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COMMITTEE: ECONOMIC MATTERS

TESTIMONY ON: HOUSE BILL 1417: DEPARTMENT OF GENERAL SERVICES - CLEAN ENERGY PROCUREMENT PROGRAM - ESTABLISHMENT

POSITION: SUPPORT WITH AMENDMENTS

HEARING DATE: THURSDAY, MARCH 13TH AT 1:00 P.M.

WASHINGTON GAS RESPECTFULLY SUBMITS THIS STATEMENT IN **SUPPORT** of HOUSE BILL 1417: DEPARTMENT OF GENERAL SERVICES - CLEAN ENERGY PROCUREMENT PROGRAM – ESTABLISHMENT (HB 1417)

Background

HB 1417 would require the Maryland Department of General Services ("the Department" or "DGS"), in partnership with the Maryland Green Purchasing Committee, the University System of Maryland, and the Maryland Clean Energy Center, to establish a Clean Energy Procurement Program by January 1, 2026. The program's purpose is to procure biogas for use in Maryland's transportation and building sectors and to study the environmental benefits and costs of replacing fossil gas with biogas.

Position

Washington Gas supports Maryland's climate goals and believes that Maryland's gas infrastructure can help the State meet those goals while providing a wide range of benefits to Maryland customers. The Company is encouraged to see a proposal for the State to formally examine the various economic and environmental benefits of biogas for reducing greenhouse gas ("GHG") emissions, particularly in the State's buildings and transportation sectors. Hundreds of renewable natural gas ("RNG") interconnected projects have been implemented across the U.S. to-date and gas utilities have played, and can continue to play, an important role in facilitating these projects to help realize these benefits. Supportive public policies and incentives are needed to take advantage of RNG's potential for reducing emissions. In the example of landfills, owner/operators can either flare the biogas, use it as a renewable energy resource directly, or treat the landfill gas for subsequent sale. If converted to RNG, the energy is used for a productive purpose.

RNG is a fully interchangeable lower-carbon alternative to conventional natural gas. According to the United States Department of Energy, RNG is a pipeline-quality gas that is fully interchangeable with conventional natural gas. RNG is essentially biogas (the gaseous product of the decomposition of organic matter) that has been processed to pipeline standards.[1] Capturing, treating, and upgrading RNG from sources of organic matter, including landfills, wastewater treatment facilities, organic food waste, and agricultural operations, to pipeline-quality gas can significantly reduce GHG emissions from the State's waste and agriculture sectors.[2] The waste sector accounts for a significant portion of the State's GHG emissions; landfills and wastewater

[1] DOE Alternative Fuels Data Center
[2] EPA. Renewable Natural Gas (Aug. 3, 2023).

treatment plants accounted for approximately 7 million metric tonnes of CO2e, or approximately 8% of the State's gross GHG emissions, as of 2020.[3] The Maryland Department of the Environment ("MDE") recently found that landfills were the single largest source of methane emissions in Maryland, and that these emissions have been historically underestimated and are approximately four times higher than previously thought.[4] MDE recently published a final regulation for control of landfill gas emissions from municipal solid waste ("MSW") landfills in 2023[5] establishing support for specific, predictable, and achievable reduction in GHG targets for waste products which can unlock private/public investment and preserve customer energy affordability for alternate fuels. The agriculture sector accounted for 4% of the State's GHG emissions in 2020, and MDE projects these emissions to be relatively constant through 2050 with few abatement options identified.[6]

Supporting utility investment in RNG projects can help environmental justice areas. According to the Rocky Mountain Institute, "many landfills and incinerators directly impact disadvantaged communities and an analysis utilizing the United States Environmental Protection Agency's Environmental Justice Screening and Mapping Tool ("EJScreen") found that 54 percent of landfills reporting to the Greenhouse Gas Reporting Program have communities within one mile of the landfill that exceed the national average for either people of color or those with low incomes."[7] Procuring RNG and building RNG projects in Maryland can achieve GHG emission reductions, divert negative impacts from disadvantaged communities, and support the development of lower-carbon fuels for a variety of end uses.

RNG can locally support energy security and energy system resiliency. Maryland procures much of its natural gas from out-of-state sources. RNG can provide an additional source of local supply, potentially creating resiliency benefits in the case of system disruption.

RNG can be used as a lower-carbon transportation fuel. Natural gas vehicle fuel can help to reduce GHG emissions by ~27% relative to diesel and using RNG can help fleets reach negative GHG emission levels.[8] Using RNG can provide a cost-effective solution to decarbonizing heavy transport. For heavy-duty vehicles, natural gas vehicles fueling with RNG can be a more cost-effective option than battery-electric technology at reducing GHG emissions.

RNG can create significant economic opportunities for the State. Capturing otherwise lost methane can provide an additional source of revenue to municipal facilities, including landfills and wastewater treatment, as well as agricultural operations. It can also create useful co- and by-products, such as high-quality fertilizers.[9]

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[3] MDE. 2020 Greenhouse Gas Inventory (Sep. 24, 2022). In the 'Summary' tab, emissions from "Landfills" and "Wastewater Management" add to 7.21748 million metric tonnes of CO2e, which corresponds to 8.4856% of Gross Emissions, which was 85.05523 million metric tonnes of CO2e. All numbers use a 20-year GWP.
[4] MDE. Climate Pollution Reduction Plan (Dec. 28, 2023). Page 52
[5] Maryland Code. Section 26.11.42.04 - Requirements for Municipal Solid Waste (MSW) Landfills (Feb. 9, 2024).
[6] MDE. Climate Pollution Reduction Plan (Dec. 28, 2023). Pages 58-59
[7] Rocky Mountain Institute. Priority Climate Action Plan Guide: Organic Waste & Landfill Methane Strategies (2022).
[8] Cummins. Natural Gas Engines vs Diesel Engines (May 4, 2022)
[9] CleanBay Renewables. Home (2023). CleanBay's poultry litter RNG facilities can create tons of **natural, controlled-release fertilizer** with humic acid for farmers in our watershed to better **meet the region's agricultural needs** and **reduce phosphorous runoff**.

Conclusion

At Washington Gas, our core values are safety, collaboration, integrity, inclusion, and learning. The Company is committed to working with stakeholders to help achieve Maryland's GHG emissions reduction targets. RNG can be used to help reduce GHG emissions from current uses for natural gas while it remains an important part of the State's energy system. Natural gas is currently used to provide energy to the residential, commercial, industrial, and transportation sectors and most analyses today indicate this will continue to be the case for decades to come.

HB 1417 promotes the role for existing and future technology innovation to support diverse pathways to decarbonizing Maryland, and the State's existing natural gas infrastructure can and should be leveraged to preserve affordability, reliability, safety, and security of energy delivery. Washington Gas is an innovative company and is supportive of leveraging its unique talent and expertise to provide alternative energy sources and believes the deployment of this technology has the potential to offer several benefits to its Maryland customers. Allowing utilities to own RNG assets and purchase RNG for utility customers would exponentially unlock the potential for lower carbon fuels especially for carbon intense industries.

ADDENDUM: PROPOSED AMENDMENTS

Require DGS to enter into at least one biogas contract by changing "may" to "shall"

- 4-326 (C)(1)(II) ~~May~~ **Shall** enter into at least one contract to procure biogas

Remove requirement for the biogas to be competitively priced

- 4-326 (E)(1) ~~Biogas is competitively priced;~~

Remove program termination date

- 4-326 (F)(1) ~~The program shall terminate on December 31, 2028.~~

Insert new clause that guarantees cost recovery for any infrastructure needed to measure, monitor, and assure that biogas is being produced and distributed

- **4-326 (G) A gas company shall have the right to recover costs incurred from capital investments necessary to measure, monitor, and assure that biogas is being produced and distributed, including but not limited to investments in:**
    - **Equipment to convert untreated biomethane to biogas**
    - **Equipment necessary for the metering, gas quality, compression, interconnection, and transmission of biogas to a gas company's system; and**
    - **Aboveground and underground storage necessary for timely delivery of biogas to a gas company's system.**

Add additional criteria to what the Department must consider in their biogas solicitation.

- 4-326 (C)(2) When issuing the invitation for bids under this subsection, the Department shall take into consideration:
    a. The cost–effectiveness of the adoption of biogas;
    b. The social cost of greenhouse gases; ~~and~~
    c. The State's climate commitments under § 2–1204.2 of the Environment Article;

d. **The degree to which the use of biogas enhances or maintains customer energy choice;**
e. **The degree to which the use of biogas contributes to avoided costs associated with the addition of new electricity generation, transmission, or distribution grid infrastructure to serve loads that would have otherwise been met with grid electricity;**
f. **The degree to which the use of biogas leads to improvements in local gas system resiliency or reliability through diversification of supply options;**
g. **The degree to which the use of biogas improves waste stream diversion efforts; and**
h. **The degree to which the use of biogas stimulates jobs or creates other economic, social, or environmental benefits, including in disadvantaged or environmental justice communities.**

About Washington Gas Light

Washington Gas Light Company provides safe, reliable natural gas service to more than 1.2 million customers in Maryland, Virginia, and the District of Columbia. Washington Gas has been providing energy to residential, commercial, government, and industrial customers for more than 176 years, and currently serves more than 500,000 Maryland customers in Montgomery, Prince George's, Charles, St. Mary's, Frederick, and Calvert Counties. The Company employs over 400 people within Maryland, including contractors, plumbers, union workers, and other skilled tradespeople. We strive to improve the quality of life in our communities by maintaining a diverse workforce, working with suppliers that represent and reflect the communities we serve, and giving back through our charitable contributions and employee volunteer activities. The Company, together with other natural gas distribution utilities, are responsible for delivering the primary source of heat to Maryland residential energy consumers, serving approximately one half of all Maryland households while providing critical energy services to residential, commercial, and industrial customers at one-third the cost of electricity on a per unit basis.[10]

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[10] DOE. Energy Conservation Program for Consumer Products: Representative Average Unit Costs of Energy (Aug. 28, 2023).