



Committee: Environment & Transportation
Testimony on: HB831 - Reducing Greenhouse Gas Emissions—Commercial and Residential Buildings
Organization: WISE
Submitting: Monica O'Connor, Legislative Liaison
Position: Favorable with Amendments
Hearing Date: February 25, 2022

Dear Mr. Chairman and Committee Members,

Thank you for allowing our testimony today. WISE is an all-volunteer women-led group of advocates formed in Anne Arundel County, and has over 600 members. WISE urges you to vote favorably on HB831.

The Maryland Commission on Climate Change (MCCC), in its 2021 report, recommends that the building sector reduce their greenhouse gas emissions 100%. Buildings are 40% of Maryland's greenhouse gas emissions, of which 13% are direct emissions, primarily from gas to fuel our space and water heating systems. Buildings also consume 90% of the electricity generated. As currently written, this bill addresses some of those emissions from new and existing buildings and follows a more modest path forward than recommended by the MCCC:

- For **existing** commercial and multifamily buildings larger than 25,000 square feet, HB831 sets **Building Emission Standards** that require that they reduce their direct emissions (i.e., the emissions from gas boilers) 100% by 2040, with an interim target of 20% reduction by 2030. It also requires buildings to begin reporting their energy use in 2025 (i.e., benchmarking); and
- For **new** commercial and residential buildings (not just large buildings), HB831 requires that they be constructed to an all electric code for water and space heating and to implement the International Green Construction Code.

The MCCC's Modeled Costs: The MCCC Plan¹ found that:

- For single-family homes, the cost to install a heat pump for heating and cooling is close to the cost of replacing an air conditioner and a gas furnace.

¹Exelon's Representative on the MCCC voted in support of the MCCC plan. Exelon is the parent company of BG&E, Pepco, and Delmarva Power.

Energy costs for heat pumps are comparable to gas furnaces and lower than electric resistance, oil, or propane;

- For multifamily buildings, the cost of installing heat pumps *can be significantly less than the cost of replacing existing air conditioning and gas systems. Annual energy costs of heat pumps are comparable to gas heating;*
- For commercial buildings, the cost-effectiveness of replacing heating and cooling systems with heat pumps depends on building type and use, but can be less than replacing existing air conditioning and gas systems;
- *Electricity system costs and rate impacts can be reduced through a variety of demand management measures.*

The MCCC also projected that as more of the building sector electrifies, natural gas rates will increase 4-5 times current rates by 2045, making it all the more important for Marylanders to transition off of gas soon. If we do not enact an all-electric building code standard now, those that do install fossil fuel energy systems (i.e., gas boilers), the uneconomic cost of that investment must be absorbed. Delaying the start will lead to new gas infrastructure investments that will become uneconomic before they are fully paid for and will lead to those who have such systems paying for those “stranded assets” in their utility bills.

Building Emissions Standards: Complementary Components that Make it Work:

- **The Building Energy Transition Implementation Task Force-** to develop recommendations for further complementary programs and incentives aimed at reducing greenhouse gas emissions from the building sector;
- **The Climate Transition & Clean Energy Hub** – a clearinghouse for information, technical advice and financial incentives for the public and professionals (If you want to see how a similar program in D.C. works, watch here: [Retrofit Accelerator](#); ((Hub details are in companion bill, HB708, being considered by the Economic Matters Committee);
- **The Expansion of the utilities’ EMPOWER program** that will expand and increase rebates for electrification and energy efficiency measures for consumers, with an emphasis on low-income households, and to disallow funds being expended on assistance for fossil fuel equipment and appliances (in HB708);
- **Maryland Commission on Environmental Justice & Sustainable Communities** to address priorities of environmental justice and vulnerable communities (in HB708);
- **Just Transition & Retraining Work Group** (in HB708);
- **Climate Justice Corps** to create career training opportunities for our youth and disadvantaged youth in a new green economy, including opportunities with retrofitting low income households and installing renewable energy systems (in HB708);

The MCCC's Modeled Costs for Building Emissions and All-Electric Construction:

The MCCC also modeled 4 cost scenarios in recommending an implementation plan and recommended what we call the Mitigation Working Group ("MWG) Plan. That MWG Plan is more ambitious than the one set forward in HB831 (even when including HB831's companion bill, HB806 addressing government buildings being considered in the Appropriations Committee). **The plan passed the MCCC by a 24-2 vote. The representative for Exelon voted for the MCCC plan. Exelon is the parent company of BG&E, Pepco, and Delmarva Power.**

The MCCC plan found that:

- For single-family homes, the cost to install a heat pump for heating and cooling is close to the cost of replacing an air conditioner and a gas furnace. Energy costs for heat pumps are comparable to gas furnaces and lower than electric resistance, oil, or propane;
- For multifamily buildings, the cost of installing heat pumps *can be significantly less than the cost of replacing existing air conditioning and gas systems. Annual energy costs of heat pumps are comparable to gas heating;*
- For commercial buildings, the cost-effectiveness of replacing heating and cooling systems with heat pumps depends on building type and use, but can be less than replacing existing air conditioning and gas systems;
- *Electricity system costs and rate impacts can be reduced through a variety of demand management measures.*

The MCCC also projected that as more of the building sector electrifies, natural gas rates will increase 4-5 times current rates by 2045, making it all the more important for Marylanders to transition off of gas soon. If we do not enact an all-electric building code standard now, those that do install fossil fuel energy systems (i.e., gas boilers), the uneconomic cost of that investment must be absorbed. Delaying the start will lead to new gas infrastructure investments that will become uneconomic before they are fully paid for and will lead to those who have such systems paying for those "stranded assets" in their utility bills.

Necessary Amendments:

Energy Efficiency

It is equally critical to increase the energy efficiency of our buildings. One key reason buildings constitute 40% of Maryland's greenhouse gas emissions is because of their

outsized draw on the grid, which is not yet clean. Also, as we transition to a fossil free economy, we need to reduce the buildings sector's draw on the grid in order to maintain the integrity of the grid. We therefore ask that HB831 require an energy use reduction pathway.

Interim Targets: There should be an additional interim target to encourage and ensure that buildings are steadily reducing their emissions and energy use.

Benchmarking: The beginning date for benchmarking buildings should begin in 2023. Not only is it an easy requirement to implement, but the data from benchmarking is foundational to the success of building emissions standards.

All-Electric New Construction: Should be a requirement for all buildings, to conform with SB528, Climate Solutions Now.

Climate Catalytic Capital Fund (C3 Fund): SB528 gives additional funding to the MCEC (Maryland's Green Bank) to create a special fund to achieve the objectives of the Senate and House Climate bills, including creating a green bonds program. Green Banks leverage public monies with private funds. For every \$1 of public investment, the C3 fund would generate \$4 to \$10 of private capital.

Holistic Goal of 100% Retrofits of Low Income Households by 2030, Including Weatherization and Heat Pumps: The Building Energy Transition Implementation Task Force should have an explicit requirement that it develop and recommend an implementation plan to carry out the goal.

Affordable Housing/Low Income Households: It is also important to address the particular needs of Affordable Housing by:

- Providing flexibility to affordable housing owners by allowing for alternative compliance pathways to accommodate their refinancing and recapitalization timelines;
- Ensure that the Building Energy Transition Implementation Task force includes a tenant representative and directs the Task Force to prioritize identifying policies and programs that provide tenant protections and funding for Affordable Housing; and
- Create a role for the Task Force in advising the Department on the development of regulations to ensure that input from community members is considered.

Authority to Enact Local Standards: The bill should be clarified that it does not affect the authority of a county, municipality, or other local government to enact building emissions or energy standards that are at least as stringent as the standards established in the bill.

For these reasons, we urge you to adopt our proposed amendments and vote favorably for SB528.

