Maryland Energy Administration

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

TO: Members of the House Economic Matters Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB0395
DATE: February 20, 2020

MEA POSITION: Letter of Information

Chairman Davis & Members of the Committee,

House Bill 395 will severely limit the ability of the Maryland Energy Administration (MEA) to incentivise the deployment of solar, wind, geothermal, and other clean energy technologies. It also may risk existing climate change programs within the Maryland Department of the Environment (MDE). House Bill 1176, Agriculture - Maryland Healthy Soils Grant Program promises a similar outcome as this bill, but without the risk of a detrimental impact on renewable energy development programs within MEA.

Funding Background:

The Regional Greenhouse Gas Initiative (RGGI) is the first mandatory market-based program in the United States to reduce greenhouse gas emissions. RGGI is a cooperative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont to cap and reduce CO_2 emissions from the power sector.

States sell nearly all emission allowances through auctions and invest proceeds in energy efficiency, renewable energy, and other consumer benefit programs. These programs are spurring innovation in the clean energy economy and creating green jobs in the RGGI states.

In Maryland, those funds are deposited in the Strategic Energy Investment Fund (SEIF) administered by the MEA. RGGI auction proceeds have historically been the greatest contribution toward the SEIF, and In FY19 MEA administered nine individual programs through this funding mechanism, and further funded six other programs.

Total Expense:

House Bill 395 requires a minimum transfer of at least $1,000,000 each fiscal year. In reality, that amount may be significantly greater than $1 million each year. Using the most recent four RGGI auctions as a barometer MEA would have to transfer $1.45 million per year. In the 1-year where the highest RGGI revenue was received, that number jumps to $2.14 million.

The SEIF revenue is variable and it has been reduced significantly from where it once was. Additional burdens upon the SEIF risk the future viability of existing MEA programs and potentially programs in other agencies. Additionally, the State has previously come under scrutiny for its allocation of RGGI proceeds in comparison to other RGGI participating states, with other states using a greater portion of the funds for energy efficiency and renewable generation development. This bill may exacerbate those complaints and cause the continued dilution of renewable generation funding through MEA.

Efficient & Effective Use of RGGI Dollars:

The kind of carbon sequestration achieved through the healthy soils program may not be as valuable for carbon emission reductions as existing MEA programs that are funded from the same sub-account this legislation proposes to utilize. That sub-account also is used to fund other environmental programs administered by the Maryland Department of the Environment.

The bill requires a large transfer of funds each fiscal year, in perpetuity, without the typical oversight that is required of MEA programs. By law MEA creates an annual report that lists each SEIF-funded grant individually as line item. MEA invites this transparency and prides itself on it. The annual report means that MEA is consistently evaluating and improving its programs. This helps to ensure ever-growing efficiency in the use of SEIF funds.

No Interdepartmental Requests

The Department of Agriculture has not approached MEA with concerns that the Healthy Soils Program is in any way failing or unsuccessful. That Department has made no request for funding from the SEIF or for other assistance through MEA. Additionally, it appears MDE was not consulted on the potential negative impact this bill may have on its current climate change programs.

Respectfully submitted,

/s/

Mary Beth Tung
Director, MEA