



February 23, 2023

## SUPPORT WITH AMENDMENTS

House Bill 550: Clean Transportation and Energy Act

Chairs Barve and Wilson, and Members of the Committees:

The Climate Access Fund is a statewide nonprofit Green Bank that uses innovative finance to increase low-income participation in community solar. We specialize in community solar project finance, and we seek to fill gaps in the market that are preventing more low-income households from participating in the clean energy economy and benefitting from discounted electricity bills. It is based on that expertise and mission that **we support HB 550 with two amendments.**

There are 450,000 low-income households in Maryland, many of whom are unable to install solar on their own rooftops, whether because they are renters, because of roof condition, or because of shading. Community solar offers all households, regardless of income or homeownership status, the opportunity to access solar power that is not located on their own rooftops, thereby saving money on their electricity bills and helping the climate at the same time. **With the right public incentives and private financing, all 450,000 low-income households in Maryland could have access to discounted clean energy through community solar.**

HB550 proposes to change existing law by allowing a portion of the state's Alternative Compliance Payments to be used for clean transportation rebates for all Marylanders – not specifically for low-income and environmental justice ("EJ") benefit.

Because transportation is the leading sector in terms of greenhouse gas emissions, followed closely by buildings, the Climate Access Fund appreciates the Governor's interest in using a portion of compliance funds to incentivize clean transportation. Yet as currently written, HB550 does not put a cap on the amount of compliance funding that could be spent on clean transportation for all income levels as opposed to building energy efficiency and renewable energy measures for low-income or EJ communities. With no cap, and only with language stating that the administration shall "prioritize" low-income and EJ benefit, all compliance funds could be spent – by this administration or a future administration -- on clean transportation benefitting higher-income Marylanders and none on clean energy measures specifically benefitting the 450,000 low-income households in Maryland. This is not only contrary to the intent of the existing law, but it is also not equitable. **The Climate Access Fund recommends a cap of 30% of annual compliance funds for clean transportation efforts to ensure that sufficient funds remain for the benefit of low-income or environmental justice communities through solar renewables.**

**The Climate Access Fund further recommends specifying that both SEIF funds and compliance funds used for loans and grants targeting solar renewables for low-income and EJ communities be limited to supporting projects that are below 1 MW in size and are located on rooftops and parking lots.**

The urgency of climate change means we need both larger and smaller solar projects, both on land and on the built environment, and serving both non-low-income customers and low-income customers.



Thankfully, commercial banks and private investors typically want to invest in the larger projects located on land that serve non-low-income customers, but they typically don't want to invest in smaller projects that are located on the built environment and serve low-income customers. That is why we currently see plenty of larger community solar projects located on land and few smaller projects located on the built environment, and plenty of community solar projects serving non-low-income customers and very few serving low-income customers.

Smaller solar projects, those built on rooftops and parking lots, and those serving low-income customers are more expensive to build and to operate. Smaller solar projects are more expensive per kW because they do not benefit from economies of scale. Solar projects on rooftops and parking lots are more expensive because of the need for good quality roofs and steel stanchions to hold up the solar panels over parking lots. Projects serving low-income customers are more expensive because of the additional bill discount needed to attract customers to sign up and to continue paying their bills, as well as the cost of replacing customers who struggle to pay their bills.

Because these projects cost more, there is less cashflow available to pay debt service and returns to equity investors. Grants and low-cost loans are needed so the smaller, low-income projects located on the built environment have enough cashflow to be financed and developed. **Without public support, these projects will not be built.**

The fundamental question to ask yourselves as Committee members, legislators and Maryland citizens is: shouldn't public funding be used to incentivize solar projects that we say we want but that will not exist without public support? Asked in a different way, why should we use public dollars to subsidize projects that can and will be developed by the private sector without state support?

**In summary, the Climate Access Fund urges a favorable report on HB550 with two amendments: (1) a 30% cap on Compliance funding for clean transportation; and (2) a limit on solar project size (1 MW) and location (on rooftops and parking lots) for SEIF and Compliance funds used for the benefit of low-income and EJ communities.**

Thank you.

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