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Committee: Education, Energy, and the Environment
Testimony on: SB548 “Maryland Energy Administration – Energy Programs –
Modifications (Clean Transportation and Energy Act)”
Position: Support with Amendments
Hearing Date: February 28, 2023

The Maryland Chapter of the Sierra Club urges this Committee to favorably report SB548 with amendments.

SB548 aims to provide a significant financial stimulus to two transformational strategies essential to achieving Maryland’s greenhouse gas (GHG) reduction goals: reforming the transportation sector to substantially expand reliance on zero emission vehicles and trucks; and reforming the energy sector to substantially expand reliance on solar energy, complemented by a continued expansion of the State’s energy efficiency programs. As such, this bill promises to join with other proposals currently before the General Assembly to provide an important impetus to Maryland’s climate mitigation efforts, following the enactment of the Climate Solutions Now Act last year.¹

We recommend that the bill be amended to better delineate how the funds addressed by SB548 – i.e., funds included in the Strategic Energy Investment Fund (SEIF) – are available to be spent on clean transportation, solar energy, and energy efficiency. The General Assembly long has provided direction to successive Administrations regarding the use of environmental funds to advance the State’s environmental objectives and environmental justice, while also recognizing the importance of agency discretion.

In this regard:

- We agree that clean transportation initiatives are a high priority, and that SEIF may serve as a useful source for a portion of the funding for these initiatives. Almost all the SEIF dollars at issue in this bill were paid into SEIF due to Maryland’s solar generation requirements, and currently 100% of these dollars are required to be used to support solar energy development for low-income residents; these funds would now be available for transportation initiatives as well.

¹ The Climate Solutions Now Act provides that Maryland will reduce its GHG emissions by 60% by 2031 (compared to the 2006 level), and achieve net-zero emissions by 2045. Other key climate bills this session, which are Sierra Club priorities, include: the Clean Trucks Act of 2023 /SB224/HB230); the bill to make permanent the Community Solar pilot program (SB613/HB908); and the bill to update the EmPOWER energy efficiency program to reorient it to incentivize reducing GHG emissions from Maryland buildings (SB590/HB904).



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- In making this change, however, we believe it essential that a specified minimum percentage of the SEIF funds continue to be used for loans and grants that support solar power development (and energy efficiency) for low-income and related communities. This minimum percentage should be substantial, and we would be happy to engage in further discussions with the Committee as to what this percentage should be and how it would be implemented.
- An amendment also is needed to align the bill's specification of which communities are eligible to receive solar energy loans and grants with provisions of the Climate Solutions Now Act and the federal Inflation Reduction Act.

Changes to How SEIF Funds May Be Spent

1. Comparing the current and proposed spending rules.

SEIF recently experienced an unexpected influx of nearly \$80 million dollars from Maryland energy suppliers who made solar Alternative Compliance Payments (S-ACPs) which, under state law, were deposited in SEIF. These large S-ACP payments occurred because suppliers were unable to purchase the requisite amounts of solar energy specified by Maryland's Renewable Portfolio Standard (RPS). SEIF also includes ACP funds generated when electricity suppliers do not meet the purchase requirements for the non-solar portion of the RPS; however, suppliers are generally able to meet those requirements, and thus the non-solar ACP funds in SEIF are small. Electricity suppliers cover the solar and non-solar ACP payments through small charges to ratepayers.

The bill makes major changes to how SEIF S-ACP funds may be spent that may enable further support for transportation electrification, but also could result in inadequate support for the solar industry and a new area of uncertainty for that industry.

Currently, state law specifies that SEIF S-ACP funds "may be used only to make loans and grants to support the creation of new solar energy sources in the State that are owned by or directly benefit low-income residents of the State." As to the SEIF non-solar ACP funds, they "may be used only to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit low-income residents of the State."

SB548 would combine the SEIF S-ACP and non-solar ACP funds, and allow the funds for the first time to be used for a wide range of transportation sector interventions, in addition to energy interventions. Specifically:

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- The eligible transportation interventions are broadly described in the bill, and include “loans and grants to support zero–emission vehicles, zero–emission vehicle infrastructure programs, and other transportation sector greenhouse gas reduction and carbon reduction efforts.”
 - The energy interventions will include “loans and grants to support . . . energy efficiency measures, solar renewables and other Tier 1 renewable sources that directly benefit: 1. low-income communities; or 2. environmental justice communities.”
2. The benefits and difficulties posed by the new rules.

We agree that, given the now substantial amount of SEIF S-ACP funds, it makes sense to allow existing and future S-ACP revenues, in general, to be spent on climate mitigation initiatives in both the transportation and energy sectors.

The transportation sector is the largest contributor of GHG emissions in Maryland. As such, it is critical that the State accelerate its efforts to reduce the reliance on fossil fuels to power our vehicles. The State must substantially increase the number of electric vehicles (EVs), and the infrastructure that will make EVs more attractive to the general public. The State also must accelerate the deployment of zero-emission trucks, delivery vans, and school buses. Medium- and heavy-duty vehicles account for 9% of vehicles on the road but contribute 21% of the carbon pollution and 48% of particulate matter pollution (PM2.5) emitted by the State’s entire transportation sector.

However, by removing the provision that all SEIF S-ACP funds be spent on solar energy for low-income residents, without a specification of a minimum percentage of these funds that will continue to be spent for this purpose, the bill will inject substantial uncertainty into a solar development industry that already is facing multiple obstacles in meeting the State’s ambitious solar targets. The RPS provides that solar should comprise 14.5% of the State’s consumed electricity by 2030, which is the minimum amount of solar development required to meet the State’s GHG reduction goals. But a recent slow-down in solar development, owing to several factors (including the pandemic), means that to reach the 2030 target, Maryland needs to build, on average, an amount of megawatts (MWs) of solar each year that is more than twice what the State has ever built in a year.²

² The Public Service Commission has calculated that the 14.5% 2030 target will require 6,200 MWs of solar capacity in the State. The Solar Energy Industry Association estimates that at the end of 2022 Maryland will have about 1,600 MW of solar built. SEIA, Maryland Solar Factsheet 2022 (Q2). This means that, on average, Maryland will need to build 575 MW of solar each year to 2030, though the largest amount built in a past year is only 270 MW.



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Since the large amount of SEIF S-ACP funds result from past shortfalls in achieving Maryland's RPS yearly solar targets, it is appropriate and necessary to continue to commit a substantial percentage of these funds to supporting future solar growth. The purpose of the RPS is incentivize a rapid and substantial development of Maryland solar energy, with the attendant carbon reduction and climate-supporting clean energy benefits, not to generate S-ACP funds.

As noted above, a determination of what the minimum SEIF expenditures should be for solar energy development is a subject for future discussions. To provide for flexibility in implementing this minimum, the bill also should specify a process by which stakeholders may discuss with agency officials on a yearly basis whether any unspent solar funds from one year should continue to be spent on solar or, alternatively, all or a portion may be reallocated for the following year to transportation initiatives also supported by SEIF funds.

3. Support for solar for low-income and underserved communities.

SB548's emphasis on focusing energy sector initiatives on low-income and underserved communities is welcome. Using a community focus instead of focusing at the individual household level (as provided by current law) is appropriate: many interventions that will support low-income and vulnerable residents – like microgrid “resilience hubs” and projects serving multi-family residences – are not done at the individual household level, and few communities or multi-family residences are homogeneously low-income. It is, however, important to note that some “preferred” types of solar development are more costly, and ensure that those desirable types of projects are supported.

However, the bill should be amended to use the term “overburdened and underserved communities,” for which definitions have been established by Climate Solutions Now Act, instead of the term “environmental justice communities.” The latter term is not defined in the bill and, to our knowledge, is not used elsewhere in Maryland law.

In addition, Maryland should define its clean energy initiatives in a manner that maximizes leverage of the complementary funding available through the federal Inflation Reduction Act (IRA) and the Bipartisan Infrastructure law. The IRA also offers an additional 20% in “adders” to the federal Investment Tax Credit for solar serving 50% or more of households making less than or equal to 80% of median income, which is equivalent to Maryland's low- and moderate-income categories. Accordingly, the bill should be amended to allow use of SEIF funds for energy initiatives for low- and moderate-income communities, while retaining a carve-out minimum percentage for low-income communities.

Non-SEIF Bill Provisions

We support the non-SEIF provisions of the bill. In particular, the bill expands the electric vehicle recharging rebate from 2023 through 2026 and removes the \$1.8 million cap on

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the rebates. If passed, the legislation also would increase the maximum grant for medium-duty or heavy-duty zero-emission vehicles, medium-duty or heavy-duty zero-emission vehicle supply equipment, or zero-emission heavy equipment property from 20% to 100% of the incremental purchasing cost.

Conclusion

For these reasons, we recommend the Committee favorably report SB548 with amendments.

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