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## OLR Bill Analysis

### sSB 1145

#### ***AN ACT CONCERNING THE ESTABLISHMENT OF SECTOR SPECIFIC SUBTARGETS FOR GREENHOUSE GAS EMISSIONS REDUCTIONS.***

#### **SUMMARY**

This bill (1) requires the Department of Energy and Environmental Protection (DEEP) commissioner, by January 1, 2025, to adopt regulations with sector-specific greenhouse gas (GHG) emissions reduction subtargets to meet the state's aggregate reduction targets for 2030, 2040, and 2050 and (2) allows her to adopt regulations to reduce direct and indirect emissions to reach those same targets (§§ 2-4).

The bill expands the commissioner's authority to levy civil penalties to include penalties for violating the (1) GHG emissions reduction targets and associated regulations allowed under the bill and (2) sector-specific subtargets the bill requires in regulations (§ 1).

The bill also (1) allows the commissioner, as a condition of granting or modifying a permit for a fossil-fueled electricity generating unit, to require the permit applicant to include non-emitting energy or energy storage under certain circumstances (§ 5) and (2) requires municipal utilities, by January 15, 2024, to begin annually reporting to the Environment Committee and DEEP on their quantifiable progress in reducing GHG emissions (§ 6).

Lastly, the bill (1) requires the Connecticut Green Bank to apply its authority in a way that is consistent with the state's GHG emissions reduction levels (§ 7) and (2) makes technical changes.

EFFECTIVE DATE: October 1, 2023, except the Green Bank provision is effective upon passage.

**§§ 1-4 — GHG EMISSIONS REDUCTION TARGETS & SUBTARGETS*****Scope of GHG Emission Sources***

By law, GHGs are chemical or physical substances emitted into the air that the DEEP commissioner reasonably anticipates will cause or contribute to climate change (e.g., carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride). There are both direct and indirect emissions sources.

Under current law, “direct emissions” are from sources owned or operated by an entity or facility and include things like emissions from factory stacks, manufacturing processes and vents, and company-owned or -leased motor vehicles. The bill replaces this non-exhaustive source list with a broader one that includes (1) sources combusting heating or transportation fuels; (2) any building stack, vent, or structure; (3) any distribution system; or (4) any residential, commercial, institutional, industrial, or agricultural waste management or manufacturing process.

The bill also adds emissions associated with selling or distributing transportation or heating fuels to the definition of “indirect emissions,” which currently includes those associated with an entity or facility’s use of purchased electricity, steam, and heating or cooling.

***Statewide Targets (§§ 2 & 3)***

Currently, the state’s Global Warming Solutions Act requires the state to reduce GHG emissions from all sources to a level of at least (1) 10% below 1990 emission levels by 2020, (2) 45% below 2001 emission levels by 2030, and (3) 80% below 2001 emission levels by 2050. It also has a 2040 target for eliminating GHG emissions from electricity supplied to electric customers (i.e., at zero percent). Under the bill, the 2050 GHG reduction must also be economy-wide net zero. (The bill does not define “net zero,” but presumably, this occurs when negative emissions meet or exceed direct and indirect emissions.)

The bill allows the DEEP commissioner to adopt regulations to reduce indirect and direct emissions to achieve the above GHG emission levels, which may include the following:

1. provisions implementing policies, strategies, and other actions identified in the triennial report the commissioner already submits to the legislature on the GHG reduction levels (see below);
2. market-based compliance mechanisms, developed independently or with interested states and Canadian provinces; and
3. DEEP's recommended regulatory actions developed, with opportunity for public comment, with the help of a regional nonprofit air quality and climate organization to achieve the GHG emission levels and increase negative emissions (see below).

The bill requires that the regulations, to the extent practicable, equitably distribute environmental benefits and do this in a way that protects communities that are or have been overburdened by air pollution. It allows them to prioritize emission reduction or abatement strategies over emission offset or removal if doing this is technically feasible, cost-effective for the state, and likely to be more durable.

***Sector-Specific Subtargets (§§ 3 & 4)***

The bill requires the DEEP commissioner, by January 1, 2025, to adopt regulations setting sector-specific GHG emissions reduction subtargets to meet the state's above-described GHG targets, except it keeps the subtarget for electricity supply at the existing 2040 zero percent target level (see above).

Under the bill, the subtargets must apply to the following sectors: commercial and industrial heating and cooling, residential heating and cooling, industrial processes, natural gas distribution and service, natural and working lands, and any other sector or source the commissioner designates as needed to meet the targets.

The bill requires that these regulations incorporate the following provisions:

1. total sector-based GHG emission subtargets for a given year must not exceed the statewide GHG emissions level for that year; and
2. subtargets must be (a) expressed in tons of carbon dioxide equivalents and (b) determined necessary by the commissioner to meet each statewide GHG emissions level.

The bill requires the commissioner to review the sector subtarget regulations every three years in reports and regulation schedules (see below) released before December 31, 2040. It allows her to update the subtarget regulations as needed in these triennial reports or more often if she determines that the current subtargets will not meet the GHG emissions goals.

#### ***Reporting Requirements (§§ 2-4)***

Existing law requires the DEEP commissioner to triennially report to the Energy and Technology, Environment, and Transportation committees on the state's quantifiable emissions target reductions. The report includes (1) a schedule of proposed regulations, policies, and strategies to achieve the reductions; (2) an assessment of scientific information and data on global climate change; and (3) the status of GHG emission reduction efforts in other states and countries. The bill specifies that the status of efforts in other states and countries must include their policies and regulations to increase negative emissions (i.e., GHGs removed from the atmosphere by nature-based solutions like soils, forests, wetlands, or working or natural lands and through technologies the commissioner determines remove GHGs from the atmosphere).

Under current law, the DEEP commissioner must also triennially develop, with assistance from a regional nonprofit air quality and climate organization and with opportunity for public comment, a schedule of recommended regulatory actions, policies, and other actions needed to show reasonable progress toward achieving the GHG emission reductions. The bill makes the next schedule due December 31, 2023, and requires it to (1) be for achieving the reduction levels, not only progress toward meeting them, and (2) include recommendations to

increase negative emissions.

The bill also requires the commissioner, by July 1, 2025, to adopt modeling scenarios to publish a baseline inventory of natural and working lands carbon fluxes and include a statewide negative emissions inventory in DEEP's triennial report to the legislature on quantifiable GHG emissions reductions and the triennial schedule of recommended regulatory actions described above.

### ***Civil Penalties (§ 1)***

By law, the DEEP commissioner must adopt regulations establishing a civil penalty schedule for violations of various environmental statutes (and a regulation, order, or permit issued or adopted under them). The bill adds to this list the law requiring reductions in the state's GHG emissions to certain levels, including sector-specific subtargets established under the bill.

Under existing law, the commissioner must set penalties, designed to ensure immediate and continued compliance, that do not exceed the following maximum amounts:

1. up to (a) \$1,000 for failing to file a required registration (other than for a general permit), plan, report, record, permit application, or other document; obtain a certification; or display a registration, permit, or order and (b) \$100 for each day that the violation continues and
2. up to \$25,000 per day for emitting a material or substance or engaging in or maintaining a condition or activity in violation of the law.

### **§ 5 — AIR CONTAMINANT SOURCE PERMITS**

By law, operating a stationary air contaminant source generally requires a permit from DEEP. When deciding whether to grant, renew, or modify one, the commissioner must consider the pollution from all sources where the proposed activity is located and determine that it does not pose a health hazard.

Under the bill, as part of deciding whether to grant or modify a permit for fossil-fueled electricity-generating units, the commissioner must require the applicant to pay for an independent contractor to evaluate replacing at least some of the generating capacity with non-emitting energy or energy storage. The evaluation must include the:

1. technical feasibility of replacing or supplementing at least some of the fossil-fueled electricity generating capacity with renewable energy or an energy storage type that is in commercial use and
2. total project cost to replace or supplement the generating capacity with technically feasible renewable energy and energy storage.

The bill allows the commissioner to require a permit applicant to include the non-emitting energy or energy storage as a condition of granting or modifying the permit if she determines that using it to replace at least some of the fossil-fueled generators is technically and economically feasible.

## **§ 6 — MUNICIPAL UTILITY REPORTING**

The bill requires each municipal utility (i.e., municipality, municipal department or agency, or district that manufactures, sells, or distributes gas or electricity for light, heat, or power) beginning by January 15, 2024, to annually report to the Environment Committee and DEEP on its quantifiable progress to reduce GHG emissions. DEEP must prescribe the manner of the report. The report must enable a determination of the utility's contribution toward the state's GHG emissions reduction levels.

## **COMMITTEE ACTION**

Environment Committee

Joint Favorable Substitute

Yea 22    Nay 11    (03/24/2023)