



## Senate Bill 256

Date: February 13, 2025

Committee: Senate Education, Energy, and the Environment

**Position: Opposed**

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Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 256 (SB 256) seeks to add an alternative compliance fee for buildings that fail to meet Energy Use Intensity (EUI) standards in the state's Building Energy Performance Standards regulation (BEPS). It also includes the addition of an annual reporting fee building owners must pay when submitting their emissions data to the Maryland Department of the Environment (the Department). Lastly, SB 256 seeks to deposit any alternative compliance fees received into the Maryland Strategic Energy Investment Fund.

### Energy Use Intensity Standards

The Chamber is concerned over the broad application of EUI targets, which could place undue burdens on businesses, particularly in industries where building energy use is heavily influenced by factors beyond the control of the property owner. SB 256 lacks clarity regarding how alternative compliance fees will be calculated, as there is not a proposed fee or a cap outlined in the legislation. This presents significant financial uncertainty for building owners. While the legislation as introduced does not propose an alternative compliance fee, discussions with the Department have indicated that they are considering a fee of five cents per kBtu/sq ft (also likely tied to inflation), which would be excessively high.

Additionally, an amendment to the Governor's budget during the 2024 legislative session requires the Department to delay finalizing EUI standards until benchmarking data on current building performance is collected, with building owners required to submit initial reports by September 1, 2025. The Department plans to propose final EUI standards through regulation in 2027. Given that the standards are not yet established and the benchmarking data is still pending, it seems premature to introduce an alternative compliance fee for EUI. Without knowing the final EUI standards, building owners cannot accurately assess the cost implications or plan effectively for compliance.

Overall, the Chamber remains concerned about the future inclusion of EUI standards as mandatory, despite their temporary removal. Instead, we believe EUI should be used as a reporting target to track building efficiency, aligning with the Climate Solutions Now Act and maintaining focus on net direct greenhouse gas emissions.

### Reporting Fee

SB 256 introduces an annual reporting fee that building owners must pay to the Department when submitting their emissions data, with the fee intended to cover administrative costs. However, the legislation does not specify the amount of this fee, creating uncertainty for building owners about this additional cost and what the financial impact could be. Even if the fee is set at a low amount, building owners are concerned about the additional burden of yet another cost on top of the significant expenses required to comply with BEPS.

### **Alternative Compliance Fees Directed to SEIF**

SB 256 proposes directing alternative compliance fees paid for both greenhouse gas emissions and EUI to the Strategic Energy Investment Fund (SEIF), which is managed by the Maryland Energy Administration. We believe that any fees paid by building owners for failing to comply with greenhouse gas emissions and/or EUI standards should be reinvested into supporting those same building owners to help offset the significant cost of compliance. As introduced, SB 256 does not specify how the funds will be used once deposited into SEIF.

According to a 2023 study by the U.S. Department of Energy's Lawrence Berkeley and Pacific Northwest National Laboratories, the total cost of implementing BEPS (2025-2040), which includes \$8.8 billion for efficiency measures and \$6.4 billion for electrification, will exceed the energy savings of \$8.96 billion anticipated during that same period<sup>1</sup>.

While the Chamber supports sustainable goals, our primary concern lies in the increased cost burden that will be felt by businesses and consumers. Our goal is to ensure that the BEPS regulation is clear and achievable, allowing businesses, building owners, electricity consumers and energy providers to comply efficiently – without undue burden and significant, unmanageable cost increases.

For these reasons, the Chamber respectfully requests an **unfavorable report** on SB 256.

