

# The Affordable Heat Act: Cutting Costs, Cutting Pollution

## Improving on 2022's Clean Heat Standard bill

The Affordable Heat Act will help Vermonters reduce their dependence on high-cost, price-volatile, and polluting fossil heating fuels. By 2030, the clean heat services that could result from the Act are estimated to reduce the overall heating costs of Vermonters by \$2 billion, or an average of \$7,500 per household. The Act does this by establishing a Clean Heat Standard that will require importers of fossil heating fuels to reduce pollution over time, in line with Global Warming Solutions Act requirements. To do so, fossil fuel importers will have to deliver or pay for cleaner heat options -- mostly for lower and middle income Vermonters -- and especially with solutions that cut costs over time, like weatherization, heat pumps, and advanced wood heat.

The Affordable Heat Act will cut costs and pollution from the heating of Vermont homes and buildings, and builds on H.715, 2022's Clean Heat Standard bill, in several important ways.

### Driving Affordability

As with 2022's Clean Heat Standard, the Affordable Heat Act requires that the majority of clean heat services in the residential sector go to lower- and middle-income Vermonters. 2023's Affordable Heat Act takes that requirement one big step further, requiring that no less than half of heating services that lower- and middle-income Vermont households receive under the program be "installed measures" that durably reduce heating costs over time, such as weatherization, heat pumps, and advanced wood heat.

This Act has been carefully designed to center and advance energy equity, prioritizing cost-saving benefits for lower and middle-income Vermonters in a progressive way, and it builds on over \$100 million in new funding for low- and moderate-income weatherization and electrification included in last year's state budget, as well as the nearly \$60 million in efficiency and electrification grants coming to Vermont for low- and moderate-income Vermonters as part of last year's federal Inflation Reduction Act. To be clear, more needs to be done to both protect Vermonters from the high and volatile price most pay for fossil fuels today, and to lower the barriers to low- and moderate-income Vermonters seeing the benefits of electrification and weatherization. The Affordable Heat Act is an important step in that direction.

See: S.5, §8124(d)(2) (p1 of S.5 draft 6.1)

### Increased Focus on Weatherization and Electrification

The Affordable Heat Act does more to advance critical clean options like weatherization and electrification. It makes clear, in the text of the bill, that options like network, grid, and micro-grid geothermal, ground source heat pumps, solar hot water, on-site and community renewable electricity paired with heat pumps are all eligible clean heat measures. It also requires that a substantial portion

of clean heat measures delivered in the residential sector must be installed measures that reduce energy costs like weatherization and heat pumps (see “Driving Affordability” above) and puts meaningful restrictions on eligible biofuels and RNG that tighten significantly over time (see “Limiting Eligible Biofuels and RNG” below).

See: S.5, §8125(c) (p15)

### Limiting Eligible Biofuels and RNG

Under the Affordable Heat Act, biofuels and RNG that provide only a marginal emissions reduction benefit relative to the fossil fuels they would replace are ineligible to be counted as “clean heat measures” on day one, and the limits on eligible biofuels and RNG ratchet down over time. Lifecycle greenhouse gas emissions can be understood most simply via a carbon intensity scale, with #2 fuel oil having a carbon intensity value of 100. To qualify for clean heat credits, all liquid and gaseous fuels will have to have a carbon intensity below 80 as of 2025 (or be 20% lower emitting than fuel oil), below 60 as of 2030, and below 20 as of 2050. This declining carbon intensity threshold will ensure that, over time, only the lowest-emitting heating solutions are eligible. And as with the 2022 bill, eligible biofuels will only receive clean heat credits in proportion to the degree that they reduce lifecycle greenhouse gas emissions.

See: S.5, §8127(f) (p22-23)

### Increasing Climate Accountability and Transparency

In addition to the limits placed by the Affordable Heat Act on eligible biofuels and RNG described above, the bill also spells out several key components of the way in which lifecycle greenhouse gas emissions are to be calculated that were implicit rather than explicit in 2022’s bill. Importantly, it makes clear that fugitive emissions must be taken into account for all fuels, and that the calculations must “fully account for methane emissions reductions or captures already occurring” to prevent RNG from getting credit for methane emissions already required to be eliminated by another law or regulation. These kinds of elements should be incorporated into any responsible calculation of lifecycle greenhouse gas emissions, and the text of the Affordable Heat Act requires that they are. And the bill goes further, requiring that the PUC “shall set standards or limits” to prevent “harmful consequences that may arise in Vermont or elsewhere” from clean heat measures, and explicitly calls out “deforestation, conversion of grasslands, damage to watersheds, or the creation of new methane to meet fuel demand,” as harmful consequences the PUC should seek to prevent.

See: S.5, §8127(g) (p23-24); §8123(10) (p5-6), §8127(h) (p24)

**See more FAQ at <https://www.eanvt.org/affordable-heat-FAQ>**