



March 4, 2020

The Honorable Kumar Barve, Chair
House Environment and Transportation Committee
House Office Building, Room 251
6 Bladen St., Annapolis, MD 21401

Support w/ Amendment – HB 1490 – Building Performance Standards – Greenhouse Gas Emission Reduction Targets

Dear Chair, Barve and Committee Members:

The NAIOP Maryland Chapters representing more than 700 companies involved in all aspects of commercial, industrial and mixed-use real estate supports the concepts House Bill 1490 is pursuing but believes a larger conversation is necessary to develop a pathway to a lower carbon building sector.

House Bill 1490 has two main functions. First, it creates a building energy use reporting requirement for buildings of 25,000 square feet and larger - energy benchmarking. Benchmarking programs are one way to develop a baseline of energy use against which to measure future reductions. Second, the bill establishes greenhouse gas reduction requirements for existing buildings of 40% from a 2006 baseline by 2030 and 80% by 2050. 75% of those reductions must be met by on-site measures.

Commercial real estate has shown a strong commitment to advancing building performance and reducing greenhouse gas emissions.

- In 2009, the leading commercial real estate companies in the US signed on to ULI Green Print and made a commitment to reduce energy use 50% by 2030. The portfolios of those leading-edge companies are projected to reach a 40% reduction this year.
- Maryland is perennially in the top 10 states for high-performance LEED certified construction.

Significant reductions in energy use and building related emissions have been achieved since 2006.

- Maryland's energy codes for new construction have increased energy efficiency in new conventional buildings by 40% since 2006 – LEED construction achieved higher levels of efficiency.
- According to MDE's greenhouse gas emissions inventory, the building sector – new and existing buildings - reduced emissions 18% between 2006 and 2017.

We know that the building sector and others need to do more to advance Maryland's climate goals. But the level of effort needed to achieve the progress made to date is an indicator of the challenges ahead. We believe there should be a broader conversation about what a pathway to deeper carbon reductions within the building sector looks like and how to align it with the state's climate strategies. Items to consider:

1. Benchmarking used in the bill is a common energy accounting and reporting methodology but it will cause hundreds of thousands of building owners to collect and remit data on electricity use in a way that does not align with how MDE accounts for carbon emissions in the building sector. Currently MDE assigns emissions from electricity generation to the utility sector.
2. A building by building reduction requirement will require adoption of energy efficient technologies which may be more effective in reducing *energy* use than in reducing greenhouse gas emissions. Current climate strategies seek deep carbon reductions through targeted electrification and efficiency measures. At least for the near term, reducing emissions rather than energy use intensity may be an appropriate priority.

3. Meeting the mandated reductions will require immense capital investment yet operate independent of the state's Climate Commission and Green House Gas Reduction Plan. This means the spending required this bill would not be subject to the economic benefit analysis applied to plan elements.
4. Retrofitting buildings at this scale will mean expanding and redirecting current incentive programs to improve the adoption rate of practices that do not generate a return on investment.

As you may know, the District of Columbia New York City and Montgomery County are currently crafting building decarbonization programs. Each is based on different approaches. NAIOP members are engaged in those efforts and expect best practices and lessons learned in those jurisdictions to provide some guidance to what Maryland might do on a state-wide basis.

Sincerely,

A handwritten signature in blue ink, appearing to read "T.M. Ballentine", is written over a faint, light blue circular stamp or watermark.

Tom Ballentine, Vice President for Policy
NAIOP Maryland Chapters -*The Association for Commercial Real Estate*

cc: House Environment and Transportation Committee Members
Nick Manis – Manis, Canning Assoc.