



**Testimony by Marshall Duer-Balkind, Institute for Market Transformation on
HB 0864 – Energy Efficiency and Conservation Plans**

February 29, 2024

House Economic Matters Committee

Position: FAVORABLE

Dear Chairman Wilson, Vice Chair Crosby, and Members of the Committee:

My name is Marshall Duer-Balkind, Policy Director for the Institute for Market Transformation, and a resident of district 47a. IMT is a nonprofit that focuses on innovative and pragmatic solutions to create high-performing buildings. We support HB 864 concerning energy efficiency and conservation plans. The bill also aligns with some recommendations of the state’s Building Energy Implementation Task Force, which IMT facilitated and staffed.¹

HB 864 will enable necessary and important revisions to the suite of energy efficiency and demand response programs known as “EmPOWER Maryland.” Maryland has long been an energy efficiency leader.² However, EmPOWER is no longer in alignment with this Assembly’s climate vision of net zero greenhouse gas emissions by 2045; it is incentivizing fossil-fuel powered heating equipment that will still be polluting then.

The bill would change the program savings metric from units of energy use to units of greenhouse gas emissions. Under the current EmPOWER program, incentives are based on energy use reductions by fuel type. So, if you replace an old gas-fired furnace with an efficient electric heat pump, you would not qualify for EmPOWER because electricity use would go up, even though greenhouse gas emissions would go down. This bill will enable beneficial electrification, making EmPOWER a useful resource for

¹ Maryland Department of the Environment, Building Energy Implementation Task Force.

<https://mde.maryland.gov/programs/air/ClimateChange/Pages/BETITF.aspx>

² American Council for an Energy-Efficiency Economy (ACEEE). State Scorecard, 2022.

<https://www.aceee.org/state-policy/scorecard>

residents seeking to leverage federal incentives, and for building owners seeking to comply with the state's Building Energy Performance Standards.

The bill will also improve equity by expanding energy efficiency programs to the approximately 100,000 customers of municipal utilities and rural electric cooperatives who do not currently offer these benefits.³

While IMT supports the bill, we think it could be stronger in two ways, as recommended by the BETI Task Force final report. The bill should be amended to:

1. *“Prohibit incentives for gas equipment in all residential market rate programs and commercial and industrial programs with a phase-out period ending in 2026, during which there will be narrow exceptions in cases where there are no viable electrification alternatives; and*
2. *“Permit funding for fuel switching for beneficial electrification.”⁴*

12 other states have already made similar changes.⁵ I previously served as Vice Chair of the Sustainable Energy Utility Advisory Board in Washington, D.C., where we oversaw a similar shift in program goals to focus on greenhouse gas emissions, and ended incentives for new gas-fired equipment.⁶ By ending subsidies for fossil fuels, we are better preparing residents for a clean energy future, and reducing the risk of stranded assets. These changes worked in DC, and can work in Maryland.

IMT respectfully requests a favorable report on HB 864.

³ Based on IMT analysis of customer counts published by Choptank and A&N electric cooperatives and municipal utility customer counts published by the PSC in their 2022 report to DNR: <https://www.psc.state.md.us/wp-content/uploads/2022-2031-Ten-Year-Plan-Final.pdf>

⁴ BETI TF report, page 15

<https://mde.maryland.gov/programs/air/ClimateChange/BEPS/Final%20Report%20of%20the%20Building%20Energy%20Transition%20Implementation%20Task%20Force.pdf>

⁵ 11 states and the District of Columbia that encourage electrification through fuel-neutral energy or emissions goals for demand-side management programs: DC, NJ, NY, MA, VT, IL, WI, MN, TN, CO, CA, and AK. Source: ACEEE. 2022. “Leading States Chart Path for Cutting Emissions with Electrification.” <https://www.aceee.org/blog-post/2022/07/leading-states-chart-path-cutting-emissions-electrification-pointing-way-peers-1>

⁶ Sustainable Energy Utility Advisory Board 2022 Annual Report. <https://doee.dc.gov/node/1227741>