



SIERRA CLUB

MARYLAND CHAPTER

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Committee: Education, Energy, and the Environment
Testimony on: SB 0434, Empowering New Energy Resources and Green Initiatives
Toward a Zero-Emission (ENERGIZE) Maryland Act
Position: Favorable with Amendments
Hearing Date: February 20, 2025

The Maryland Chapter urges a favorable with amendments report on SB 434, the ENERGIZE Act. The Chapter appreciates the intention behind SB 434 to increase carbon-free and clean energy sources in the state, while also having significant concerns about the focus on new nuclear energy deployment.

Maryland has established strong clean energy goals and a variety of policies to drive clean energy deployment, but current policy is not sufficient to put us on track to meet our goals. Creating a holistic strategy to growing clean energy in Maryland can improve reliability, provide affordable rates, and create economic growth for the state.

100% Clean Energy Goal

The Sierra Club shares the goal of achieving 100% renewable generation (what we produce in state), and supports the further codification of Governor Moore's commitment to reaching this goal by 2035 through the declaration at the beginning of SB 434. Clean energy deployment is critical for achieving Maryland's climate goals – including a 60% reduction in greenhouse gases by 2031 and a 100% reduction by 2045 – but Maryland is falling behind. Maryland should continue to employ a variety of strategies to accelerate clean energy deployment to meet its energy needs and clean energy and climate goals.

Solar Energy

Solar energy is an essential component of Maryland's strategy in transitioning the state to clean renewable energy. Accordingly, through the Clean Energy Jobs Act (2019), Maryland set the statutory target of achieving 14.5% of the state's electricity consumption from solar generation by 2030, and has reaffirmed its commitment through the 2023 Climate Pollution Reduction Plan. Unfortunately, Maryland is falling far short of achieving its annual solar energy targets.

There are a variety of factors hindering the rate of solar growth, including the PJM queue, the SREC/ACP value, and local zoning. It is clear that our financial incentive structure and regulatory framework must be adjusted to accelerate solar deployment. The Chapter supports legislative opportunities to better incentivize increased deployment of solar in order to reach the state's goals and help address the climate crisis, and appreciate that SB 434 seeks to find a solution to address this challenge.

The legislatively set Alternative Compliance Payment (ACP) currently functions to create a ceiling for the value of the Solar Renewable Energy Credit (SREC). At the set price, a utility will pay an ACP instead of procuring solar energy and the associated SREC. Maryland already has a low SREC value compared to surrounding states, and current law would have the SREC value decrease in the coming years.

SB 434 would freeze the price of the ACP at the 2024 level, which is 6 cents per each kilowatt-hour of shortfall. Freezing ACPs is the minimum first step needed to rightsize incentives and support solar deployment in Maryland. However, it is important to note that the current ACP has not proven sufficient to deploy the necessary level of solar to meet our solar energy targets.

The Sierra Club believes a new approach is needed to provide adequate incentives to support further solar deployment in Maryland. The Committee should seriously consider additional actions to meet the goals, including adopting the Solar Renewable Energy Credit II (SREC-II) model proposed in SB 316, the Abundant Affordable Clean Energy (AACE) Act.

Offshore Wind Energy

Maryland has set an ambitious target of 8.5 GW of local offshore wind (OSW) development by 2031 through the Clean Energy Jobs Act and POWER Act. OSW has potential to meet a significant share of Maryland's energy demand, provide good-paying jobs to Marylanders, and support public health by displacing dirty, polluting sources of energy.

To achieve its offshore wind goals, Maryland should use a combination of market incentives and power purchase agreements to develop the market for OSW projects off the coast of Maryland. Maryland utilizes a creative financial tool called an offshore renewable energy credit (OREC) to incentivize OSW. SB 434 removes the existing OREC cap, instead allowing the PSC to set an appropriate cap. This will provide the PSC with the flexibility to weigh all of the costs and benefits of the project. For example, an offshore wind project might require new transmission which also brings a financial benefit to the grid overall. The PSC should employ a rigorous process to protect ratepayers from high prices.

Nuclear Energy

SB 434 renames the "renewable energy portfolio standard" to be the "clean energy portfolio standard" and defines nuclear energy as a clean energy resource under the new standard. It also alters the minimum required percentage of energy that must be derived from clean energy sources, adjusting the current RPS targets.

SB 434 also establishes a process for the PSC to review and approve an application for new nuclear energy generation projects, and to set a "long term pricing schedule" by which Maryland ratepayers would be subsidizing these projects.

Sierra Club is neutral on adjusting the current RPS target to recognize existing nuclear – Calvert Cliffs reactors – as a current carbon-free energy source in Maryland, if it truly is just functioning as an accounting tool. While the Club recognizes the continued need at this time to operate the

Calvert Cliffs reactors, as discussed in our testimony on the AACE Act (SB 316), we oppose the State incentivizing and facilitating *new* nuclear energy as an energy source.

New nuclear development is expensive and would increase financial risks to Maryland consumers. Nuclear power is two to six times more costly per megawatt-hour than wind and utility-scale solar, and new nuclear plants can take twice as long to come online.¹

There are many recent examples of attempted nuclear deployment around the country that highlight the expense and delays. For example, the Vogtle nuclear project in Georgia started in 2009 with a predicted cost of \$14 billion. When the final unit started operation in 2024, 16 years later, it had a price tag of more than \$35 billion.² In another recent example, NuScale's small modular reactor project for a small municipal utility in Utah and Idaho saw costs balloon from \$4.2 billion in 2018 to \$9.3 billion in 2023, before being canceled.³

Amendments to Support Renewable Energy Solutions

The General Assembly has many opportunities this session to pass legislation that supports the deployment of solar, wind, battery storage, and energy efficiency – energy solutions that are ready, affordable, and effective today and can be implemented more quickly to address Maryland's energy needs.

In addition to the SREC-II model from SB 316, the Committee should strongly consider other amendments to include components of that bill. The Sierra Club would especially like to see the addition of SB 316's provisions on battery storage procurement and OSW transmission, combined with ratepayer protections and labor standards.

The Sierra Club applauds the efforts to continue to move Maryland towards reaching its existing renewable energy goals and increased deployment of clean energy in the state. The ENERGIZE Act, SB 434, represents one component of this effort. We recommend a favorable with amendments report on the ENERGIZE Act, removing the provisions about new nuclear deployment and adding amendments on OSW transmission and additional incentives for battery storage and solar deployment, as included in SB 316.

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¹ Lazard, "Levelized Cost of Energy: Version 16.0." 2023. <https://www.lazard.com/research-insights/2023-levelized-cost-of-energyplus/>

² Bright, Zach, "After Vogtle, what's next for nuclear?" April 30, 2024, E&E News, <https://www.eenews.net/articles/after-vogtle-whats-next-for-nuclear/>

³ Ramana, M.V., "The collapse of NuScale's project should spell the end for small modular nuclear reactors," Utility Dive, Jan 31, 2024. <https://www.utilitydive.com/news/nuscale-uamps-project-small-modular-reactor-ramanasmr-/705717/>