Maryland Energy Administration

Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

TO:	Members, House Economic Matters Committee
FROM:	Mary Beth Tung – Director, MEA
SUBJECT:	HB 708 - Comprehensive Climate Solutions
DATE:	March 4, 2021

MEA Position: Letter of Information

Comprehensive Climate Solutions excludes relevant state agencies from a new, energy sector employment working group, fails to include important metrics in a required study, and converts the state's largest peak demand mitigation program to an electrification program; most likely at great cost to ratepayers.

Pg. 11-13: Environment § 2-1301.1(a) through (c)
This section creates a Just Transition Employment and Retraining Working Group (Working Group) within the Maryland Commission on Climate Change to "[a]dvise the Commission on issues and opportunities for workforce development and training related to energy efficiency measures, renewable energy, and other clean energy technologies..." related to energy. The working group includes at least eight labor representatives, at least three industry representatives, but only two state agencies. **The exclusion of the state's energy office, the Maryland Energy Administration (MEA) and it's lead entity for the sighting of new energy generation assets, the Power Plant Research Program is conspicuous.**

MEA has and will continue to contribute significantly to workforce training. MEA's Maryland Offshore Wind Workforce Training Grant Program supports new or existing workforce training centers entering the offshore wind industry by providing financial support for investments or operating expenditures. Past awards include a $400,000 grant for Arcon Training Center in Salisbury, the first training center in Maryland to offer the Global Wind Organization Basic Technical Training Standard by completing the certification process for training providers. Since 2018, MEA has provided $625,000 in awards to the Jane Addams Resource Corporation, which provides construction trades training and other support to disadvantaged individuals entering the offshore wind and other industries requiring trained trades professionals.

MEA has also partnered with Business Network for Offshore Wind (BNOW) to advance offshore wind industry education in Maryland. Funded by MEA, BNOW developed a Maryland-focused Foundation to Blade (F2B) Training Course. **The F2B training program is designed to help Maryland businesses navigate their entrance into the offshore wind**

industry and local supply chain. MEA also sponsored the F2B training program in order to significantly reduce the cost of this training to Maryland businesses.

<u>Pg. 14: Environment § 2-1301.1(g)(4)</u>

The Working Group is prescribed a host of responsibilities, including producing a report due by Nov. 15, 2023 that include "[t]he number of jobs created to counter climate change, including in the energy sector, building sector, transportation sector, and working lands sector." **Unfortunately, solely looking at new jobs created produces an incomplete picture, and may signal overall benefits where none exist. *Net jobs created* is the proper metric.** The Working Group is formed under the premise that there will be a transition from existing jobs/fields to new, clean energy jobs/fields. Undeniably so, but the jobs that are lost due to this forced transition must be accounted for as well.

<u>Pg. 23: Natural Resources §8-1937(B)</u>

The Maryland Justice Climate Corp is directed to "In developing clean energy infrastructure and educational programs, the Trust and the Corps Board shall…and cooperate with the Maryland Clean Energy Center" (MCEC). **As Maryland's state energy office and the implementer of a number of successful existing energy programs, it is appropriate that the MEA be the entity to serve in this capacity**.

MCEC was originally intended to be a self-sufficient quasi-governmental organization. However, MCEC has not been able to achieve self-sufficiency over its lifetime, and it has often modified its mission in an effort to find its footing. From FY09-15, MCEC received loans from MEA totaling $1.3 million. Those loans were not repaid, but rather expunged in FY18 per statute. From FY16-20, MEA has provided additional grants and statutory transfers to MCEC of more than $3 million. Following the scheduled FY22 transfer, MCEC will have received $10 million or more in transfers from MEA, and under HB 419 (2021), MCEC is now guaranteed a continuous, permanent stream of state funding via MEA. **MCEC's attention and resources should be concentrated on its current mission and efforts, rather than diluting those efforts as MCEC continues to strive for self-sufficiency.**

<u>Pg. 24-26: PUA § 7-211</u>

This section of law created the EmPOWER program. It was created as a demand response program, designed for the reduction of peak demand "to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized." In other terms, this was a resilience measure that could also reduce costs to ratepayers. You needn't look further than Texas or California to see the negative, expensive, and even deadly effects that high demand and poor resilience can have on an electricity grid. This is why EmPOWER is needed as a peak demand reduction vehicle.

The referenced section of the bill will have the opposite effect. The bill abandons "efficient use and conservation of energy" in favor of a singular solution: electrification. **This policy will likely have a significant chilling effect on efficiency measures**. Whereas the replacement of a household item for energy efficiency and cost savings can be affordable, especially when accompanied by EMPOWER discounts. **However, replacing the same appliance, but requiring switching from natural gas to electricity would require significant plumbing and electrical work.** The high cost of conversion likely limits adoption, and since efficient natural gas appliances could no longer be incentivised under the bill, customers are likely to continue operating their less efficient appliances. **The new EmPOWER objectives also completely ignore the option of certified or renewable natural gas, just as Maryland begins to develop those markets. This outcome is completely counter to the presumptive intent of the sponsors**.

The EmPOWER program's benefits have outweighed the costs, but the costs are considerable. **The monthly fee to ratepayers is often a source of complaints received by MEA, and the EmPOWER debt owed by ratepayers is currently estimated to be more than $800 million. This bill would likely exacerbate this by providing greater reduction targets for electric utilities while simultaneously incentivising increased demand via electrification efforts.**

MEA urges the committee to consider the proceeding prior to issuing its report.