Note:

These additional letters were submitted in support of SB 737 for the Senate EHEA Committee

November 11, 2020

Mr. Ben Grumbles
Secretary of the Environment
State of Maryland

Re: Proposed Changes to the Comprehensive Conservation Finance Act

Dear Secretary Grumbles:

Corvias has become aware of proposed changes to state policy that could stimulate more investments in and partnerships for clean water in Maryland through a comprehensive conservation finance proposal, and we support those changes. Great strides forward have been made, specifically in Prince George's County with the Clean Water Partnership Community-Based P3, bringing local jobs and economic stimulus to County residents via local clean water infrastructure improvements and reducing the impact on Chesapeake Bay. Over the last 20 years, Corvias has formed 32 partnerships with the Department of Defense, colleges and universities, and municipalities to solve their infrastructure and facilities challenges. Our partnerships are projected to generate over 10 billion in savings and returns to our public partners.

The proposed financial changes, specifically Pay for Success contracts for drinking water and clean water infrastructure, provide clear paths to flexible ways of funding the future of the programs, which bring environmental justice and equity to the residents of Maryland. Reauthorization of the Clean Water Commerce Act, legislation that placed Maryland at the forefront of conservation in the nation, will positively restructure how the program can contract to purchase water-quality related environmental outcomes. The process also provides a sense of stability for outside private investors. In addition, the proposed changes are more inclusive to attract the agricultural industry, who can participate for the first time, and further strengthen regional water quality outcomes.

Corvias has been a part of the Maryland success story through our Clean Water Partnership with Prince George's County, that today exceeds $300M in water infrastructure investments. Our initial $100M large scale pilot project has led to significant cost savings and local contractor growth through a focus on mentorship and efficiencies of scale. The proposed legislative changes would expand the State of Maryland's ability to apply what has worked, improve the procurement process by bringing the State's purchasing power to local cities or counties, and encourage additional private financing or public-private financing partnerships. Conservation investing continues to grow, and public policy through the refinement of CCFA is an important step to continued clean water benefits.

Sincerely,

Sean Agid

Sean Agid
Corvias, LLC
Partnership Development
www.thecleanwaterpartnership.com

February 23, 2020

The Honorable Paul G. Pinsky, Chair
The Honorable Cheryl C. Kagan, Vice Chair
Maryland Senate Education, Health,
and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen St., Annapolis, MD 21401 – 1991

Re: SB0737 The Comprehensive Conservation Finance Act of 2021

Dear Chairman Pinsky, Vice Chairwoman Kagan, and Members of the Committee:

Hannon Armstrong is the first U.S. public company solely dedicated to investments in climate solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets such as ecological restoration. Our company has made approximately $45 million of direct investments in ecological restoration, with the majority invested in Maryland. We strive to invest in excess of $100 million in ecological restoration assets each year beginning in 2021.

With this letter, I would like to thank you for your sponsorship of the bill. The CCFA appropriately recognizes the role of private investment from companies like Hannon Armstrong in accelerating measurable environmental benefits. As outlined in more detail below, the proposed CCFA legislation will serve to 1) bolster ecological restoration demand; 2) improve transaction efficiencies; 3) increase investment in ecological restoration and; 4) reduce the cost of financing these critical infrastructure improvements.

Bolstering Ecological Restoration Demand
Government policy can encourage private investment by signaling consistent and dependable demand for conservation outcomes. By authorizing Pay-for-Success as a competitive procurement practice, the CCFA creates the opportunity for the state to buy completed environmental outcomes. If private companies perceive the state as a predictable buyer of environmental commodities, companies will start investing in the delivery of water quality and similar outcomes in advance of the state's need. Additionally, the proposed policy changes make it more likely that Counties and Municipalities adopt Pay-for-Success contracting structures. Pay-for-Success contracts can increase positive environmental outcomes while reducing the cost of the infrastructure improvements to Marylanders. More restoration projects will increase local jobs and increase the health of the bay economy.

Improving Transaction Efficiencies Critical to Market Expansion
The CCFA seeks to improve transaction efficiency in several ways. By defining "environmental outcome" as a commodity, it creates a way for agencies to use commodity or supply contracting authorities, which should dramatically simplify the paperwork. This can save on legal costs for the government, ecological restoration service companies, and lenders. Additionally, the legislation encourages the formation of public-private partnerships to aggregate projects for carbon market offset sales. Given the importance of scale for successful carbon development projects, aggregation is critical to reducing transaction costs. The Green Infrastructure and Restoration Task force recommended by the CCFA is, among other things, tasked with identifying overlapping areas of state and local procedures that could be simplified to make restoration easier. Similarly, the working group on carbon offset sales is charged with reducing barriers for Maryland landowners to participate in growing carbon markets.

Increasing Investment in Ecological Restoration
Currently, local governments are tasked with complying with the impervious surface remediation requirements. Many local governments use cash from stormwater fees collected on an annual basis to fund one-off RFPs for restoration credits. It is extremely inefficient to have dozens of different mitigation purchasers paying cash for ecological restoration from stormwater fees. Instead, local governments should leverage finance to perform much larger projects today that can be paid for using the future stream of stormwater fees collected. Ecological infrastructure assets are durable, long dated assets that generate benefits for Marylander for many generations. For example, the useful life of a restored stream or a protected wetland, if property maintained can be indefinite. Governments should pay for these assets the same way that governments fund other long-dated infrastructure assets such as roads. These assets should be financed over a long period of time which will help increase the amount of remediation projects that can be implemented today. Maryland should leverage the power of financing to invest in the health of our bay ecosystem today instead of doing one-off projects on an annual basis. The CCFA encourages longer tenor financing structures to enable more rapid outcomes.

Reduce the Cost of Financing These Critical Infrastructure Improvements
Maryland has committed significant public financial resources toward safeguarding the Chesapeake Bay. However, public funding is limited and will be stretched even further to keep up with the growing need in the current economic environment. Markets that encourage conservation and support ecosystem functions on private lands are critical to protecting the Bay and safeguarding natural resources and community health throughout Maryland. Billions of dollars are now flowing into sustainable and green investment initiatives and that flow has not stopped during this pandemic. Hannon Armstrong is a global leader in issuing Green Bonds to attract investment in positive environmental outcomes. We think the changes proposed in the CCFA draft will help Maryland become a leader in the region—and perhaps the country—in attracting private conservation investment. Maryland would be the first state in the country to introduce comprehensive legislation like this and we hope others will follow its lead.

In closing, I urge your support for the CCFA, which is another example of Maryland's leadership on conservation. Thank you for your consideration and please feel free to call me at 410-991-5150 if you would like to discuss further.

Sincerely,

Jeff Eckel
Chairman & CEO
Hannon Armstrong

CC:
Senator Jim Rosapepe
Senator Guy Guzzone
Senator Sarah Elfreth
Senator Will Smith
Senator Ron Young

February 18, 2021

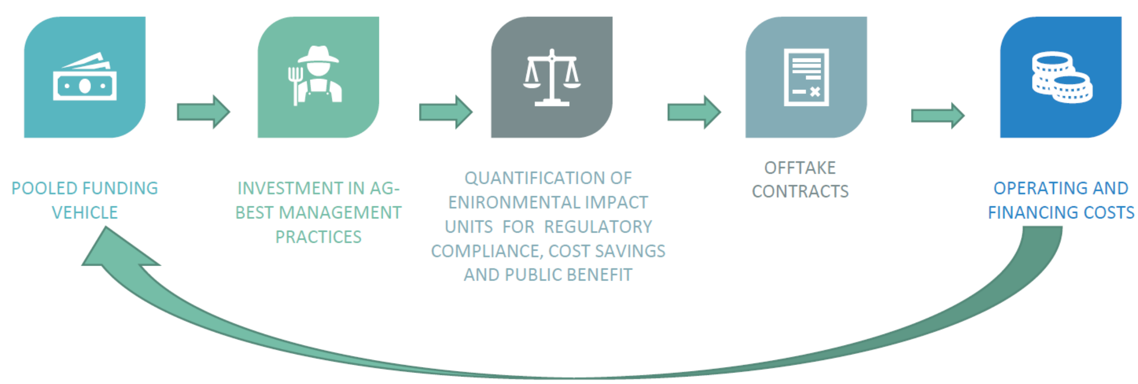
The Honorable Paul G. Pinsky, Chair and
The Honorable Cheryl C. Kagan, Vice Chair
Maryland Senate Education, Health, and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen St., Annapolis, MD 21401 – 1991

Re: SB0737 The Comprehensive Conservation Finance Act of 2021

Dear Chairman Pinsky, Vice Chairwoman Kagan, and Members of the Committee,

i2 Capital is a conservation finance firm that works at the intersection of public and private sectors to advance innovative solutions that bring additional private capital to bear on the conservation challenge. As part of that work, i2 Capital designed and operates the Revolving Water Fund (RWF), a funding mechanism that invests in natural infrastructure solutions (e.g. conservation projects on agricultural properties) that provide water quality benefits to surrounding communities and downstream water bodies.

The RWF model, developed in the Delaware River Watershed with funding from an NRCS Conservation Innovation Grant, the William Penn Foundation, Dupont, the Bunting Family Foundation and i2 Capital, is at once a finance, governance, and operating mechanism. The RWF aligns natural infrastructure development practices with compliance guidelines (in this case PADEP offset rules), to deliver "full-service" quantified pollution reductions (sediment, nitrogen, phosphorous) to regulated MS4s. Contracts include long-term operating and maintenance commitments and manage for non-compliance risk. Importantly – MS4 "offtake" of such reductions under Pay-for-Performance contracts, is triggered by receipt of regulatory approval, thereby reducing regulatory risk for the RWF's regulated partners, while providing a ready on-ramp for adoption of such price-efficient contract practices.



The RWF has now executed pilot contracts with three municipalities: (i) the City of Newark, DE; (ii) Kennett Township, PA; and (iii) East Marlborough Township, PA. Each of these contracts reflects close working partnerships with regulators, MS4s, conservation experts and engineers, supported by RWF's deep expertise in finance, legal and regulatory realms.

We believe that the RWF model reflects a material breakthrough in conservation finance practice, with broad applicability across the Delaware and Chesapeake Bay watersheds and beyond. The model provides regulated permittees a cost-effective and efficient approach to meet a portion of their MS4 compliance obligations with reduced risk and lower strain on operating capacities. The process of project identification, quantification, contracting, verification, and regulatory alignment becomes part of RWF project development, relieving municipalities of this often complex and time-consuming practice. Regulated entities can enter contracts for pollution reductions, with cash obligations contingent upon regulatory approval.

The RWF also provides an efficient on-ramp for agricultural producers and private landowners to install conservation practices on their farms. Many producers are interested in installing such practices, but the economics of agricultural production, coupled with the traditional funding environment that combines Federal or state cost-share, philanthropic grants and farmer co-payments, often restrict conservation adoption to the largest, most well-capitalized producers. Our alignment of agricultural conservation priorities with funding velocity and installation efficiency supports broad practice adoption by willing farmers who were previously capacity constrained.

We have reviewed S.B. 737 and based on our experience in the conservation finance field and our deep interest in expanding private capital support for conservation, we strongly encourage the Legislature to pass this bill. The policy changes and initiatives contained within it will make it easier for Maryland to attract private funding and finance of conservation, and for innovative efforts like the RWF to provide turnkey compliance options for permit holders.

While not panaceas, these types of market-based solutions provide a welcome compliment to non-profit and state cost-share efforts to achieve compliance objectives and address water quality priorities. Indeed, the EPA has expressed strong support for "accelerated adoption of market-based programs that will incentivize implementation of technologies and land use practices that reduce nonpoint pollution in our Nation's waterways." Recent announcements from major technology companies, airlines and other commercial market actors suggests that with basic policy improvements, Maryland also will see increased purchases under voluntary markets.

We believe private investment and funding of conservation outcomes depends on:

(i) clear pipeline of demand for "quantified offtake;"

(ii) risk reduction around contracting;

(iii) regulatory compliance;

(iv) ESG adoption of voluntary purchase practices;

(v) relevant “conservation finance” pools; and

(vi) aligned intellectual capital.

The Comprehensive Conservation Finance Act addresses (i), (ii) and (iii), in terms of government as a first in line "purchaser" of environmental products, contract practice clarity and regulatory compliance clarity, and (v) in the expansion of State Revolving Loan Fund pools to facilitate project development and/or product offtake. It also addresses (vi) in terms of providing for a Task Force that aligns intellectual capital. In short, passage of S.B. 737 will position Maryland as an innovative problem solver and de facto leader in the conservation finance field and will create powerful incentives for the private sector to join in that effort.

Sincerely,

Ashley Allen Jones
CEO
i2 Capital
Advisor, Chesapeake Bay Program Water Quality Goals Implementation Team
Member, EPA Environmental Financial Advisory Board

CC: Senator Jim Rosapepe
Senator Guy Guzzone
Senator Sarah Elfreth
Senator Will Smith
Senator Ron Young

THE FORESTLAND GROUP

The Honorable Paul G. Pinsky , Chair and
The Honorable Cheryl C. Kagan, Vice Chair
Maryland Senate Education, Health, and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen St., Annapolis, MD 21401 – 1991

Re: SB0737 The Comprehensive Conservation Finance Act of 2021
Date: February 24th 2021

Dear Chairman Pinsky, Vice Chairwoman Kagan, and Members of the Committee,

The Forestland Group (TFG) is a sustainable timber investment company based in Chapel, Hill North Carolina that has owned and managed forest land in Maryland's Chesapeake Bay watershed since 2003.

TFG's investment vehicles harness the dynamics of natural forest management to provide environmental impact and stable, long-term financial performance. TFG delivers large-scale climate change mitigation, strategic conservation outcomes, and non-correlated portfolio returns through the ownership and management of working forests. TFG is an industry-leading seller of forest carbon offsets with a 25-year track record of timberland investing guided by the core value of sustainability. The Forestland Group earns annual third-party certification for its sustainable forest management across 99.77% of its acres.

Both public and private capital are required to accomplish global and domestic land conservation goals. Clear policy frameworks provide *diverse funding sources, market demand,* and *incentives* for cross-sector investment in environmental stewardship. Regulatory programs from local to national scales such as US Department of Treasury's New Markets Tax Credit, California's Global Warming Solutions Act of 2006 (AB 32), and the Maryland Forest Conservation Management Act enable The Forestland Group to leverage more private financing to deliver more benefits from natural forests. That is what makes proposals like the Comprehensive Conservation Finance Act (CCFA) in Maryland so important.

The CCFA is a suite of innovative legislative changes that build on Maryland's significant leadership crafting policy solutions to ensure the health of the Chesapeake Bay watershed. Combined, these and other changes represent a powerful approach to stretch public dollars and increase the viability of cross-sector investments that support healthy forests.

- *Diverse funding sources*: Expanding applications of State Revolving Funds for Clean Water and Drinking Water opens up additional and necessary sources of investment for sustainable land management.
- *Market demand*: Adjustments to Maryland's ground-breaking Forest Conservation Act, such as prioritizing forest mitigation banks and creating a competitive process for allocating state dollars, drives demand for efficient restoration and maintenance of state-wide forest cover.
- *Incentives*: Voluntary carbon markets are becoming more robust, with more buyers and more consistent pricing for credits. The CCFA facilitates partnerships between landowners, non-profits, and for-profits to develop voluntary carbon market projects and access incentives for land protection and stewardship.

The Forestland Group is proud of our rich history in the state of Maryland. At the time of execution (2002-2003), the 50,000 acres TFG put under easement on our Eastern Shore property was the largest conservation transaction in the state. The Forestland Group was the largest private landowner in Maryland for multiple years. We look forward to finding more opportunities to accomplish large-scale natural forest management through the enabling policy framework proposed in the CCFA. TFG gives this bill its strong recommendation.

Post Office Box 9162 • Chapel Hill, North Carolina 27515 • Tel: 919-929-2497 • Fax: 919-929-8265
www.forestlandgroup.com

Sincerely,

Blake H Stansell

Blake Stansell
Chief Executive Officer

CC: Senator Jim Rosapepe
Senator Guy Guzzone
Senator Sarah Elfreth
Senator Will Smith
Senator Ron Young

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