

## Testimony in favor of revising House Bill H 7912, The Rhode Island Clean Heat Standard Act

Submitted to: [HouseEnvironmentandNaturalResources@rilegislature.gov](mailto:HouseEnvironmentandNaturalResources@rilegislature.gov)

By: Kevin O'Neill <[koneill@alum.mit.edu](mailto:koneill@alum.mit.edu)> on behalf of Citizens Climate Lobby (Rhode Island chapter), 3/25/2026

The Rhode Island chapter of Citizens Climate Lobby applauds the intent of the proposed Clean Heat Standard (CHS) -- to impose additional fees on the sale of non-renewable heating fuels in the state and to use that new revenue to accelerate and to make more equitable the installation of electric heat pumps and other energy efficiency measures. Fundamentally, we agree with those objectives. However, we have four concerns about the proposed approach:

1. As drafted, it focuses only on the reduction of greenhouse gas emissions and not at all on affordability. We believe that focusing on both affordability and emission reduction would result in a more practical and politically durable strategy for decarbonizing the heating sector, and we see no fundamental conflict between the objectives of affordability and emission reduction. While there was a conflict years ago, clean is now cheap. The steps that one would take today to reduce emissions are the same as those one would take to reduce heating costs.
2. As drafted, the Act requires creating and managing a new market for intangible, tradeable, "clean heat credits". As we testified last year, this strikes us as an unnecessarily complicated, time-consuming, and expensive way to impose additional fees on non-renewable fuels.
3. It assigns the DEM, in coordination with the OER and PUC, responsibility to establish a system of recognizing clean heat credits. This would impose a significant labor burden on those agencies for both the initial design phase and for operations thereafter. There will be a similar, ongoing labor burden for the companies generating Clean Heat credits.
4. It proposes that the value of clean heat credits be based solely on the carbon dioxide equivalent emissions of the fuels sold. Unfortunately, because oil and propane are roughly 40% and 19% more carbon-intensive than natural gas and because the costs of clean heat credits will surely be passed on to customers, residents heating with delivered fuels would be impacted more heavily than those heating with natural gas. Considering that delivered fuel customers already pay substantially more for building heat than gas customers, this is likely to compound current concerns about energy affordability.

To put numbers on that last concern, we might use a [Massachusetts state report prepared for the Interagency Rates Working Group](#). In its representative-home modeling, a fuel-oil-heated home had baseline monthly energy spending of \$539 and a monthly energy burden of about 7% for a 60%-of-state-median-income household, while the comparable natural-gas-heated home had baseline monthly energy spending of \$491 and a burden of about 6%. In other words, in that Massachusetts example, the oil-heated household started out with the higher burden. Assuming Rhode Island homes are similar, the proposed clean heat standard would an incrementally greater burden on that typical oil-heated home.

A second useful Massachusetts datapoint comes from an [NREL / Lawrence, MA study using DOE LEAD data](#):

- For households at 30%–60% of area median income:
  - renter energy burden was 5.50% for gas, 4.92% for fuel oil, and 10.67% for propane;
  - for owner-occupied, it was 5.94% for gas, 6.42% for fuel oil, and 9.29% for propane
- At 60%–80% AMI:
  - renters were at 3.89% for gas, 4.75% for fuel oil, and 5.89% for propane
  - owners were at 4.06% for gas, 5.46% for fuel oil, and 8.57% for propane.

This pattern is a mirror image of what we know about the economic competitiveness of heat pumps vs legacy heating systems. Given historic energy price patterns, heat pumps will reliably reduce annual heating costs for customers currently heating with propane or fuel oil. We and other analysts have estimated savings of 10% to 50% depending primarily on the relative marginal price of electricity vs. the legacy fuel, and on the efficiencies of the heat pump and legacy heating system..

For gas customers transitioning to a dual fuel (gas furnace + heat pump) heating system today, the reduction in annual heating cost will be much more modest – even if the hybrid system is operated with the intent to minimize operating cost. Residents who switch 100% of their heating from gas to an air-source heat pump (ASHP) will, at today’s energy prices, probably see a modest increase in their annual heating costs. Gas customers should, however, be aware that every study done on the future of gas utilities in states with substantial decarbonization goals has shown that the economics of gas-to-ASHP conversions will be substantially more favorable in the future.

To address concerns #2 and #3, we recommend imposing new Clean Heat fees on fossil heating fuels. The collection of those fees should be as simple as collecting sales taxes and the number of taxed entities would be quite small. So the state should be able to set and implement those fees much more quickly than it can create a market for intangible Clean Heat Credits

To give people and businesses time to plan and react to Clean Heat fees, we recommend starting with small fees, and then increasing those fees annually, gradually, and predictably.

To address concern #4, we recommend that the fees set on oil and propane be lower (per MMBTU) than the Clean Heat fee on natural gas.

Recognizing that 100% of fossil fuel customers are also electric customers, we recommend mitigating the economic impact of new Clean Heat Fees through compensating reductions in electric bills.

These details and more are spelled out in the following rough draft of a Clean Heat Plan which we respectfully offer as an alternative to the current version of H7912. We would be happy to provide additional analysis if the committee or bill sponsors have specific questions about our recommendations.

Sincerely,

Kevin O’Neill  
Electrification Action Team leader  
RI chapter of Citizens Climate Lobby

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It is enacted by the General Assembly as follows:

SECTION 1. Legislative findings.

(1) Residents and businesses in Rhode Island are currently burdened by high annual heating costs, especially relative to other states in the same climatic zone. This high burden is due to the uncommonly large share of building heat provided by delivered fuels (oil and propane), by competition between the heating and electric sectors for natural gas in a capacity constrained market, and by the relatively poor energy efficiency of the state's building stock. These cost factors can all be mitigated by a transition to cleaner heating systems and a cleaner, cheaper electricity supply. The most efficient way to expedite that transition is by levying fees on the fossil fuels accounting for the vast majority of annual heating costs and using the money thus raised to facilitate the transition to cleaner, more efficient, lower cost buildings and heating systems.

(2) Greenhouse gas emissions attributable to the Rhode Island thermal sector must be reduced to meet the emissions reductions required in § 42-6.2-3 ("act on climate").

(3) To minimize any immediate increase in annual energy costs arising from the Clean Heat Plan, any increase in fees or taxes on fossil fuels in the first year of this plan should be offset by an equivalent decrease in fees or taxes on electricity.

(4) The Clean Heat Plan should 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.

The appropriate SECTION and Title of the General Laws entitled \_\_\_\_\_ is hereby amended by adding thereto the following chapter:

**Short title.**

This chapter shall be known and may be cited as the "Rhode Island Clean Heat Plan."

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**Definitions.**

As used in this chapter:

(1) "Clean heat" means a reduction in the carbon intensity of building heating systems, measured in pounds per year of CO<sub>2</sub> equivalent emissions per hundred square feet of interior space.

(2) "Clean heat measure" any modification a building or of its heating systems that reduces the carbon intensity of that building, including such things as air-sealing, insulation, electrically powered air-source or ground-source heat pumps or thermal energy networks, heat pump water heaters, electric stoves, electric dryers, exhaust heat recovery, and solar energy storage. Clean heat measures shall not include switching from one fossil fuel to another fossil fuel; but the substitution of a renewable fuel for a fossil fuel may be included as long as the renewable fuel has less than 60% of the lifecycle emissions of the fossil fuel it replaces, taking into account indirect land use change.

(3) "Council" or "the council" means the Rhode Island Executive Climate Change Coordinating Council (EC4).

(4) "Default clean heat agent" means the entity designated by the council to provide clean heat measures.

(5) "Department of environmental management" or "DEM" means the state government agency charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state and of which the director is the chair of the EC4.

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

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

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

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(9) "Obligated party" means:

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

Island; or

(ii) Any entity making deliveries of other heating fuels to customers in Rhode Island, in quantities greater than 10 gallons.

(iii) Electricity suppliers shall not be obligated parties.

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

(11) "Public utilities commission" or "PUC" means the agency that serves as a quasijudicial tribunal with jurisdiction, powers, and duties to implement and enforce the standards of conduct under § 39-1-27.6 and to hold investigations and hearings involving the rates, tariffs, tolls, and charges, and the sufficiency and reasonableness of facilities and accommodations of railroad, ferry boats, gas, electric distribution, water, telephone, telegraph, and pipeline public utilities, the location of railroad depots and stations, and the control of grade crossings, the revocation, suspension or alteration of certificates issued pursuant to § 39-19-4, appeals under § 39-1-30, petitions under § 39-1-31, and proceedings under § 39-1-32.

(12) "Thermal sector" means the residential, non-residential, commercial, and industrial fuel use sectors. Industrial fuel uses are specifically excluded to the extent the fuel is used as a feedstock or to create a reducing atmosphere;

(13) "Weatherized" and/or "weatherization" means the process of protecting a building and its interior from the extreme outdoor temperatures through such measures as air-sealing, insulation, ventilation heat or enthalpy recovery, or otherwise modifying the building to optimize energy efficiency.

**Clean heat plan implementation.**

(a) DEM shall be the lead agency for regulations, rulemaking, enforcement, and emissions tracking, but work in coordination with the office of energy resources ("OER"), the public utilities commission ("PUC"),

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and the Department of Revenue. The OER shall provide technical assistance, modeling support, and guidance on eligible clean heat strategies. The PUC shall oversee utility cost recovery, ratepayer protections, and plan approvals. The Department of Revenue will be responsible for the collection of Clean Heat Fees from obligated parties, for management of a dedicated account into which those fees will be deposited, and for disbursement off appropriate funds to the default delivery agent and other Clean Heat contractors as might be approved by OER.

(b) The DEM shall make every effort to prioritize energy efficiency and weatherization first before implementing other clean heat measures. Clean heat measures shall be consistent with least cost procurement in § 39-1-27.7 and shall specifically include transitioning from gas heat to electric heat pumps when that could reduce a customer's annual heating costs.

(c) Beginning on January 1, 2027, all obligated parties shall collect a new Clean Heat Fee on sales of fossil heating fuels. Initially, these fees shall be set at \$0.15/therm for natural gas, \$0.12/gallon for fuel oil, and \$0.08/gallon for propane.

(d) For electricity bills with a starting date of January 1, 2027 or later, the regulated electric utility shall include a Clean Heat Credit. This credit could initially be set at approximately 1.3 cents per kilowatt hour. Alternatively, within a few months of the start of Clean Heat fee collection, the Clean Heat Credit included with each electric bill address could be set equal to the Clean Heat fee collected from that same address a few months ago.

(e) No later than February 1, 2027, DEM shall announce the date(s) on which Clean Heat Fees will be adjusted. This date may be as early as October 1, 2027 or as late as January 1, 2028. From that date forward, Clean Heat Fees and the Clean Heat Credit will be adjusted at 12 month intervals.

(f) At least 180 days prior to the adjustment date, OER shall determine and announce the adjustments that will be made. This determination shall be made with the intent of expeditiously reducing total annual heating costs in Rhode Island, and reducing heating sector emissions in accord with the goals of the Act

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on Climate and will likely result in annual increases in the Clean Heat Fees. OER shall not be required to maintain the original ratios between the fees for the three specified heating fuels but may adjust them independently. If increased, the weighted average increase of these fees across all fossil fuels shall not exceed 20% per year for the first five years. To facilitate planning by consumers, Clean Heat contractors, and obligated parties, OER shall annually forecast how the fees are likely to change for four years after the annually announced adjustment; but OER will typically deviate to some degree from that forecast as it reconsiders the facts each year. If necessary to achieve Clean Heat targets, as determined by DEM, a portion of the funds collected as Clean Heat Fees may be allocated to the default delivery agent(s) or to the Rhode Island Infrastructure Bank rather than returned as Clean Heat Credits to electricity consumers.

(g) The default delivery agent shall maintain a list of approved Clean Heat contractors licensed to provide heat pump sales and service or other energy efficiency measures and shall work with the Energy Marketing Association of Rhode Island and the regulated utilities to expand the work force available to Clean Heat contractors.

**Compliance with the clean heat plan.**

(a) Required amounts:

(1) On an annual basis, the department of environmental management (“DEM”) shall assess emissions from the heating sector; and in consultation with the OER and PUC it shall set targets for emission reductions in subsequent years for each sub-sector (gas heat, oil heat, etc) sufficient for the thermal sector to achieve lifecycle carbon dioxide equivalent (CO<sub>2</sub>e) emission reductions consistent with chapter 6.2 of title 42 for 2030, 2040, and 2050 while reducing the total energy cost per square foot of residential, commercial, and industrial sectors

(b) Annual registration:

(1) The Department of Revenue (“DOR”) shall provide information to DEM on a quarterly basis about each obligated entity, including: legal name, doing business as name if applicable, municipality and state

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, and total volume of each type of heating fuel sold in the previous quarter by that entity to Rhode Island customers, identifying each address as a final consumer of that fuel or as a distributor of that fuel. DOR shall similarly provide OER with the volume, value and type of heating fuel delivered to each Rhode Island address. The PUC will ensure that each regulated electric utility will similarly provide OER with data regarding the volume and value of electricity delivered to each address.

(2) The DEM shall maintain, and update annually, a list of obligated entities on its website, displaying the required registration information, except that the public list shall not include volume or values of heating fuel sold or Clean Heat Fees collected.

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

(c) OER shall monitor reductions in emissions and annual energy costs for equity, and shall instruct the default delivery agent to adjust incentives as necessary to ensure low-income and moderate-income customers, as those terms are provided for in § 39-2-1, realize percentage reductions in annual emissions and energy costs comparable the remainder of the population.

**Authority.**

(a) The department of environmental management (“DEM”), in consultation with the Energy Efficiency Council, shall designate the default delivery agent(s) responsible for managing energy efficiency incentives, consumer education, and Clean Heat contractor certification. For continuity and the sake of speed, the responsibility of the default delivery agent will initially be divided between the Clean Heat RI program operated by OER and the energy efficiency programs of Rhode Island Energy. Whether that responsibility remains divided between those two entities or is consolidated under one program or is dispersed among other entities that bid to handle different aspects of the Clean Heat Plan shall be decided by DEM.

**This act shall take effect upon passage.**