SENATE DOCKET, NO. 2578 FILED ON: 1/17/2025

SENATE . . . . . No. 2263

The Commonwealth of Massachusetts

PRESENTED BY:

William J. Driscoll, Jr.

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to the clean heat standard.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
William J. Driscoll, Jr.	*Norfolk, Plymouth and Bristol*

SENATE DOCKET, NO. 2578 FILED ON: 1/17/2025

SENATE . . . . . No. 2263

By Mr. Driscoll, a petition (accompanied by bill, Senate, No. 2263) of William J. Driscoll, Jr. for legislation relative to the clean heat standard and reducing greenhouse gas emmissions. Telecommunications, Utilities and Energy.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Fourth General Court
(2025-2026)

An Act relative to the clean heat standard.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 21A of the General Laws are hereby amended by adding the following new section:-

Section 29. Clean Heat Standard

(a) For the purposes of this section, as well as Sections 29A, 29B, and 29C, the following words shall have the following meanings:

"Clean Heat Credit," means a tradeable, non-tangible commodity that represents the amount of greenhouse gas reduction caused by a clean heat measure.

"Clean heat measure," means fuel and technologies delivered and installed to end-use customers in Massachusetts that reduce greenhouse gas emissions. Clean heat measures shall not include

switching from one fossil fuel use to another fossil fuel use, or the use of Renewable Natural Gas or Hydrogen. The department may adopt a list of acceptable actions that qualify as clean heat measures.

"The department" or "department," shall mean the Massachusetts Department of Environmental Protection. "Default delivery agent," shall mean the entity designated by the department to provide services that generate tradeable clean heat credits.

"entity" shall mean any individual, trustee, agency, partnership, association, corporation, company, municipality, political subdivision, or any other form of organization.

"Heating fuel" shall mean fossil-based heating fuel, including oil, propane, natural gas, coal, and kerosene.

"Obligated party" shall mean (a) a natural gas utility, whether investor-owned or a municipal utility, serving customers in Massachusetts; or (b) for other heating fuels, the entity that makes the first sale of heating fuel into or in the sate for consumption within the state. Electricity suppliers shall not be obligated parties.

"Thermal sector" shall mean the residential, non-residential, commercial, and industrial fuel use sectors.

"Energy Burden" shall mean the annual spending on thermal energy as a percentage of household income.

(b) The Clean Heat Standard is hereby established. Under this program, obligated parties shall reduce greenhouse gas emissions attributable to the Massachusetts thermal sector by

retiring required amounts of clean heat credits to meet the thermal sector portion of the greenhouse Global Warming Solutions Act.

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

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

(e) The department shall establish a system of recognition for clean heat credits pursuant to this section.

SECTION 2. Said Chapter 21N of said General Laws is further amended by inserting the following new section:

Section 29A. Compliance with the Clean Heat Standard

(a) Required Amounts:

(1) The department shall establish the number of clean heat credits that each obligated party is required to retire each calendar year. The size of the annual requirement shall be set at a pace sufficient for the thermal sector to achieve lifecycle carbon dioxide equivalent (CO2e) emission reductions consistent with the building sector sub-sector limits for 2030 and thereafter.

(2) Annual requirements shall be expressed as a percent of each obligated party's contribution to the thermal sector's lifecycle CO2e emissions in the previous year with the

annual percentages being the same for all parties. To ensure understanding among obligated parties, the Department shall, in a timely manner, publicly provide a description of the annual requirements in plain terms.

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

(b) Annual Registration:

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

(2) At a minimum, the Department shall require registration information to include legal name, doing business as name if applicable, municipality, state, type of heating fuel sold, and the volume of sales of heating fuels into or in the State for final sale or consumption in the State in the calendar year immediately preceding the calendar year in which the entity is registering with the Department.

(3) Each year, and not later than 30 days following the annual registration deadline established by the Department, the Department shall share complete registration information of obligated parties with the Department of Environmental Protection for purposes of conducting the Massachusetts Greenhouse Gas Emissions Inventory and Forecast.

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

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

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

(c) Equitable distribution of clean heat measures:

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

(2) A substantial portion of clean heat credits retired by each obligated party shall be sourced from clean heat measures delivered to low-income and moderate-income customers. The portion of each obligated party's required amount needed to satisfy the annual Clean Heat Standard requirement shall be at least 20 percent from low-income customers and 20 percent from moderate-income customers. The definitions of low-income customer and moderate-income customer shall be set by the Department in consultation with the Equity Advisory Group and in alignment with other existing definitions

(3) The Department may consider frontloading the credit requirements for low-income and moderate-income customers so that the greatest proportion of clean heat measures reach lowincome and moderate-income customers in the earlier years.

(4) In order to best serve low-income and moderate-income customers, the Department shall have authority to change these portions and the criteria used to define low-income and moderateincome customers for good cause, after notice and opportunity for public process.

(5) In determining whether to exceed the minimum percentages of clean heat measures that must be delivered to low-income and moderate-income customers, the Department shall take into account participation in other government-sponsored low-income and moderate-income weatherization programs.

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

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

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

factors determined by the Department. Changes to the cost of credits shall take effect not less than 180 days after adopted.

(2) All funds received from noncompliance payments pursuant to subsection (e)(2) of this section shall be used by the default delivery agent to provide clean heat measures to low-income customers.

(e) Enforcement: (1) The Department shall have the authority to enforce the requirements of this section and any rules or orders adopted to implement the provisions of this section. The Department may use its existing authority under this title. As part of an enforcement order, the Department may order penalties and injunctive relief.

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

(3) Any statements or other representations made by obligated parties related to compliance with the Clean Heat Standard are subject to the Department's enforcement authority, including the power to investigate and assess penalties, under this title.

(f) The Department shall establish requirements for the types of records to be submitted by obligated parties, a record retention schedule for required records, and a process for verification of records and data submitted in compliance with the requirements of this section.

(g) After the adoption of the rules implementing this section, the Department shall submit a written report to the joint Committee on Telecommunications, Utilities, and Energy detailing the efforts undertaken to establish the Clean Heat Standard pursuant to this section. On or before August 31 of each year following the year in which the rules are first adopted under this section, the Department shall submit to the standing committees a written report detailing the implementation and operation of the Clean Heat Standard. This report shall include an assessment on the equitable adoption of clean heat measures required by this section, along with recommendations to increase participation for the households with the highest energy burdens.

SECTION 3. Said Chapter 25A of said General Laws is further amended by inserting the following new section:

Section 29B. Tradeable Clean Heat Credit

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

(b) Clean heat credits shall be based on the lifecycle CO2e emission reductions that result from the delivery of eligible clean heat measures to end-use customer locations into or in Massachusetts. For clean heat measures that are installed, the value of the clean heat credits in

each year shall be the lifecycle CO2e emissions of the heating fuel avoided by the installation of the measure, minus the lifecycle CO2e emissions of the energy that is used instead.

(c) To promote certainty for obligated parties and clean heat providers, the Department shall, by rule or order, establish a schedule of lifecycle emission rates for heating fuels and eligible clean heat measures. The schedule shall be based upon the best available science and determined subsequent to notice and an opportunity for public comment. Clean heat measures eligible to meet the standard shall include air- and water-sourced heat pumps, ground-source heat pumps, networked geothermal systems, heat pump water heaters, induction stoves, and heat pump clothes dryers.

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

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

(g) All eligible clean heat measures that are delivered in Massachusetts shall be eligible for clean heat credits and may be retired and count towards an obligated party's emission reduction obligations, regardless of who creates or delivers them and regardless of whether their creation or delivery was required by other State policies and programs. The Department shall determine whether the total value of a clean heat credit for an installed measure shall be claimed in the year it is installed or whether the annual value of that credit shall be applied each year of

the measure's life. The Department shall determine whether to require a certain portion of clean heat credits be acquired each year from weatherization projects in order to further the State's building efficiency goals. The Department shall recommend legislative changes, if needed, to accomplish this.

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

SECTION 4. Said Chapter 25A of said General Laws is further amended by inserting the following new section:

Section 29C. Clean Heat Standard Equity Advisory

(a) The Department shall establish the Clean Heat Standard Equity Advisory Group to assist the Department in developing and implementing the Clean Heat Standard in a manner that ensures an equitable share of clean heat measures are delivered to low-income and moderate income consumers, and that low-income and moderate-income consumers who are not early participants in clean heat measures are not negatively impacted in their ability to afford heating fuel. Its duties shall include: providing feedback to the Department on strategies for engaging

low-income and moderate-income consumers in the public process around development of the Clean Heat Standard, supporting the Department in assessing whether customers are equitably served by clean heat measures and how to increase equity in this area, identifying actions needed to provide better service to and mitigate the fuel price impacts calculated in section 8125 of this title on low-income and moderate-income customers, assisting the Department in defining low income and moderate income customers, recommending any additional programs, incentives, or funding needed to support low-income and moderate-income customers, and organizations that provide social services to Consumers, in affording heating fuel and other heating expenses, providing feedback to the Department on the impact of the Clean Heat Standard on the everyday experience of low-income and moderate income Consumers, and providing information to the Department on the challenges renters face in being equitably served by clean heat measures and recommendations to ensure that renters have equitable access to clean heat measures.

(b) The Clean Heat Standard Equity Advisory Group shall consist of up to 10 members appointed by the Department. SECTION 5. If any provision of this section or its application are held invalid or in violation of the Constitution or laws of the United States or Massachusetts, the invalidity or the violation shall not affect other provisions of this section that can be given effect without the invalid provision or application, and to this end, the provisions of this section are severable.

SECTION 6. Within 90 days following the enactment of this act, the Department shall commence any necessary proceedings to implement this act.

SECTION 7. This act shall take effect on passage.