



March 2, 2022

The Honorable C.T. Wilson, Chair
House Economic Matters Committee
House Office Building, Room 231
6 Bladen St., Annapolis, MD 21401

Support w/amendments: HB 708 – Comprehensive Climate Solutions

Dear, Chair Wilson and Committee Members:

The NAIOP Maryland Chapters represent 700 companies involved in development and ownership of commercial, mixed-use, and light industrial real estate, including some of the largest property owners in the state. NAIOP's membership is comprised of a mix of local firms and publicly traded real estate investment trusts that are invested in the future of Maryland but also have experience in national and international markets. On behalf of our member companies, I am writing to support House Bill 708 with four amendments.

NAIOP's Commitment to the Greenhouse Gas Reduction Act

NAIOP has supported reauthorization of the Greenhouse Gas Reduction Act [GGRA] and values the framework it established for achieving emissions reductions while also adhering to performance characteristics that ensure, economic benefits, stable energy price and supply, minimized leakage, and providing for mitigation through market-based mechanisms. NAIOP supports adoption of reasonable strategies and responsible, technically sound regulations designed to reduce greenhouse gas emissions on schedules and using methods that minimize economic disruption and result in an orderly, cost-effective attainment of the goals established by the GGRA. With some modest, but important amendments, we believe that House Bill 708 will follow in the line of effective climate legislation that has been crafted and adopted by the General Assembly.

The Importance of Maintaining the Clarity of the Economic Test

The cost-effectiveness test in the GGRA imposes the discipline to identify and adopt policies that can achieve the required emissions reductions in ways that also create economic benefits. HB 708 modifies the current test to add the words "compared to a no-action scenario" [page 10, line 14] This seems to require that costs of plan implementation would be measured against the "no action" or "business as usual" scenarios where no or very little mitigation has been accomplished. Maryland took early action and has achieved significant emissions reductions. We believe the economic test should be based on the cost of reducing emissions below Maryland's levels and request the change in Amendment No. 4 attached.

Why The Prohibition on Use of Carbon Capture is Overly Restrictive

The UN Intergovernmental Panel on Climate Change [IPCC] models that hold temperature increases below 2 degrees celsius all rely on negative emissions technologies including carbon capture and storage. Because these technologies are in the demonstration phase, they are not relied upon until the out years and then to to mitigate difficult to reduce remaining emissions.

As emissions reductions blow 80% become significantly more difficult the emergence of one or more new technologies will be necessary to meet Maryland's climate goals. The state needs to maintain a broad set of energy and mitigation options and retain the flexibility to take advantage of future advancements in technology. HB 708 essentially prohibits a role for capture technology even for long-range planning purposes through the language beginning on page 8 line 12. We believe these technologies should be considered once they can be expected to produce verifiable benefits and request the change in Amendment No. 3 attached.

Why we Believe a 50% by 2030 Reduction Goal Is More Appropriate

The bill requires a 60% reduction in emissions by 2032 when compared to the 2006 baseline year. This level of reduction is lower than any scenario modeled by the MDE and would require beating the GGRA 2030 Plan's projected ~42mmt of emissions for that year by ~10mmt. The climate commission suggested a 50% reduction by 2030 was possible with additional effort and assistance from the Biden administration. We recommend the bill be amended to reflect a 50% by 2030 goal in Amendment No. 1 attached.

The Value of Considering IPCC Climate Modeling when Developing Maryland's Plans

The IPCC runs integrated assessment models to evaluate the effectiveness of various practices and the role they may play in meeting recommended emissions reductions. We believe the bill should be amended to include a statement that Maryland's plans will be developed in recognition of the policy and scientific principles used in IPCC mitigation pathways using the language in Amendment No. 2 attached.

With these changes, NAIOP respectfully requests your favorable with amendments report on HB 708.

Sincerely,



Tom Ballentine, Vice President for Policy

NAIOP Maryland Chapters -*The Association for Commercial Real Estate*

cc: House Economic Matters Committee

Nick Manis – Manis, Canning Assoc.

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AMENDMENTS TO HOUSE BILL 708

Offered by NAIOP and MBIA

Amendment No. 1:

On page 7, in line 12, strike “60%” and substitute “50%” and in the same line, strike “2032” and substitute “2030”.

On page 7, in line 21, strike “60%” and substitute “50%”

On page 7, in line 22, strike “2032” and insert “2030”

Note: This amendment conforms the bill to the recommendations of the Maryland Commission on Climate Change. The Commission determined that, to comply with the United Nation’s IPCC guidelines, a 50% reduction by 2030 was necessary and sufficient. Failing to reach IPCC guidelines would mean that Maryland is not doing its part to combat climate change however, exceeding the UN requirements by an additional 10% would necessarily involve economic disruption without material benefit to the world’s climate.

Amendment No. 2:

On page 8, after line 8, insert: “(3) AN ANALYSIS OF PROPOSED MITIGATION MEASURES USING THE SCIENTIFIC POLICIES AND PATHWAYS UTILIZED BY THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE TO DEVELOP RECOMMENDATIONS FOR GREENHOUSE GAS REDUCTION MEASURES.

NOTE: This requires that the greenhouse gas reduction plan uses the same scientific principles used by the IPCC to develop the recommendations for greenhouse gas reduction.

Amendment No. 3:

On page 8, starting in line 14, strike “HAD BEEN SCIENTIFICALLY PROVEN” and insert “IS EXPECTED”

Note: In order to achieve the net-zero goals of the legislation, Maryland will need to be a leader in the exploration of new technology and methods. The change still requires carbon technology to be verified but no longer forbids the use of a technology until it has been thoroughly explored elsewhere.

Amendment No. 4:

On page 10, line 14, after “NO-ACTION” insert “BY MARYLAND”

Note: This clarifies that the cost -effectiveness test in the legislation compares action by Maryland versus no action by Maryland instead of comparing action by the state to a lack of action by the remainder of the world.