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TO: Guy Guzzone, Chair of Budget and Taxation Committee; Paul Pinsky, Chair of Senate Education, Health and Environmental Affairs Committee and Committee Members

FROM: Mark Bryer, The Nature Conservancy, Chesapeake Bay Program Director

POSITION: Support SB 348 - Conservation Finance Act

The Nature Conservancy (TNC) supports SB 348 offered by Senator Elfreth. SB 348 is a sweeping piece of legislation that holds the potential to transform how Maryland finances environmental restoration and protection. This bill includes critically important provisions such as expanding investment in nature-based solutions to clean our waters, sequester carbon and mitigate climate change, procuring environmental outcomes using pay-for-success contracting, and building more equity into that State's environmental investments.

Maryland has demonstrated national leadership investing in clean water and climate change solutions, including promoting environmental markets. We must now take the next step to scale our solutions for greater impact, so that these investments may continue to pay dividends for years to come. SB 348 can provide a blueprint for Maryland, and the nation, to realize the potential for markets to finance more environmental improvements at lower costs. The bill also seeks to increase access to financing through the State's revolving loan fund for frontline communities that are the most impacted by climate and environmental health risks.

TNC is dedicated to investing in nature-based solutions, both in Maryland and across the globe. These solutions provide long-term carbon storage and nutrient runoff reductions, as well as protect biodiversity, restore watersheds, and improve human health. TNC developed foundational science on these solutions, and we know that intense collaboration between frontline communities, governments, large and small non-governmental organizations, and private financing is essential to achieve the transformational change that is necessary to combat climate change and improve environmental health. Our experience has shown that these solutions also provide critical, economical co-benefits to communities, such as flood risk reduction, enhanced climate resilience, and job creation. We note and appreciate that this bill expands the opportunity to finance these solutions and deliver benefits to Maryland's citizens and its ecosystems for many years to come. In particular, TNC is glad to see language included in this bill to study carbon storage projects in marine or estuarine habitats, which provides an opportunity to learn about establishing and verifying carbon credits in these systems.

The Conservation Finance Act creates a unique opportunity to engage with and enhance private investors' participation in helping our State to meet our ambitious clean water and climate goals. In particular, the pay-for-success contracting laid out in this legislation is designed to create a culture of entrepreneurship to deliver environmental outcomes and incentivize new private sector investors to engage in environmental restoration and protection. The legislation would also establish guardrails that encourage innovation in project delivery, technology, and financing while transferring risk from the State to the private sector. As a result, this bill has the potential to attract attention and funding from federal agencies looking to test similar innovations.

TNC commends Senator Elfreth for advancing legislation aimed at incentivizing innovative, cost-effective, equitable projects that can help accelerate progress toward Maryland's clean water and climate mitigation goals, while reducing costs.

Therefore, we urge a favorable report on SB 348.