



March 6, 2024

Environment and Transportation Committee  
House Office Building  
Room 251  
Annapolis, Maryland 21401

**IN RE:** *HB 1279 “An Act Concerning Maryland Building Performance Standards – Fossil Fuel Use ...” (Better Buildings Act of 2024)*

Dear Chair Korman, Vice Chair Boyce, and Members of the Committee:

The American Petroleum Institute (API)<sup>1</sup> opposes a ban on the use of fossil fuels in new building construction and encourages the legislature to preserve consumer choice with respect to heating options. The comments that follow are specific to the bill’s requirement that “[on or before October 1, 2025 ... the Department shall adopt ... a requirement that new buildings meet all water and space heating demands of the building without the use of fossil fuels].” Policymakers should appreciate the value natural gas has demonstrated in reducing emissions as well as the pivotal role this fuel can play in ensuring a diverse and reliable fuel mix while facilitating the state’s energy transition. API believes legislative and regulatory efforts to ban natural gas use are premature and not prudent. While API understands the desire to act, we believe that effective and equitable environmental policy must be flexible and technology neutral, allowing residents to choose the solution which works best for them.

#### ***Consumers Should Have Right to Choose***

A prudent public policy provides consumers with options. Competition is imperative to protect consumers while driving innovation, ingenuity, and progress. Policymakers should not pick winners and losers but should allow resources and technologies to compete. Free market policies provide the consumer with options to select what best fits their unique requirements. An all-electrification requirement, as contemplated in HB 1279, would remove natural gas from the heating markets, stripping the consumer of the right to select the heating fuel that best suits their needs. A ban on natural gas represents the worst type of policy because it effectively affords consumers only one option – electricity. The state should not develop a policy which allows for just one option and instead should embrace a diverse portfolio of resources, fuels, and technologies.

#### ***The Role of Natural Gas in Balancing the Grid and Reducing Emissions***

A move to all-electric heating will leave Maryland residents at the mercy of a power grid that is increasingly reliant on intermittent resources. The state should strive for a diversified portfolio of energy resources, and lawmakers should thoroughly assess the grid impacts that could result from comprehensive economy-wide electrification efforts.

Broad electrification could negatively impact the power grid. Policymakers should fully and carefully consider the grid impacts that could result from the changing magnitude and pattern of load associated with electrification. In recent years the state has forwarded policies and incentives to advance electrification in the transportation and building sectors by encouraging electric vehicles as well as home appliance and heating conversions. These policies can increase the demand for electricity significantly with no corresponding assurances that there will be sufficient resources in place to meet this incremental demand. This means that the state may be forced to rely on the use of older and less efficient power plants and import electricity from other regional power systems that may also utilize less efficient power plants.

Building new and efficient gas-fired power plants can provide a pivotal solution that is currently being challenged by plant retirements and growing demand for electricity. The PJM Interconnection (PJM), which operates the wholesale electric grid serving Maryland (and all or parts of 12 other states plus Washington, D.C.), wrote in a recent letter that the deactivation of certain power

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<sup>1</sup> The American Petroleum Institute represents all segments of America’s natural gas and oil industry, which supports more than 11 million U.S. jobs. Our nearly 600 members produce, process, and distribute the majority of the nation’s energy. API members participate in API Energy Excellence, through which they commit to a systematic approach to safeguard our employees, environment, and the communities in which they operate. Formed in 1919 as a standards-setting organization, API has developed more than 700 standards to enhance operational and environmental safety, efficiency, and sustainability.



plant units in the state “will adversely affect the reliability” of the power grid.<sup>2</sup> Furthermore, PJM has approved \$5 billion in new substations and power lines in order to avoid the violation of transmission standards and a recognition of potential increased demands for electricity.<sup>3</sup> PJM also specifically cited electricity demand growth from electrification as a key trend that could increase reliability risks in the coming years, and noted that “if more natural gas capacity achieved commercial operation, it could help avoid reliability issues.”<sup>4</sup> Additionally, PJM has recently requested that certain fossil fuel “generating units in Maryland” delay retirements to help maintain bulk power system reliability and “mitigate reliability impacts.”<sup>5</sup>

Additionally, moving to all-electric heating requirements without any new baseload power plants could result in more emissions rather than less.<sup>6</sup> It would be prudent for the state to encourage the construction of new highly efficient gas-fired power plants as these facilities would reduce the use (and likely hasten the retirement) of older, higher-emitting and more expensive power plants. The dispatchability and flexibility of natural gas-fired power plants allow them to complement the sometimes-variable output of wind and solar facilities. The state should not pass any bill that stigmatizes or bans the use of natural gas. Rather, policymakers should encourage the use of natural gas to facilitate the integration of renewables.<sup>7</sup> Additionally, natural gas has long been valuable in reducing emissions from the power sector and ensuring a reliable system while providing reserve and regulation support.<sup>8</sup>

### ***A Ban Inappropriately Closes Door on Prospect of Renewable Natural Gas and Emerging Technologies***

API and its members are committed to delivering solutions that reduce the risks of climate change while meeting society’s growing energy and electricity needs. The industry is investing in the development of cleaner fuels including renewable natural gas and hydrogen. A fossil-fuel free building requirement creates a disincentive for investment in these promising technologies.

### ***Unintended Consequences***

Legislators should also recognize that moving the state to electric heat and heat pumps can have the unintended consequence of incentivizing customers to purchase and use backup generators that run on fossil fuels. The state must first understand and appreciate the potential economic and environmental consequences of additional backup generators before pursuing a future of only electric heat in new construction.

### ***Cost***

Good public policy considers cost impacts on consumers, especially those in overburdened communities. All-electric legislation will likely increase costs. According to research conducted for the National Association of Home Builders, all-electric homes cost more upfront in comparison to gas homes.<sup>9</sup> Specifically, for new construction the estimated electrification costs for an electric reference house in Baltimore compared to a baseline gas reference house ranges from just under \$4,000 to over \$14,000.<sup>10</sup>

### ***Conclusion***

For the reasons outlined above, API respectfully ***opposes HB 1279***, which removes consumer choice and effectively bans the use of all fossil fuels in new building construction. Thank you for considering these comments, and please feel free to follow up with Michael Giaimo (giaimom@api.org or 603.777.0467) should you have any questions.

<sup>2</sup> See <https://www.pjm.com/-/media/planning/gen-retire/deactivation-notices/pjm-response-letter-wagner.ashx>.

<sup>3</sup> See <https://pjm.com/-/media/committees-groups/committees/teac/2023/20231205/20231205-pjm-teac-board-whitepaper-december-2023.ashx>.

<sup>4</sup> See <https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>.

<sup>5</sup> See <https://insidelines.pjm.com/pjm-working-to-mitigate-reliability-impacts-of-retiring-wagner-units/>.

<sup>6</sup> As a point of reference, technological improvements over the past decade have reduced the carbon emission rate of new gas plants by 12 percent, which means that over the course of a year, a typical baseload gas plant built in 2020 emits 170,000 tons less carbon than one built in 2009.

<sup>7</sup> Natural gas combusted on-site is currently cleaner per unit of energy than electricity from the grid because of the energy losses occurring during the generation, transmission, and distribution of electricity. See City of New York Mayor’s Office of Sustainability, *One City Built to Last: Transforming New York City Buildings for a Low-Carbon Future*, 34 (2016).

<sup>8</sup> The electric generation sector has significantly decreased greenhouse gas emissions. Emission reductions in this sector are greater than any other sector of the economy. Using data from the U.S. Energy Information Administration, API estimates that carbon emissions from New York’s power generation sector have plummeted 56 percent since 2000. Most of this decline can be attributed to the switch from coal and oil to natural gas. See also The North American Electric Reliability Corporation, the standard bearer for reliability of the continent’s bulk power systems, concluded that flexible, fast-ramping natural gas generators will be needed to maintain reliability as intermittent renewable resources become more prevalent.

<sup>9</sup> See <https://www.nahb.org/-/media/NAHB/nahb-community/docs/committees/construction-codes-and-standards-committee/home-innovation-electrification-report-2021.pdf>.

<sup>10</sup> *Ibid*. These numbers reflect the ranges associated with the low- and high-reference cases contained in this study.