



Doug Benevento

Partner
303.293.5248
Denver
dhbenevento@hollandhart.com

Colorado GHG Roadmap 2.0

Insight — March 18, 2024

Colorado established statutory greenhouse gas (GHG) reduction targets of net zero carbon emissions by 2050 and a state policy of a 100% renewable grid by 2040. In support of these targets, in 2021 the Governor released a Greenhouse Gas Reduction Roadmap detailing policies to achieve these goals. The Governor recently released GHG Roadmap 2.0 with additional policy initiatives.

The updated Roadmap will significantly impact Colorado's energy industry and consumers. If enacted it would—through regulation or legislation—seek to eliminate or reduce the use of natural gas for home heating and cooking, significantly change the regulatory process for utility distribution planning, and introduce equity principles in cost-allocation and recovery for distribution projects.

Oil and Gas

While the goals for the oil and gas industry are not as robust in this iteration of the Roadmap, that is likely because there are multiple bills pending at the Colorado legislature that would significantly impact the industry. For the oil and gas industry the updated Roadmap proposed the following:

1. Increased State compliance assistance and enforcement of a 2021 rule to reduce GHG emissions from production and pre-production activity at oil and gas facilities.
 - a. Requirements are currently in place for existing operations and will apply to new operations in 2025.
2. Develop Strategies for Net-GHG-Neutral Oil and Gas Development and Operations – 2025 Goal.
 - a. Proposed legislative and regulatory strategies for 50% of oil and gas development plans to be net neutral by 2035 and 100% of the plans be net neutral by 2040.
3. Achieve Emissions Reductions from Well Plugging.
 - a. Establish a credit program for operators that plug and retire low producing wells.
4. Track and Reduce Truck Emissions from Oil & Gas Operations.
 - a. The State would track emissions from truck trips and require emissions reductions.
5. Study Alternative Uses of Oil & Gas Wells.
 - a. A study to change use of low producing, inactive, or orphaned wells.

Among the public suggestions in the oil & gas section to the Roadmap that

were not adopted by the State, was to “phase out upstream oil and gas permitting and/or production.” However, there is currently a legislative proposal to do this, and it will possibly end up on the Governor's desk for his signature or veto.

Gas and Electric Utility Regulation

The updated Roadmap anticipates significant changes in the regulatory structure of utilities. The goals outlined in the updated Roadmap would reduce the GHG footprint of utilities both relative to a 2005 baseline and by requiring planning for 100% carbon free electricity. There are also contemplated structural changes to how customers are charged.

The regulatory initiatives in the Roadmap require:

- Additional GHG emission reductions by covered utilities that would require a net decrease of GHG emissions of 95% by 2040 from a 2005 baseline.
- That covered utilities demonstrate how they could deliver 100% carbon free electricity by 2040.
- That the net decrease plan and the absolute reduction plan contain an affordability, equity, and workforce benefit analysis. The details of that analysis are not spelled out.

While utilities must perform some kind of affordability analysis when submitting plans to the Public Utilities Commission (PUC), the State has not conducted any analysis demonstrating the aggregate impact of any of the regulatory changes on customer bills.

The Roadmap seeks legislation to:

- Revise distribution planning requirements to promote additional deployment of distributed energy resources.
- Introduce equity in cost allocation and recovery for distribution system upgrades so that it reflects fairness and equity in customer billing. This appears to be similar to a plan considered by California utilities that would restructure billing in part based upon customer income.
- Change distribution planning to account for growth patterns, electrification, and other state policy goals. The planning would—among other things—consider EV growth and reducing GHG emissions, along with other pollutants.
- Require utilities to develop community solutions in disproportionately impacted communities that would increase renewable resources and energy efficiency.
- Address possible revisions to net metering including the development of a net metering transition strategy.
- Provide funding for the PUC to develop a process to reduce or avoid additional natural gas distribution. Under this funding, the PUC would provide additional transparency for natural gas distribution upgrades and promote decommissioning of existing gas

distribution with alternative technologies. The PUC would also draft new planning regulations.

- Reform the permitting process to allow for quicker development of clean energy projects.

The State's updated Roadmap, if implemented, would fundamentally change the energy portfolio of the State of Colorado and would also change how customers pay for their energy—and would significantly impact the State's fossil fuel industry. While much of the plan will require legislative or regulatory changes, the legislature is currently in session and some of what is contemplated in the Roadmap is under consideration. Industries potentially impacted by any of the policy reforms should engage at the legislature to try and shape legislation that impacts them. But just as importantly, they should be prepared to engage with state regulatory bodies to ensure their interests are considered when rules are being adopted.

Subscribe to get our Insights delivered to your inbox.

This publication is designed to provide general information on pertinent legal topics. The statements made are provided for educational purposes only. They do not constitute legal or financial advice nor do they necessarily reflect the views of Holland & Hart LLP or any of its attorneys other than the author(s). This publication is not intended to create an attorney-client relationship between you and Holland & Hart LLP. Substantive changes in the law subsequent to the date of this publication might affect the analysis or commentary. Similarly, the analysis may differ depending on the jurisdiction or circumstances. If you have specific questions as to the application of the law to your activities, you should seek the advice of your legal counsel.