

February 25, 2022

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

RE: Opposition HB 831 – Reducing Greenhouse Gas Emissions - Commercial and Residential Buildings

Dear Chairman Barve:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB 831 – Reducing Greenhouse Gas Emissions - Commercial and Residential Buildings**. MBIA **Opposes** the Act in its current version.

While the MBIA supports initiatives to support Climate Change. This bill would create new state-wide greenhouse gas emissions standard for residential and commercial buildings in the State of Maryland. MBIA respectfully opposes this measure. This bill has a variety of unintended consequences that will negatively impact the residents of the State of Maryland and disproportionately target lower income residents.

The bill requires that the Department of Energy develop a building emissions standard that would reduce direct building emissions by 20% and require that all heating systems to operate with out the use of fossil fuels after January 1, 2023. This creates major issue because the legislation as written makes no allowances for buildings that are already under construction with plans to install a gas heating system. This bill could potentially require significant and expensive retrofits on newly constructed buildings that have already outlaid the initial expense of installing a new and modern heating system. It is unfair and unjust to approve plans that specifically allow for the installation of these systems only to change regulations mid-project and require tens of thousands of dollars in additional retrofits. In order to act in good faith, Maryland should exempt projects currently under construction and projects that break ground before the DOE issues its new guidelines. If future policy continues to mandate the electrification of buildings, then there should be a provision allowing for exceptions for the lifecycles of these new heating systems.

In addition to concerns about the efficiency and economic expense of requiring the installation of new heating systems, there are significant doubts that the current electrical infrastructure of Maryland can handle the load that would be created by dramatically increasing the usage of the electrical grid. A 2020 estimate of federal infrastructure investment estimates that we are underinvesting by hundreds of billions of dollars over the next 30 years to meet the demands of increased electrical reliance as we attempt to battle climate change. The increased strain on an aged and out of date electrical grid will result in more brownouts for residents unless the infrastructure is put in place that can handle the additional load.

In addition to the adjusted heating requirements, this bill will impose carbon reduction targets on existing buildings. These reduction targets require a 20% reduction in emissions by 2030 and a zero emission target by 2040 or require that the building pay a fee. This policy will unfairly raise the costs of living for low income individuals in the State of Maryland and dramatically exacerbate economic inequality. Landlords that are required to retrofit these buildings will pass those costs on to their tenants resulting in a

dramatic increase in rents. Since lower income people are more likely to rent and less likely to own a home they will bear the burden of these new costs. Lower income homeowners will also be affected by these requirements, even with the financial incentives program many of them will be unable to meet these climate goals since they bear a significant up-front cost in order to achieve the required reductions. Since those people will then be subject to additional fees, these requirements will amount to an additional electricity tax on people that cannot afford to meet the requirements due to having a lower income. While MBIA lauds the requirement that low income houses be supported as they make these changes, this provision does not take into account how costs will be passed down in properties under commercial use.

The bill also creates additional expenses for low income individuals by driving up the cost of the residences remaining on natural gas systems. Since the number of consumers of gas will decrease, the people that are unable to meet these requirements and are forced to stay on gas heating systems will see their costs rise as utility companies make up the revenue shortfall by increasing their prices on the remaining consumers. So not only will low income individuals see rents rise to cover those costs of retrofitting the buildings, but they will also see a spike in heating costs because the people that could afford to retrofit their properties or could pass that cost to tenants who stop being gas consumers.

This bill also lacks any incentives for consumer or builders. There are many programs that other states have implemented and in all cases there are many incentives offered. For example, Massachusetts has an incentive package valued at \$3billion for their various programs. Homeowners who opt out of gas heat entirely in favor of an electric heat pump system can get up to \$10,000 in rebates. Those who install heat pumps but elect to keep their existing gas system as a back up are eligible to receive less money back. These options should be further explored and part of any legislation that is passed.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the House Environment & Transportation Committee