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H.B. 264
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Passed by the House

Primary Sponsors: Reps. Pizzulli and Johnson

Local Impact Statement Procedure Required: No

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Highlights

- The bill expands the definition of a waste energy recovery system (WERS) to include facilities' use of steam from waste heat generated by a manufacturing process to power another manufacturing process.
- The expanded definition allows some steam-producing facilities to certify renewable energy credits (RECs) for sale to electric distribution utilities (EDUs) and competitive retail electric service (CRES) providers seeking to comply with Ohio's renewable portfolio standard (RPS).
- Minimal impact is expected to the overall price of RECs from the increased supply resulting from the bill. Therefore, the bill has a negligible effect on state and local expenditures for electricity.

Detailed Analysis

The bill expands the definition of a waste energy recovery system (WERS) to include facilities producing steam from waste heat generated by a manufacturing process. Under the bill, the steam produced can be utilized by the same facility or transferred to another to provide heat to a different manufacturing process, or to generate electricity. In general, a WERS placed into service or retrofitted on or after September 10, 2012, qualifies as a renewable energy resource under the state's renewable portfolio standard (RPS), if the WERS was not separately included in an electric distribution utility's (EDU's) energy efficiency portfolio program. The RPS requires specific annual benchmarks that EDUs and competitive retail electric service (CRES) providers

must meet regarding the proportion of electricity generated from renewable energy resources. For calendar year (CY) 2024, this proportion is 7.5% of electricity supply.¹

In order to meet these renewable energy requirements, EDUs and CRES providers often purchase renewable energy credits (RECs) from facilities generating electricity from renewable sources, which are sold on a megawatt-hour (MWh) basis and represent the compliance currency for Ohio's RPS. The bill would allow RECs to be certified in the aforementioned steam-producing facilities as a result of the energy savings realized from the steam's utilization in another manufacturing process, rather than limiting certification solely to the direct production of electricity.

Renewable energy credits

According to the most recent RPS Report to the General Assembly, compiled by the Public Utilities Commission of Ohio (PUCO) for CY 2022, EDUs and CRES providers retired over 7.2 million RECs to satisfy the 6.5% RPS compliance obligation for the year.² Waste heat accounted for roughly 11% of these retired RECs. Overall supply of RECs, however, far exceeded demand.

The total number of eligible RECs recorded through the two attribute tracking systems used by Ohio's EDUs and CRES providers for 2022 was over 25.4 million.³ The weighted average price of a REC retired by EDUs and CRES providers in 2022 was \$9.39, down from a recent high of \$13.54 in CY 2020. See the table below for additional details.

RPS Compliance Benchmarks, Average Price, and Total Supply by Year				
Year	RPS	Average Price per MWh	Mandated Demand (MWh)	Eligible Supply (MWh)
2019	5.28%*	\$9.16*	6,509,239*	14,567,822
2020	5.50%	\$13.54	6,027,768	15,707,491
2021	6.00%	\$12.29	6,709,511	20,424,493
2022	6.50%	\$9.39	7,204,421	25,476,767

*Prior to CY 2020, Ohio's RPS included a specific solar carve out within the compliance benchmark. Only the nonsolar requirement is displayed for CY 2019.

¹ R.C. 4928.64(B)(2).

² Source: PUCO RPS [Report](#) to the General Assembly for Compliance Year 2022.

³ Sources: PJM Environmental Information Services Generation Attribute Tracking System ([GATS](#)) and the Midwest Renewable Energy Tracking System ([M-RETS](#)).

Eligible RECs from WERS facilities accounted for nearly 1.7 million MWhs in 2023.^{4, 5} However, it is unknown to what extent these facilities currently utilize steam to save energy in manufacturing processes. At least one cokemaking facility in southern Ohio, however, lists a production capacity of approximately 450,000 pounds of superheated steam per hour and has expressed interest in receiving REC certification for the WERS definition authorized under the bill.⁶ A petrochemical plant close by benefits from some of this steam, powering their distillation process and decreasing the facility's reliance on nonrenewable energy sources.

The bill's expansion of the definition of WERS is expected to increase REC supply beyond what is certified in baseline law. The extent of that increase, however, is unknown. Although the price of RECs could decrease with the added WERS supply, WERS-related RECs represent only a small fraction of EDUs' and CRES providers' typical compliance strategy, and their impact is expected to be minimal on the overall average price of RECs in CY 2024 and years thereafter.

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⁴ Sources: PJM Environmental Information Services Generation Attribute Tracking System ([GATS](#)) and the Midwest Renewable Energy Tracking System ([M-RETS](#)).

⁵ Source: U.S. Energy Information Administration (EIA) [Form 923](#) for 2023.

⁶ Sources: Sponsor testimony for H.B. 264, House Energy & Natural Resources Committee – October 4, 2023 and SunCoke Energy Haverhill 1 & 2 Cokemaking Facility [Fact Sheet](#).