POSITION STATEMENT

TESTIMONY PRESENTED TO THE
HOUSE ENVIRONMENT AND TRANSPORTATION COMMITTEE

SENATE BILL 528 – CLIMATE SOLUTIONS NOW ACT OF 2022
Sponsor – Senator Pinsky, et al

March 24, 2022

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Oppose

The Greater Baltimore Committee appreciates and supports the need to establish plans and standards to address the climate crisis. A collaborative approach between government, the private sector, and citizens is essential to meet the challenges brought about by climate change. The GBC membership, comprised of businesses, nonprofit organizations, and educational institutions, recognizes that our institutions cannot thrive with ecological and public health problems brought about by our changing environment. Extreme weather disasters are becoming more frequent, imposing real costs on companies and the communities they help support. Climate change threatens facilities and operations, supply and distribution chains, and access to electricity and water. It can also impairs employees' access to employment and impacts customers from buying products or services.

Legislation passed in Maryland to address climate change should be ambitious but achievable, consist of an incremental framework that provides for significant greenhouse gas reductions over a reasonable period of time, and not impose excessive costs on businesses that can ill afford to meet the standards in the law or consumers of energy. Requirements should also not vary greatly from any federal requirements in order to prevent a patchwork of conflicting regulatory structures. Provisions to provide generous financial assistance in the form of grants or low interest loans should be made available to businesses that are required to make costly investments in new technology. Unfortunately, Senate Bill 528 does not meet this description.

Senate Bill 528 calls for a 60% reduction in greenhouse gas emissions by 2030. Although this is a laudable goal, it would appear that requiring such a reduction may be an overreach based on the best advice provided from the state's own environmental agency.

Current state law calls for a 40% reduction in greenhouse gas emissions by 2030. Last year, an analysis by Maryland's Department of the Environment confirmed that a 50% reduction by 2030 was feasible, with some additional policy decisions. The pending legislation calls for increasing the current statutory reduction by one-half, an increase from 40%-60%.

According to data from the Center for Climate and Energy Solutions, a global climate policy think tank, setting the standard to reduce the state's greenhouse gas emissions at 60% would be one of the most aggressive measures in the country. Although laudable and ambitious, this may create a standard that is not achievable.

Senate Bill 528 requires the owner of any existing commercial and multifamily residential buildings that have a gross floor area of 25,000 square feet or more, excluding parking, to begin measuring and reporting its direct emissions in 2025. Building owners would need to report a 30 percent reduction in net greenhouse gas emissions by 2035, and net-zero emissions by 2040. For those buildings that cannot perform the required reductions, an unspecified fee would have to be paid for emissions exceeding the standards.

Senate Bill 528 does not include a Climate Commission recommendation that incentives be scaled up so that the costs of retrofits payback within 5-7 years. Senate amendments removed a cost-effectiveness test for needed retrofits. The alternative compliance fee in the bill provides potential relief, but the bill does not set an upper limit on the amount or frequency of the fee. Other provisions of the bill permit local governments to adopt their own, more stringent building standards, compliance deadlines and fees.

The added cost of significantly altering business operations would jeopardize a company's ability to remain profitable and competitive. This would result in businesses looking to the state to subsidize the cost through financial assistance in the form of grants or low interest loans to meet the new state greenhouse gas standards.

The Greater Baltimore Committee believes that addressing climate concerns requires commitment from all parties, but the state must set reasonable and attainable goals and acknowledge realistic expectations regarding the cost of compliance for businesses. Commercial and industrial companies are important economic drivers and job creators in Maryland. Maryland businesses are still struggling from the effects of the COVID-19 pandemic recession, and adding costly new requirements too quickly could hamper economic growth and job creation.

The Greater Baltimore Committee report entitled Gaining a Competitive Edge outlines eight key pillars that promote economic growth and job creation. At least three of the pillars of a competitive business environment that are identified in the report are challenged by the passage of the climate control legislation as amended:

1) **Government leadership that unites with business as a partner.**
   Maryland leaders must set a welcoming tone that communicates positive support for business, respect for the private sector as a partner, not an adversary, and reflects a strategic plan for business growth and job creation.

2) **Regulatory policies that are streamlined, stable, and predictable.**
   Maryland must project to businesses within and outside the state that its government regulatory policies are reasonable, relevant, free of surprises or redundancy, and considerate of businesses' sense of urgency.

3) **Competitive costs of doing business.**
   Public policies must reflect a government predisposition to nurture business growth and to avoid arbitrarily or disproportionately imposing additional overhead upon the business sector.

For the reasons set forth above, the Greater Baltimore Committee urges the committee to give due consideration to the business competitiveness and cost concerns outlined above in the passage of climate change legislation. In particular, we ask that you support a stronger policy commitment to incentives and provisions that protect building owners and occupants from unfunded retrofit mandates.

As such, the GBC respectfully requests that the Environment and Transportation Committee report Senate Bill 528 unfavorably.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 67-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

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