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## OLR Bill Analysis

### sHB 6412

#### ***AN ACT CONCERNING A LOW-CARBON FUEL BLEND OF HEATING OIL AND THE ESTABLISHMENT OF A BIOHEAT ADVISORY BOARD.***

#### **SUMMARY**

This bill requires heating oil sold in the state to be a low-carbon fuel blend with a specified percentage of biodiesel that increases over time, beginning July 1, 2022. The bill sets the minimum amount of biodiesel in heating oil at 5% in 2022 and increases it on a schedule to 50% in 2035. These requirements replace a similar provision in current law that requires an increasing proportion of biodiesel in heating oil, but only if surrounding states adopt a similar requirement, a condition that was never met.

The bill renames the Distillate Advisory Board as the “Bioheat Advisory Board” and requires it to advise the Department of Consumer Protection (DCP) on industry and market capabilities concerning home heating oil blending and identify opportunities for, or barriers to, increasing low-carbon fuel blend requirements.

Under the bill, DCP may waive biodiesel requirements in certain circumstances upon receiving a petition from the board, including if the cost of low-carbon fuel blends, relative to traditional distillate fuels, is such that achieving the minimum low-carbon fuel blends increases consumers’ heating fuel costs on an annual basis.

The bill requires DCP to adopt regulations on heating oil retailer disclosure requirements by July 1, 2022. It requires DCP to report annually on biodiesel requirements.

The bill also requires the Department of Energy and Environmental Protection’s (DEEP) Comprehensive Energy Strategy (CES) to consider several factors related to low-carbon fuel blends for heating oil and

effects on greenhouse gas emissions, beginning with the next CES approved after October 1, 2021.

Lastly, the bill makes conforming changes and removes an obsolete provision.

EFFECTIVE DATE: July 1, 2021

### **BIODIESEL REQUIREMENT SCHEDULE**

Under the bill, minimum biodiesel percentage requirements take effect on the following schedule, each July 1:

1. 5% in 2022,
2. 10% in 2025,
3. 15% in 2030,
4. 20% in 2034, and
5. 50% in 2035.

Under the bill, heating oil meeting these requirements is a low-carbon fuel blend, meaning a fuel meeting the standards for advanced biofuels under the federal Renewable Fuel Standard Program, requiring a 50% reduction in lifecycle greenhouse gas emissions, including qualifying biodiesel meeting the most recent version of ASTM International designation D6751 (see BACKGROUND).

### **BIOHEAT ADVISORY BOARD**

The bill renames the Distillate Advisory Board as the “Bioheat Advisory Board” and retains its current membership and location within DCP. The bill requires the board to (1) advise the DCP commissioner on industry and market capabilities concerning home heating oil blending and (2) identify opportunities for, or barriers to, increasing low-carbon fuel blend requirements.

### **ADMINISTRATION AND WAIVERS**

Under the bill, low-carbon fuel blended with heating oil must be

produced in accordance with industry-accepted quality control standards. The bill requires low-carbon fuel marketers and producers to provide a certificate of analysis before blending low-carbon fuel with heating oil. The certificate must verify conformity with critical specifications of designation D6751 of ASTM International or another applicable ASTM specification for low-carbon fuel blends (see BACKGROUND). Under the bill, within available appropriations, DCP must verify that low-carbon fuel offered for sale in the state conforms to these specifications and to the fuel quality compliance protocol currently accepted by DCP.

Under the bill, if the DCP commissioner receives a petition from the board, she must temporarily waive the biodiesel percentage requirements in the following circumstances:

1. the U.S. Department of Energy authorizes a release from the Northeast Heating Oil Reserve;
2. there is an inadequate supply of low-sulfur distillate products;
3. there is an inadequate supply of low-carbon fuel blending stocks or an operational problem that affects supply; or
4. the cost of low-carbon fuel blends, relative to traditional distillate fuels, is such that achieving the bill's minimum low-carbon fuel blends materially increases consumers' annual heating fuel costs.

Waivers last at least 30 days and no more than 45 days but may be renewed after they expire. The board's petition for a waiver must include the following information:

1. a statement of the immediate threat to the health and safety of state citizens posed by inadequate supply of low-sulfur distillate products, low-carbon fuel blending stocks, or operational problems that affect the supply of low-carbon fuel blending stocks;
2. the cause and nature of the inadequate supply or operational

problem, and its expected duration; and

3. a description of any alternative distillate supply needed to temporarily replace the applicable distillate supply otherwise required under the bill.

After receiving a petition, the commissioner has three business days to issue a waiver.

The bill requires the DCP commissioner to adopt regulations, by July 1, 2022, on disclosure requirements for heating oil retailers regarding the percentage or approximate range of low-carbon fuel blend contained in the home heating oil delivered to consumers.

## **REPORTING REQUIREMENTS**

### ***Annual DCP Report to Committees***

The bill requires the DCP commissioner, in consultation with the board, to report to the Energy and Technology Committee annually by February 1, 2022, on (1) the status and progress in meeting the bill's requirements; (2) any effect the requirements may have on heating oil prices and supply in the state; and (3) opportunities for, and barriers to, increasing the low-carbon fuel blend requirements.

### ***Comprehensive Energy Strategy (CES)***

Beginning with the next CES approved after October 1, 2021, the bill requires DEEP's CES to consider the following:

1. the reduction in greenhouse gas emissions resulting from low-carbon fuel blends used in home heating oil on a life-cycle basis and its possible contributions to the state's greenhouse gas emissions mandated levels;
2. the ability of a thermal portfolio standard to further emission reductions on a lifecycle basis;
3. the relative value of the life-cycle emissions reductions achieved by biodiesel and other low-carbon blends used currently in the state compared to the value of future projected life-cycle

emissions reductions achieved by the retail heating oil industry five, 10, and 20 years into the future using DEEP's contemporaneous projection of renewable energy utilized.

By law, the CES is required every four years and must be submitted to the Energy and Technology Committee.

## **BACKGROUND**

### ***Federal Renewable Fuel Standard Program***

The federal Renewable Fuel Standard program is a national policy that requires a certain volume of renewable fuel to replace or reduce the quantity of petroleum-based transportation fuel, heating oil, or jet fuel. The program designates four renewable fuel categories, including "advanced biofuels," which are renewable fuels, other than ethanol derived from cornstarch, that have lifecycle greenhouse gas emissions that are 50% less than a 2005 petroleum baseline (40 CFR § 80.1401). Advanced biofuels include fuels derived from soybean oil, distillers corn oil and sorghum, and oil from annual cover crops.

### ***ASTM International Designation D6751***

ASTM International (formerly known as the American Society for Testing and Materials) is a standards development organization. Designation D6751 covers biodiesel fuel blend stock for use as a blend component with certain distillate fuels. The specification generally prescribes the fuel's required properties at the time and place of delivery.

## **COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea 25 Nay 1 (03/02/2021)