



Delegate Kumar P. Barve, Delegate Dana Stein and committee members of the house, thank you for the opportunity to testify today in support of the Conservation Finance Act.

I am here today representing Annapolis-based Hannon Armstrong Sustainable Infrastructure (NYSE ticker symbol HASI), the first U.S. public company solely dedicated to investments in climate solutions. We invest approximately \$1.5 billion annually, across the country including energy efficiency, renewable energy, and ecological restoration assets.

While we have invested approximately \$50 million in ecological restoration projects, with the majority in Maryland, this is too small amount for the problem at hand and a small fraction of the resources we can bring to bear to address the problems in the Chesapeake Bay.

There are four key benefits that we see from the Conservation Finance Act. Primarily, it will ***provide the contractual framework necessary to scale ecological restoration projects, which drives the other three benefits: lower transaction costs, lower financing costs and increased investment.***

Given your limited time, I would like to use my testimony today to highlight benefit #1 – the contractual framework to scale investment - - How I see it working here in Maryland, and how I've seen it work in other markets in which Hannon Armstrong invests.

Supportive Government policy like the CFA provide the necessary contractual framework to encourage private investments and environmental outcomes. These Pay-for-Success contracts catalyze investments in projects that have larger, more impactful environmental outcomes and get delivered faster. By authorizing Pay-for-Success as a competitive procurement practice, the Conservation Finance Act enables the state to buy completed environmental outcomes, create local jobs, and improve the health of the Chesapeake Bay.



Pay-for-Success isn't a crazy new idea - it is analogous to the incredibly successful example of energy service performance contracts, or "ESPCs," which is a 30 year old contractual framework to scale energy efficiency for the US government.

US Congress authorized the use of ESPCs in 1992, thereby enabling a historic collaboration with dozens of the country's top engineering firms to reduce the energy use of the US Government, the largest building owner in the world. ESPCs eliminated the need for an agency to appropriate funds annually for a series of small unambitious projects, and replaced it with the capacity to finance, engineer, build and operate the project that the agency actually needs, which is often many multiples of what is available through appropriations. Engineering firms guarantee the project performance and they only get paid when it works. With over \$10 billion dollars invested to date, the ESPCs saves the US Treasury money, improves conditions for federal workers, including servicemen and woman, reduces greenhouse gas emissions, while creating jobs in all fifty states. Similar success has been achieved with programs run by virtually every state in the country, including Maryland.

With the Conservation Finance Act's use of Pay-for-Success measures, Maryland will become a leader in the country in attracting private investment for ecological restoration projects.

In closing, Hannon Armstrong urges a favorable report on this bill to advance Maryland's leadership on ecological restoration. Thank you for the opportunity to address the committee, and I welcome any questions.