and update annually, a list of registered entities on its
32 website that contains the required registration information, except that the public list shall not
33 include heating fuel volumes reported.

34 (4) For any entity not registered, the first registration form shall be due thirty (30) days

1 after the first sale of heating fuel to a location in Rhode Island.

2 (5) Clean heat requirements shall transfer to entities that acquire an obligated party.

3 (c) Equitable distribution of clean heat measures:

4 A substantial portion of clean heat credits retired by each obligated party shall be sourced
5 from clean heat measures delivered to low-income and moderate-income customers. The portion
6 of each obligated party's required amount needed to satisfy the annual clean heat standard
7 requirement shall be at least twenty percent (20%) from low-income customers and twenty percent
8 (20%) from moderate-income customers, as those terms are provided for in § 39-2-1.

9 **23-23.8-6. Authority.**

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

14 (b) The council shall adopt annually the cost per clean heat credit to be paid to the default
15 delivery agent by an obligated party that chooses this option. In adjusting the default delivery agent
16 credit cost, the council shall consider the default delivery agent's anticipated costs to deliver clean
17 heat measures and costs borne by customers, among other factors determined by the council.
18 Changes to the cost of credits shall take effect not less than one hundred eighty (180) days after
19 adoption.

20 (c) All funds received from noncompliance payments pursuant to subsection (d) of this
21 section shall be used by the default delivery agent to provide clean heat measures to low-income
22 customers.

23 (d) The council may order an obligated party that fails to retire the number of clean heat
24 credits required in a given year, including the required amounts from low-income and moderate-
25 income customers, to make a noncompliance payment to the default delivery agent. The per-credit
26 amount of the noncompliance payment shall be three (3) times the amount established by the
27 council under this section for timely per-credit payments to the default delivery agent.

28 (e) The council is granted any additional authority to implement this section, and any rules
29 or orders adopted to implement the provisions of this section, as may be necessary beyond its
30 existing authorities including, but not limited to, issuing procedures, promulgating regulations,
31 consulting with stakeholders, conducting public engagement, ordering penalties and injunctive
32 relief, and contracting as appropriate to support administration of responsibilities under this
33 chapter.

34 **23-23.8-7. Tradeable clean heat credit.**

1 (a) The council shall establish or adopt a system of tradeable clean heat credits that may be
2 earned by reducing greenhouse gas emissions through the delivery of clean heat measures. While
3 credit denominations may be in simple terms for public understanding and ease of use, the
4 underlying value shall be based on units of carbon dioxide equivalent (CO₂e). The system shall
5 provide a process for the recognition, approval, and monitoring of the clean heat credits. The
6 council shall perform the verification of clean heat credit claims.

7 (b) Clean heat credits shall be based on the lifecycle CO₂e emission reductions that result
8 from the delivery of eligible clean heat measures to end-use customer locations in Rhode Island.
9 For clean heat measures that are installed, the value of the clean heat credits in each year shall be
10 the lifecycle CO₂e emissions of the heating fuel avoided by the installation of the measure, minus
11 the lifecycle CO₂e emissions of the energy that is used instead.

12 (c) To promote certainty for obligated parties and clean heat providers, the council shall,
13 by rule or order, establish a schedule of lifecycle emission rates for heating fuels and eligible clean
14 heat measures. The schedule shall be based on transparent and accurate emissions accounting
15 adapting the Argonne National Laboratory GREET Model, Intergovernmental Panel on Climate
16 Change (IPCC) modeling, or an alternative of comparable analytical rigor to achieve the thermal
17 sector greenhouse gas emissions reductions necessary to meet the sector's share of greenhouse gas
18 reduction requirements to accurately account for emissions from biogenic and geologic sources,
19 and to deter substantial unintended harmful consequences. The schedule may be amended based
20 upon changes in technology or evidence on emissions, but clean heat credits previously awarded
21 shall not be adjusted retroactively.

22 (d) Clean heat credits shall be "time stamped" for the year in which the clean heat measure
23 is delivered as well as each subsequent year during which the measure produces emission
24 reductions. Only clean heat credits with the current year time stamp, and credits banked from
25 previous years, shall be eligible to satisfy the current year obligation.

26 (e) Clean heat credits can be earned only in proportion to the deemed or measured thermal
27 sector greenhouse gas emission reductions achieved by a clean heat measure delivered in Rhode
28 Island. Other emissions offsets, wherever located, shall not be eligible measures.

29 (f) All eligible clean heat measures that are delivered in Rhode Island shall be eligible for
30 clean heat credits and may be retired and count towards an obligated party's emission reduction
31 obligations, regardless of who creates or delivers them and regardless of whether their creation or
32 delivery was required by other state policies and programs. The council shall determine whether
33 the total value of a clean heat credit for an installed measure shall be claimed in the year it is
34 installed or whether the annual value of that credit shall be applied each year of the measure's life.

1 The council shall determine whether to require a certain portion of clean heat credits to be acquired
2 each year from weatherization projects to further the state's building efficiency goals. The council
3 shall recommend legislative changes, if needed, to accomplish this.

4 (g) The council shall create a registration system to lower administrative barriers to
5 individuals and businesses seeking to register qualified actions eligible to earn clean heat credits
6 and to facilitate the transfer of credits to obligated parties. The council may hire a third-party
7 consultant to evaluate, develop, implement, maintain, and support a database or other means for
8 tracking clean heat credits and compliance with the annual requirements of obligated parties. The
9 system shall require entities to submit the following information to receive the credit: the location
10 of the clean heat measure, whether the customer or tenant has a low- or moderate-income, the type
11 of property where the clean heat measure was installed or sold, the type of clean heat measure, and
12 any other information as required by the council.

13 (h) If any provision of this section or its application are held invalid or in violation of the
14 Constitution or laws of the United States or Rhode Island, the invalidity or the violation shall not
15 affect other provisions of this section that can be given effect without the invalid provision or
16 application, and to this end, the provisions of this section are severable.

17 (i) Within ninety (90) days following the enactment of this chapter, the council shall
18 commence any necessary proceedings to implement this chapter.

19 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO HEALTH AND SAFETY -- THE RHODE ISLAND CLEAN HEAT
STANDARD ACT

1 This act would create the Rhode Island clean heat standards act to implement a system of
2 tradeable clean heat credits earned from the delivery of clean heat measures that reduce greenhouse
3 gas emissions.

4 This act would take effect upon passage.

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