



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" means the Rhode Island executive climate change coordinating council.

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

13 (5) Department of environmental management or DEM means the state government agency  
14 charged with supervising and controlling the protection, development, planning, and utilization of  
15 the natural resources of the state and of which the director is the chair of the executive climate  
16 change coordinating council.

17 (6) "Energy burden" means the annual spending on thermal energy as a percentage of  
18 household income.

19 (7) "Entity" means any individual, trustee, agency, partnership, association, corporation,  
20 company, municipality, political subdivision, or any other form of organization.

21 (8) "Heating fuel" means fossil-based heating fuel, including oil, propane, natural gas, coal,  
22 and kerosene.

23 (9) "Obligated party" means:

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

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

28 (10) Office of energy resources or OER means the state agency charged with leading Rhode  
29 Island towards clean, affordable, reliable, and equitable energy future.

30 (11) Public utilities commission or PUC means the agency that serves as a quasi-judicial  
31 tribunal with jurisdiction, powers, and duties to implement and enforce the standards of conduct  
32 under § 39-1-27.6 and to hold investigations and hearings involving the rates, tariffs, tolls, and  
33 charges, and the sufficiency and reasonableness of facilities and accommodations of railroad, ferry  
34 boats, gas, electric distribution, water, telephone, telegraph, and pipeline public utilities, the

1 location of railroad depots and stations, and the control of grade crossings, the revocation,  
2 suspension or alteration of certificates issued pursuant to § 39-19-4, appeals under § 39-1-30,  
3 petitions under § 39-1-31, and proceedings under § 39-1-32.

4 (12) "Thermal sector" means the residential, non-residential, commercial, and industrial  
5 fuel use sectors.

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

9 **23-23.8-3. Clean heat standard implementation.**

10 (a) Beginning no later than July 1, 2027, the department of environmental management  
11 shall begin promulgating rules and regulations to establish or adopt a system of tradeable clean heat  
12 credits earned from the delivery of clean heat measures that reduce greenhouse gas emissions. The  
13 department shall be the lead agency for rulemaking, enforcement, and emissions tracking, but shall  
14 work in coordination with the Office of energy resources (OER) and the public utilities commission  
15 (PUC). The OER shall provide technical assistance, modeling support, and guidance on eligible  
16 clean heat strategies and the PUC shall oversee utility cost recovery, ratepayer protections, and plan  
17 approvals.

18 (b) The DEM shall make every effort to coordinate with energy efficiency programs to  
19 prioritize energy efficiency and weatherization first before implementing other clean heat  
20 measures. Clean heat measures shall be consistent with least cost procurement in § 39-1-27.7.

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

25 (d) The DEM in coordination with the OER and PUC shall establish a system of recognition  
26 for clean heat credits pursuant to this section.

27 **23-23.8-4. Compliance with the clean heat standard.**

28 (a) Required amounts:

29 (1) The DEM shall establish the number of clean heat credits that each obligated party is  
30 required to retire each calendar year. The size of the annual requirement shall be set at a pace  
31 sufficient for the thermal sector to achieve lifecycle carbon dioxide equivalent (CO<sub>2</sub>e) emission  
32 reductions consistent with chapter 6.2 of title 42 for 2030, 2040, and 2050.

33 (2) Annual requirements shall be expressed as a percent of each obligated party's  
34 contribution to the thermal sector's lifecycle CO<sub>2</sub>e emissions in the previous year with the annual

1 percentages being the same for all parties.

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

6 (b) Annual registrations:

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

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

14 (3) For any entity not registered, the first registration form shall be due thirty (30) days  
15 after the first sale of heating fuel to a location in Rhode Island.

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

17 (c) Equitable distribution of clean heat measures: A substantial portion of clean heat credits  
18 retired by each obligated party shall be sourced from clean heat measures delivered to low-income  
19 and moderate-income customers. The portion of each obligated party's required amount needed to  
20 satisfy the annual clean heat standard requirement shall be at least twenty percent (20%) from low-  
21 income customers and twenty percent (20%) from moderate-income customers, as those terms are  
22 defined in § 39-26.4-2.

23 (d) Compliance of obligated parties with the clean heat standard shall begin by July 1,  
24 2028.

25 **23-23.8-5. Authority.**

26 (a) The DEM shall designate the default delivery agent. The default delivery agent shall be  
27 a single statewide entity capable of providing a variety of clean heat measures and contracted for a  
28 multi-year period through a competitive procurement process. The entity selected as the default  
29 delivery agent may also be a market participant; provided that, it shall not be an obligated party.

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

1 adoption.

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

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

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

16 **23-23.8-6. Tradeable clean heat credit.**

17 (a) The department of environmental management shall establish or adopt a system of  
18 tradeable clean heat credits that may be earned by reducing greenhouse gas emissions through the  
19 delivery of clean heat measures. While credit denominations may be in simple terms for public  
20 understanding and ease of use, the underlying value shall be based on units of carbon dioxide  
21 equivalent (CO<sub>2</sub>e). The system shall provide a process for the recognition, approval, and monitoring  
22 of the clean heat credits. The council shall perform the verification of clean heat credit claims.

23 (b) Clean heat credits shall be based on the lifecycle CO<sub>2</sub>e emission reductions that result  
24 from the delivery of eligible clean heat measures to end-use customer locations in Rhode Island.  
25 For clean heat measures that are installed, the value of the clean heat credits in each year shall be  
26 the lifecycle CO<sub>2</sub>e emissions of the heating fuel avoided by the installation of the measure, minus  
27 the lifecycle CO<sub>2</sub>e emissions of the energy that is used instead.

28 (c) To promote certainty for obligated parties and clean heat providers, the DEM shall, by  
29 rule, regulation or order, establish a schedule of lifecycle emission rates for heating fuels and  
30 eligible clean heat measures. The schedule shall be based on transparent and accurate emissions  
31 accounting adapting the Argonne National Laboratory GREET Model, Intergovernmental Panel on  
32 Climate Change (IPCC) modeling, or an alternative of comparable analytical rigor to achieve the  
33 thermal sector greenhouse gas emissions reductions necessary to meet the sector's share of  
34 greenhouse gas reduction requirements to accurately account for emissions from biogenic and

1 geologic sources, and to deter substantial unintended harmful consequences. The schedule may be  
2 amended based upon changes in technology or evidence on emissions; provided, however, that  
3 clean heat credits previously awarded shall not be adjusted retroactively.

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

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

11 (f) All eligible clean heat measures that are delivered in Rhode Island shall be eligible for  
12 clean heat credits and may be retired and count towards an obligated party's emission reduction  
13 obligations, regardless of who creates or delivers them and regardless of whether their creation or  
14 delivery was required by other state policies and programs. The council shall determine whether  
15 the total value of a clean heat credit for an installed measure shall be claimed in the year it is  
16 installed or whether the annual value of that credit shall be applied each year of the measure's life.  
17 The DEM shall determine whether to require a certain portion of clean heat credits to be acquired  
18 each year from weatherization projects to further the state's building efficiency goals and shall  
19 recommend legislative changes, if needed, to accomplish this.

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

29 (h)(1) If any provision of this section or its application are held invalid or in violation of  
30 the Constitution or laws of the United States or Rhode Island, the invalidity or the violation shall  
31 not affect other provisions of this section that can be given effect without the invalid provision or  
32 application, and to this end, the provisions of this section are severable.

33 (2) Within ninety (90) days following the effective date of this chapter, the council shall  
34 commence any necessary proceedings to implement this chapter.

1 SECTION 3. This act shall take effect upon passage.

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LC005295  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

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

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1           This act would establish the Rhode Island clean heat standards program to implement a  
2 system of tradeable clean heat credits earned from the delivery of clean heat measures that reduce  
3 greenhouse gas emissions. Compliance of obligated parties with the clean heat standard shall begin  
4 by July 1, 2028.

5           This act would take effect upon passage.

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