

OPPOSE  
Environment & Transportation  
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## **House Bill 831: Reducing Greenhouse Gas Emissions Commercial and Residential Buildings**

Baltimore Gas and Electric Company (BGE) respectfully opposes *House Bill 831: Reducing Greenhouse Gas Emissions - Commercial and Residential Buildings*. House Bill 831 seeks to dramatically alter Maryland's established greenhouse gas emission (GHG) goals in the Commercial and Residential building sector. This proposed legislation requires the Maryland Department of Environment (MDE) to establish building emissions standards for large commercial or multifamily residential Maryland buildings. House Bill 831 would further require the Department of Labor to adopt building performance standards by January 1, 2023, that require new residential and commercial buildings to meet all water and space heating demand without the use of fossil fuels, unless certain exceptions can be demonstrated. The bill would also require MDE to establish the Building Energy Transition Implementation Task Force to study and make recommendations regarding the development of complementary programs, policies and incentives aimed at reducing GHG emissions from the building sector that does not include key stakeholders in the process.

BGE is committed to electrification and decarbonization. The company announced our *Path to Clean*: a commitment to cut our own operational emissions by at least 50% by 2030 and achieve net-zero operations-driven emissions by 2050, in line with the ambitions of the nation. To achieve these goals, BGE will implement a series of initiatives designed to modernize our energy delivery systems; reduce energy use in our offices and buildings; increase our use of renewable-powered energy; and electrify our company's vehicle fleet. Within this very legislative session, BGE has demonstrated support for other key aspects of the suite of policies aimed at reducing emissions in the transportation sector, which makes up for about 45% of Maryland's greenhouse gas emissions, relative to buildings, which account for 13%. In addition, BGE's Empower Maryland programs have been highly successful in lowering energy usage and GHG emissions for residential and commercial customers, generating over 5 million MWh of energy savings valued at approximately \$6 billion in lifecycle customer bill savings, and reducing over 4 million metric tons of GHG emissions. BGE's STRIDE (gas delivery modernization) program has also supported greenhouse gas reductions. Since 2014, pipe replacements have reduced the emission of about 55,000 metric tons of greenhouse gas. When BGE's STRIDE plan is complete, GHG emissions will have been reduced by 210,000 metric tons per year compared to 2013.

BGE is an electric and gas delivery company, whose key responsibilities are to deliver energy, regardless of whether it is electricity or gas, in a manner that is safe, reliable, and affordable. **As such, BGE has concerns about House Bill 831 for the following reasons:**

- 1. The mandate for all electric building code requirement set forth in the bill presents: a) significant challenges from an electric system planning and reliability perspective; b) increased costs to customers; c) reduced optionality for customers; and d) impaired economic recovery and development in the state.**
- 2. The Building Energy Transition Implementation Task Force does not include the participation and input of the very entities that need to plan for and construct the infrastructure necessary to accommodate such a transition in energy usage.**

### **Necessary Electric Infrastructure Investments**

The BGE territory serves 54% of Maryland's residential gas customers and 55% of commercial and industrial gas customers. Collectively, these customers represent nearly half of statewide natural gas use in Maryland's buildings and industry. Of this natural gas use, approximately 25% is for harder to electrify large commercial and industrial users.

BGE is supportive of fully-informed efforts to decarbonize the building stock in our service territory. Such a meaningful shift to the state's economy, as the one contemplated in House Bill 831, however, requires time for planning and implementation. Electrification will drive a requirement for significant incremental investments in our electric infrastructure to serve the resulting load reliably and with resilience in mind. While the exact scope of the required investments cannot be fully modeled without detailed knowledge of where growth will occur on the system, directional analysis that we have conducted indicates the need for major infrastructure components, including in the very near-term multiple substations and many new feeder lines.

Planning and construction of this new infrastructure will require significant time to: (1) analyze the detailed capacity needs on the system; (2) find and acquire land for new infrastructure in areas acceptable to our customers; (3) plan and design capital projects; (4) obtain the required permits and approvals; and (5) construct the required substations and feeders. In addition, there will be the need to ensure the availability of the workforce necessary to construct this infrastructure. This process is further complicated by escalating supply chain challenges that are increasing the

lead time for critical infrastructure equipment. For example, lead times for distribution transformers have increased fivefold from their typical timeframes.

BGE is concerned that the implementation timelines within House Bill 831 do not provide adequate time to prepare for load growth on the electric system and to construct the infrastructure needed to ensure a safe, reliable, and resilient grid. In addition, House Bill 831 does not provide the tools necessary to expedite the planning, siting, permitting, and construction of such electric system infrastructure and limits optionality for new technological advancements that may help to lower decarbonization costs over time and/or smooth end-user disruption during the transition. Without the required time and tools, it is possible that the grid will be unable to serve new load during times of peak energy usage. The bill also does not address and acknowledge the critical importance of energy diversity, so that as a state we do not effectively “put all of our eggs into one basket”, thus increasing our risk to disruptive events such as severe storms, cyber-attacks, and other threats to our essential energy supply.

### **Customer Costs & Optionality**

House Bill 831 will drive costs higher for BGE’s existing customers. According to modeling of the BGE territory, residential gas customers can expect to pay \$10,000 or more per household for heating costs and retrofits, if this legislation is enacted. In aggregate, this shift will cost our residential and commercial gas customers no less than \$2.8 billion. These projections do not include the electric infrastructure costs described above to ready the system for load growth. Even the Maryland Climate Commission’s report acknowledges these costs will be significant. The combined impact will be billions of dollars for BGE’s customers alone, and even higher statewide. Rather than mandating an outcome for Maryland residents, an incentive based program (such as EMPOWER) could help Maryland achieve its decarbonization goals without arbitrarily removing residents’ options.

### **Economic Development Impact**

No state in the country has adopted a statewide building code that prohibits the use of natural gas for space and water heating. While states like California, New York, and Massachusetts are considering decarbonization policies, all are more measured in the timelines for implementing building decarbonization efforts. Even legislation proposed by smaller jurisdictions better accounts for the challenges, feasibility, necessary exceptions, and economic impacts inherent in such a transformative policy shift. Neighboring jurisdictions, such as Virginia and Pennsylvania, are in the process of enacting policies that would ban the very type of action that House Bill 831 seeks to implement. As such, this proposal would put Maryland at a competitive disadvantage with other states.

BGE supports electrification and decarbonization. However, the company opposes House Bill 831, as it forces a rapid and seismic shift in the state's economy without appreciating the impacts of such a rapid change on all energy customers in Maryland. This legislation proposes the nation's most aggressive electrification and decarbonization targets without leveraging the collective wisdom of diverse stakeholders to evaluate all options to achieve the desired reductions, to understand the likely consequences of those options on our customers and communities and on the state's economy, and to ensure the continued delivery of safe, reliable, and affordable energy delivery service. For these reasons, BGE opposes House Bill 831 and respectfully requests an unfavorable committee report.