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SUMMARY OF S. 2768, THE GREEN COMMUNITIES ACT

The Excellent: Boosting Energy Efficiency in Massachusetts

ENERGY EFFICIENCY: The Green Communities Act is expected to significantly expand investment in energy efficiency measures that will reduce electricity demand and deliver energy savings to residents and businesses.

- **EFFICIENCY FIRST** [Section 11]
 - *Requires Electric and gas utilities to secure energy efficiency resources that are cost-effective or less expensive than supply as a resource of first recourse, before more expensive generation resources can be purchased.*
 - Mandates efficiency plans every 3 years
 - Creates Energy Efficiency Advisory Council including stakeholders such as residential customers, low-income advocates, the environmental community, businesses and labor to review plans
 - Plans must be approved by the Department of Public Utilities.
- **EFFICIENT BUILDINGS** [Sections 55 & 5]
 - *Requires adoption of the International Energy Conservation Code (IECC) and updates within one year of each revision*
 - *Provides for related training, implementation and compliance*
 - *Requires disclosure of information regarding benefits of home energy audits to buyers of single-family dwellings or small multi-family dwellings at the time of closing*

The Good: Efficiency Funding, Renewables, Green Communities, and Cleaner Cars

RGGI IMPLEMENTATION: The bill maximizes the benefits of Massachusetts' adoption of the ground-breaking regional power plant CO₂ cap and trade program known as "RGGI."

- **AUCTION PROCEEDS PRIMARILY TO PROMOTE EFFICIENCY**
 - *Requires the auction of all permits to emit pollution under the program (rather than providing them for free) to ensure that the cap-and-trade program achieves greenhouse gas emission reductions while minimizing costs and maximizing benefits to consumers.*
 - 80% or more of auction revenues go to utility energy efficiency programs.
 - Remainder may go to municipalities where power plants are situated; funding for community clean energy programs; and voluntary green power development. [Sections 7, 11]

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RENEWABLE ENERGY: The Act will promote renewable energy by strengthening the Massachusetts Renewable Energy Portfolio Standard (RPS) and promoting net-metering, long-term contracts, and municipal/utility ownership of renewables:

- ***STRENGTHENING THE RENEWABLE PORTFOLIO STANDARD***
 - Strengthens the RPS by increasing requirements for new renewables every year
 - 15% of electricity for MA consumers supplied by new renewables by 2020
 - Includes up to 25 MW per new hydropower facility or incremental new power at existing hydro facilities that meet strict environmental standards
 - Creates second tier to provide support for continued operation of older renewable energy facilities.
 - Establishes minimum electric supplier purchase requirement from small-scale on-site renewable energy generation
 - Expressly includes behind-the-meter renewable energy generation
- ***LONG-TERM CONTRACTS FOR RENEWABLES***
 - *Establishes a pilot program requiring utilities to solicit and enter long-term contracts (10-15 years) for the purchase of new renewable energy.*
 - Provides critical financial assurance for renewable energy development. [Section 83]
- ***NET-METERING***
 - *Levels the playing field for on-site (or “distributed”) renewable energy generation by promoting “net-metering.”*
 - Meters operate in two directions; power generated but not consumed on site is sold into the grid and must be paid a fair price.
 - Small facilities up to 60 kW and wind or solar facilities up to 2 MW qualify.
 - Innovative “Neighborhood” and “Agricultural” net-metering provisions.
- ***MUNICIPALLY-OWNED AND UTILITY-OWNED RENEWABLES***
 - *Allows municipalities to own renewable energy facilities*
 - Provides authority to issue bonds or notes for financing.
 - Utilities allowed to own up to 25 MW of solar capacity by Jan. 1, 2009 and up to 50 MW of solar after Jan. 1, 2010.

GREEN COMMUNITIES PROGRAM: The Act creates a program to provide up to \$10 million/year (statewide) in technical and financial help to municipalities to promote energy efficiency and the financing, siting and construction of renewable and alternative energy facilities. [Section 22]

- Qualifying Communities must adopt:
 - As-of-right siting for renewable or alternative energy generating, manufacturing or R&D facilities in designated locations
 - Expedited permitting process for approving such facilities within one year of the filing of an application;
 - Energy use baseline and a program to reduce energy use by 20% within 5 years;
 - Policy to purchase only fuel-efficient vehicles; and
 - Policy to minimize lifecycle energy and water costs for all new commercial, industrial and large-residential construction.
- Funding provided by:

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- Cap and Trade programs – including RGGI;
- Compliance payments pursuant to the Massachusetts Renewable Portfolio Standard;
- Energy Efficiency systems benefit charge revenues; and
- Renewable Energy Trust Fund.

RENEWABLE ENERGY TRUST FUND: The Act establishes a new governing board and requires development of 5-year strategic plans for the existing Renewable Energy Trust Fund (RETF), but otherwise maintains the RETF under the management of the quasi-public MA Technology Collaborative. [Section 49]

CLEANER VEHICLES: The Act promotes hybrid or alternative fuel vehicles, including by calling for state government to purchase such cleaner vehicles so they will make up 50% of the state fleet by 2018. [e.g., Section 1]

The Troubling: Subsidies for Coal, Potential Restrictions on Green Power Imports, and Clean Energy Funding Risks

As to be expected with any bill as lengthy and complex as the Green Communities Act, there are several provisions that could undermine the bill's economic and environmental gains, depending on how they are implemented. At minimum, these provisions call for cautious implementation.

- **SUBSIDIES FOR COAL: THE ALTERNATIVE ENERGY PORTFOLIO STANDARD (AEPS)**
 - Requires electric suppliers to provide a minimum percentage from alternative energy sources. (1) gasification – ***such as gasification of coal or petroleum coke*** – with capture and permanent sequestration of carbon dioxide (2) combined heat and power; (3) flywheel energy storage; (4) combined heat and power involving substitution of fossil fuels with *paper-derived fuel sources* (that could include laminated paper, etc.); or (5) steam technology. [Section 32]
 - Potential boon for environmentally and economically beneficial combined heat and power
 - Important protections:
 - Requires eligible coal gasification to include carbon capture and sequestration, and limits emissions to the rate of an average natural gas plant in Massachusetts.
 - Updates and strengthens environmental standards at least once every two years
 - Significant risks demand careful implementation:
 - Opens the door for coal gasification facilities that may produce significantly greater emissions than existing or clean energy generation and may substantially prolong Massachusetts' dependence on coal
 - Carbon Capture and Sequestration
 - Not feasible in Massachusetts
 - Not believed commercially viable *anywhere* for a decade or more
 - Puts us far behind California and Washington, where baseload power plants with emissions levels this high are prohibited from being built.

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- **POTENTIAL RESTRICTIONS ON IMPORTS OF RENEWABLE ENERGY:** *The Act requires renewable energy imported into the New England power grid to meet certain criteria in order to be eligible for the Massachusetts RPS.*
 - Requires annual commitment of the generating source as a “committed capacity resource”
 - Renewable energy importer must subtract the amount of any energy it exports outside the region.
 - Discriminates against imports (contrary to law), may undermine the ability to meet RPS standards, and could discourage clean energy investment
 - Important protection: DOER must make an affirmative determination that these requirements are feasible before they can be implemented. [Section 105]

- **CLEAN ENERGY FUNDING:**
 - *To deliver the greatest economic and environmental benefits, substantially all revenues from the sale of CO2 allowances under RGGI should be directed toward energy efficiency and demand resource programs.*
 - Act only requires 80% for these purposes, although additional revenues may be deployed for efficiency through Green Communities programs
 - *Renewable energy funds should continue to be deployed to advance renewable energy investment.*
 - Restructuring the Renewable Energy Trust Fund may entail transition costs and lost opportunities
 - *Alternative compliance payments (ACP) from the RPS should continue to support renewable energy.* The Act directs that ACP be shifted to support:
 - Green communities program;
 - College programs on renewable energy and other energy issues;
 - Flywheel energy storage technologies; and
 - Capital investments in existing and new generation units for use of paper-derived fuels made by Massachusetts companies.[Section 93]

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