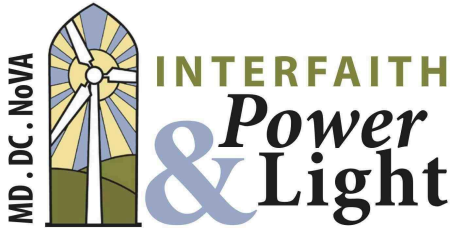


IPL-DMV Testimony for BEPS.docx.pdf

Uploaded by: Andrea Orozco

Position: FAV



**Testimony Supporting HB0049
Environment - Building Energy Performance Standards - Compliance and Reporting
February 2025**

Position: Favorable

Dear Chair Korman, and members of the Environment and Transportation Committee,

I'm Maddie Smith, and as the full-time "Clean Energy Shepherd" at Interfaith Power & Light, I'm here to say that with good support, buildings can comply with Building Energy Performance Standards, and that taking stock of energy use builds a foundation for making the buildings more efficient and healthier.

I know this from personal experience because for the last year, I've worked directly with houses of worship across Montgomery County (and in Washington DC) where BEPS is already in place. I've coached about fifty houses of worship through the process of measuring their energy use and then using the information they measured to go green.

The faith sector of buildings is ready and willing to participate, and we invite every other building sector in Maryland to follow our lead. In fact, when the Climate Solutions Now Act was being debated on the floor in 2022, there was a last-minute amendment introduced to exempt houses of worship from the Building Energy Performance Standards – and our faith communities *fought back* to insist that we be included! No one is exempt from the responsibility to do our part to address the climate crisis, so no category of buildings should be exempted from these standards.

In the case of multi-family buildings in particular, remember to listen not only to landlords but to tenants. We're working with colleagues at Action in Montgomery and the Maryland Just Power Alliance, who are helping tenants take stock of the harms of gas-burning by measuring nitrogen dioxide levels in their gas-burning kitchens while the stoves are on. Over and over, they've documented unhealthy levels of nitrogen dioxide, sometimes two or three or four times the EPA's outdoor standard. Tenants also understand that in some cases, moisture from the radiators is causing mold, so electrification would make their apartments dramatically healthier. These Maryland families have limited options for providing healthier housing for their families, and they are clamoring for their landlords to electrify their buildings and shift off of gas-burning. We need to make sure that building owners understand the many resources available to them to meet these standards, but we also need to balance their worries with the urgent needs of their tenants, who are entitled to raise their families in healthy homes. Remember your constituents, the many families who live in these buildings, who are counting on you to hold the buildings where they live to the highest standards.

There's been a lot of discussion about the Energy Use Intensity Standard, so I want to end by affirming that our congregations insist that BEPS maintain a strong standard that takes account of EUI. Our communities understand that burning gas indoors in Maryland is not only damaging our climate and endangering our families, but also polluting the air we breathe at home. To us, the fact that EUI forces all of us to internalize the harms of gas-burning in making decisions for the buildings where we live, work, and pray, is a *feature*, not a bug.

For the owner of a multifamily building that is replacing a gas boiler to comply with BEPS, resistance heating might be cheaper for the landlord to install, but it would impose higher electricity bills on the tenants compared to a heat pump, bills that the building owner won't have to pay. An Energy Use Intensity Standard ensures that buildings will be decarbonized in a way that protects and cares for all of the communities we serve.

HB 49 Environment - Building Energy Performance St

Uploaded by: Cait Kerr

Position: FAV

Wednesday, February 12, 2025

TO: Marc Korman, Chair of the House Environment and Transportation Committee; and Committee Members
FROM: Cait Kerr, The Nature Conservancy, State Policy Manager; and Michelle Dietz, The Nature Conservancy, Director of Government Relations
POSITION: Support HB 49 Environment - Building Energy Performance Standards - Compliance and Reporting

The Nature Conservancy (TNC) supports HB 49 requested by the Maryland Department of the Environment (MDE). HB 49 seeks to increase MDE's administrative capacity to support building owners, gives some flexibility to building owners who need it, and sets upper limits on how much any building owner will be required to pay with regard to Building Energy Performance Standards (BEPS). BEPS were first established in the Climate Solutions Now Act of 2022, with the intent of promoting buildings' energy efficiency and electrification, in order to reduce emissions and improve air quality.

TNC is a member of the Mitigation Working Group and the Buildings Sub-Group and provided funding for the Maryland Building Decarbonization Study, which supported the Maryland Commission on Climate Change's (MCCC) Building Energy Transition Plan. This study modeled three potential building decarbonization scenarios and made recommendations for Maryland to achieve deep decarbonization of building end-uses by mid-century, while also analyzing the costs and benefits of each potential pathway. The High Electrification scenario demonstrated the largest reduction in existing loads due to higher levels of efficiency from building shell improvement and efficient electric device adoption. Both the Building Energy Transition Plan and Maryland's Climate Pollution Reduction Plan recognize the need for increasing buildings' energy efficiency in order to meet our emission reduction commitments as well as reduce energy demand.

BEPS improve energy efficiency and simultaneously reduce on-site fossil fuel combustion, which result in air quality and health benefits. Reducing electricity demand through efficiency is the most cost-effective way to meet energy needs. At a time of projected energy demand growth in Maryland, the BEPS Energy Use Intensity (EUI) provisions will lower electricity demand on the grid. The near-term building targets for BEPS are designed so that buildings can comply by investing in energy efficiency. These investments will result in reduced energy bills. MDE has coordinated with building owners and other interested parties to design HB 49 in a way which is intended to make it easier for some buildings to comply with BEPS, while still maintaining the program's emission reductions and health benefits.

HB 49 creates a specific adjustment to alternative compliance pathways in order to allow building owners to select an alternative compliance method for energy use attributable to a building's failure to meet energy use intensity targets. The Alternative Compliance Payment sets an upper bound on how much any building owner will have to pay. This will allow for more flexibility in the program, while also contributing to our state's Strategic Energy Investment Fund.

TNC would like to thank MDE for designing HB 49 alongside building owners and other interested parties in order to ease compliance with the BEPS program. We strongly support BEPS and appreciate MDE's efforts to continue improving the program.

Therefore, we urge a favorable report on HB 49.

HB0049 Building Energy Performance Standards DAC.p

Uploaded by: Debbie Cohn

Position: FAV

Committee: Environment and Transportation
Testimony on: HB0049 – Environment – Building Energy Performance Standards Compliance and Reporting
Submitting: Deborah A. Cohn
Position: Favorable
Hearing Date: February 12, 2025

Dear Chair and Committee Members:

Thank you for allowing my testimony today in support of HB0049. I have lived in Montgomery County since 1986. I am concerned about reducing greenhouse gas emissions because of the costs of climate change on current and subsequent generations of Marylanders.

The buildings sector is responsible for 13 percent of Maryland’s greenhouse gas emissions.¹ While Maryland has seen a small reduction in emissions from the residential sector, as of 2022 the commercial buildings sector saw a 23 percent rise in emissions, with the majority of those emissions coming from burning fossil fuels for space and water heating.²

Building Energy Performance Standards (BEPS), required by the Climate Solutions Now Act, can promote meaningful greenhouse gas emissions reductions in the commercial buildings sector. The standards induce commercial building owners to select the most cost effective pathway to make their buildings more energy efficient, and thus less expensive to heat and cool. To the extent these investments result in air sealing, and electrifying space heating and cooling and water heating systems, they also improve air quality, thus reducing health costs.

Because of my concern to increase the energy efficiency of the commercial building sector while improving indoor health, I have been extensively involved in Montgomery County’s efforts to create building energy performance standards that would take into account benchmarking for different classes of building types, recognize the need for flexibility for some building owners regarding the timing of reaching various benchmarks, and recognize the importance in certain circumstances of setting upper limits on how much any building owner would be required to pay.

Several points became abundantly clear. First, the standards need to be designed both to increase site energy use intensity (EUI) and reduce greenhouse gas (GHG) emissions. But building owners need flexibility to decide how to achieve these goals. Second, no class of building should be exempted, but the cost effective increases in site EUI and GHG emissions reductions for a particular building within a building sector might result in lower achievement of these dual

¹ Maryland Commission on Climate Change,
<https://mde.maryland.gov/programs/air/ClimateChange/MCCC/Commission/Building%20Energy%20Transition%20Plan%20-%20MCCC%20approved.pdf>

² Maryland Matters reporting on a study by the Environment America Research & Policy Center,
<https://marylandmatters.org/2024/11/15/some-good-climate-news-for-once-md-leads-in-carbon-emissions-reductions/#:~:text=As%20of%202022%2C%20Maryland%20saw%20only%20a,heat%20and%20hot%20water%20i n%20commercial%20buildings.>

goals. Finally, while it was important to credit building owners for onsite use of geothermal or photovoltaic solar energy generating systems, crediting offsite photovoltaic generating systems would not advance the dual purposes of BEPS regulations.

The last year has given the Maryland Department of the Environment (MDE) more time to work with building owners and other stakeholders to develop the policies included in HB0049. Because existing buildings vary in their current energy efficiency and usage, some flexibility and support is appropriate. HB0049 creates the needed flexibility and support. Specifically, the bill increases MDE's ability to work with building owners, sets upper limits on how much any building owners will be required to pay, and provides appropriate levels of flexibility to building owners in certain circumstances.

As a result of my experience with the development of the proposed Montgomery County BEPS regulations, I urge you to refrain from weakening HB0049, particularly in these four respects

1. **Protect Emission Reduction Requirements** – Building emission requirements are the foundation of BEPS. These should not be weakened. Under current law, buildings 35,000 square feet and larger must benchmark their energy performance and report it to MDE. By 2030, these building must emit 20% fewer emissions than the average building of its type and have net zero direct greenhouse gas emissions by 2040. Many high performing buildings are either already in compliance with the 2030 standards or well on their way, but other buildings have more work to do.
2. **Protect Energy Use Intensity Standard** - Energy Use Intensity (EUI) is the total energy consumed by a building in one year (gas and/or electric) divided by the size of the building (total gross floor area). Buildings with lower energy use per area have lower EUI, i.e., they are more energy efficient. EUI standards are agnostic about the steps the building owner takes to meet the building's EUI requirements. Energy efficiency is beneficial in itself as it reduces energy demand. But to meet Maryland's greenhouse gas emissions reduction targets, efficient buildings also need reduce greenhouse gas emissions.

Having an EUI Standard ensures that buildings will use efficient heat pumps, reducing the use of inefficient resistance heating. The initial cost of resistance heating equipment or an inefficient heat pump is significantly lower than that of a highly efficient cold weather heat pump. The operating space and water heating costs of a highly efficient heat pump, however, are much lower given the much reduced dependence on expensive to operate resistance heating. Highly efficient cold weather heat pumps will also lower utility bills and reduce energy demand on the grid.

3. **Do Not Exempt Certain Types of Buildings** –No entire category of building, particularly multifamily buildings, hospitals or research labs, should be exempted from BEPS. Indeed, one point that became abundantly clear in the Montgomery County process was that multifamily housing, particularly lower cost multi-family housing, should not be exempted. Owners of these buildings may need additional financial support

and time to achieve the BEPS standards, but attaining BEPS targets in these buildings may facilitate the greatest improvements in health and reductions in utility costs.

4. The Alternative Compliance Payment (ACP) sets an upper limit on how much any building owner will have to pay for failure to meet the targets. The ACP needs to be set high enough so that very few building owners will choose to pay that fee. Any needed exceptions or adjustments should be made on a building-by-building basis through an application process to MDE. This approach ensures that each building owner undertakes economically feasible efforts to increase energy efficiency, even if unable to meet the standards for that building type.

5. **No Credits for Offsite Renewables** – Buildings should receive credit for onsite renewable energy such as installing solar energy generating systems or geothermal where feasible. Purchasing credits from offsite renewable energy, however, defeats the purpose of lowering energy use in the particular building and thus should not be allowed.

I urge this Committee not to weaken HB0049 and to issue a FAVORABLE report in committee.

Thank you.

ECA HB 0049 BEPS.pdf

Uploaded by: Frances Stewart

Position: FAV



HB 0049 - SUPPORT
Frances Stewart, MD
Elders Climate Action Maryland
frances.stewart6@gmail.com
301-718-0446

HB 0049, Building Energy Performance Standards

Meeting of the Environment and Transportation Committee

February 12, 2025

Dear Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee, on behalf of Elders Climate Action Maryland, I urge a favorable report on HB 0049, Building Energy Performance Standards.

Elders Climate Action is a nationwide organization devoted to ensuring that our children, grandchildren, and future generations have a world in which they can thrive. The Maryland Chapter has members across the state.

In 2022, the Maryland General Assembly passed the Climate Solutions Now Act, which made Maryland a national leader in addressing the climate crisis. One key feature of the act was the creation of the Building Energy Performance Standards (BEPS). The Maryland Department of the Environment was tasked with creating regulations to put those standards into practice.

Buildings are one of the largest sources of greenhouse gas emissions in Maryland. They are also a major source of air pollution, which has many adverse health effects, including asthma, other respiratory illnesses, and heart disease.

Decreasing pollution from buildings is challenging. Most of the buildings that will exist in Maryland in 2045 are here today. Strong Building Energy Performance Standards are essential in meeting that challenge. They also offer multiple benefits in reducing energy costs, creating jobs in Maryland, and making buildings healthier and more comfortable places in which to live and work.

Some building owners have expressed concerns about meeting the standards. We believe MDE has done a good job of addressing those concerns while crafting a rule that will provide the needed emissions reductions and desired health and economic benefits.

We believe that the BEPS regulations must:

- Maintain strong emission reduction requirements
- Have strong energy use intensity standards
- Apply to all categories of buildings 35,000 square feet or larger
- Not provide credits for offsite renewables

For all of these reasons, we strongly urge a favorable report on HB0049.

ECA HB 0049 BEPS.pdf

Uploaded by: Frances Stewart

Position: FAV



HB - SUPPORT
Frances Stewart, MD
Elders Climate Action Maryland
frances.stewart6@gmail.com
301-718-0446

HB 0049, Building Energy Performance Standards

Meeting of the Environment and Transportation Committee

February 12, 2025

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Decreasing pollution from buildings is challenging. Most of the buildings that will exist in Maryland in 2045 are here today. Strong Building Energy Performance Standards are essential in meeting that challenge. They also offer multiple benefits in reducing energy costs, creating jobs in Maryland, and making buildings healthier and more comfortable places in which to live and work.

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- Apply to all categories of buildings 35,000 square feet or larger
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For all of these reasons, we strongly urge a favorable report on HB0049.

Sign on testimony for BEPS (1).pdf

Uploaded by: Jamie DeMarco

Position: FAV

Environment and Transportation Committee
2/12/2025

**On behalf of the organizations listed above we urge
a favorable report on HB0049**

ACQ (Ask the Climate Question)
AIA Maryland
CASA
Cedar Lane Unitarian Universalist Environmental Justice Ministry
Center for Progressive Reform
Ceres
Chesapeake Climate Action Network
Climate Reality Greater Maryland
Earthjustice
Elders Climate Action Maryland Chapter
Environment Maryland
Green Sanctuary, Unitarian Universalist Church of Silver Spring
HoCo Climate Action
Indivisible HoCoMD Environmental Action
Institute for Market Transformation (IMT)
Interfaith Power & Light (DC.MD.NoVa)
Maryland League of Conservation Voters
Maryland Legislative Coalition
Maryland Legislative Coalition- Climate Justice Wing
Maryland PIRG
Mediation Matters
Mont Co Faith Alliance for Climate Solutions
Progressive Maryland
Sierra Club Maryland Chapter
The Climate Mobilization Montgomery County
Unitarian Universalist Legislative Ministry of Maryland

The Climate Solutions Now Act of 2022, Maryland's landmark climate policy, created the Building Energy Performance Standard (BEPS), which will, if fully implemented, reduce roughly one million metric tons of greenhouse gas emissions annually. The combustion of fossil fuels in buildings contributes [three times more outdoor air pollution than all the power plants in Maryland combined](#). By reducing this pollution, BEPS is improving the air quality in Maryland and improving health outcomes. Thanks to BEPS and the General Assembly, fewer Marylanders will suffer from chronic air pollution-induced health illnesses, including asthma.

BEPS improves energy efficiency and reduces on-site combustion of fossil fuels at the same time. There are tremendous benefits from both the direct pollution reduction and the efficiency gains, and doing both at the same time is important.

Maryland's [electricity demand has declined over the past twenty years](#), despite a growing economy and a growing population. This has been possible because the state invested in energy efficiency over this time period. The most cost-effective way to 'generate' electricity is by reducing electricity demand through efficiency. At a time of projected energy demand growth in Maryland, the BEPS Energy Use Intensity (EUI) provisions will lower electricity demand on the grid, reducing the need to build new transmission lines and build new power generation sources.

The near-term building targets for BEPS are designed so that buildings can comply simply by investing in energy efficiency. These investments will create benefits for the building owners in the form of reduced energy bills. Many buildings, especially those that have already invested in efficiency, will not have to make any changes to comply with the 2030 target.

In the long term, to address the climate crisis and to comply with existing law, Maryland must electrify everything. Thankfully, the technology is available for the state to move to clean, electric heating; we need only choose to adopt those technologies. Heat pumps are essentially air conditioners that can also be run in reverse. They can heat a building more efficiently than a gas furnace or boiler, while emitting no onsite particulate pollution. The transition from a gas furnace to a heat pump is most cost-effective if it is made at the point at which the furnace would otherwise have to be replaced. Gas furnaces tend to last 15-20 years.¹ Maryland enacted BEPS into law in 2022, and as a result, most gas furnaces will reach the end of their expected lifetime within the timespan of BEPS.

HB0049 effectively makes it easier for some buildings to comply with BEPS while maintaining the climate and health benefits of the program. The Maryland Department of the Environment has done great work to engage with building owners and other stakeholders to design this policy. HB0049 increases MDE's administrative capacity to support building owners, gives some flexibility to building owners who need it, and sets upper limits on how much any building owner will be required to pay. These measures improve the BEPS policy and we urge a favorable report.

As BEPS regulations are discussed, we ask lawmakers to respect these four redlines:

Protect Emission Reduction Requirements

Under current law, buildings that are 35,000 square feet and larger must benchmark their energy performance and report it to MDE. By 2030 every qualified building over 35,000 square feet must emit 20% fewer emissions than the average building of its type. So, to ensure fairness, office buildings will be compared to other office buildings, warehouses to other warehouses, etc. This means that high performing buildings are already in compliance with the

¹ <https://www.carrier.com/residential/en/us/products/furnaces/how-long-does-a-furnace-last/>

2030 standards. Every building 35,000 square feet and larger must have net-zero direct greenhouse gas emissions by 2040.

These emission requirements are the bedrock of BEPS and should not be weakened.

Protect Energy Use Intensity Standard

Energy Use Intensity (EUI) just means energy efficiency, and it is important for buildings to decarbonize efficiently. If a building is replacing its gas boiler, it can either electrify with an efficient heat pump or with inefficient resistance heat. To over simplify, resistance heat is just running electricity through wires that have a lot of resistance. It is how a toaster heats up and how baseboard heating works, and it uses about three times more electricity than a heat pump.

For the owner of a multifamily building that is replacing a gas boiler to comply with BEPS, resistance heating might be cheaper to install, but it will result in higher electricity bills for the tenants compared to a heat pump—bills that the building owner won't have to pay. An Energy Use Intensity Standard ensures that buildings will be decarbonized with efficient heat pumps, which lower bills and reduce energy demand on the grid.

Do NOT Exempt Large Groups of Buildings

Maryland should ensure that no entire category of building, such as multifamily buildings, is exempted from BEPS. The Alternative Compliance Payment sets an upper bound on how much any building owner will have to pay. Any needed exceptions or adjustments should be made on a building-by-building basis through an application process to MDE. These adjustments should be specific, and not allow for loopholes that buildings can exploit on masse. This is exactly what HB0049 does.

No Credits for Offsite Renewables

Allowing buildings to “offset” onsite emissions by buying credits from offsite renewable energy will undermine the entire BEPS program. Opening this door would allow building owners to not improve their property, but simply purchase Renewable Energy Credits instead. Maryland already has policies in place to incentivize the building of renewable energy. BEPS is Maryland's policy for decarbonizing our buildings, and it should stay that way.

Ceres Testimony HB0049 - BEPS.pdf

Uploaded by: Jeff Mauk

Position: FAV



HB0049 – SUPPORT

Jeff Mauk

Ceres

jmauk@ceres.org

HB0049 – Environment - Building Energy Performance Standards - Compliance and Reporting

Environment and Transportation Committee

February 12th, 2025

Dear Chair Korman, Vice Chair Boyce, and members of the Environment and Transportation Committee,

I write today on behalf of Ceres to urge a favorable report from the Committee on HB0049 concerning Building Energy Performance Standards. Ceres advances leadership among investors, companies, and capital market influencers to drive solutions and take action on the most pressing sustainability solutions. We organize the Business for Innovative Climate and Energy Policy Network (BICEP), a coalition of more than 85 major employers – including several with operations or business interests in Maryland - committed to advocating for stronger climate and clean energy policies at the state and federal levels.

HB0049 represents a critical opportunity to enhance Maryland's Building Energy Performance Standards while protecting business interests, consumer costs, and property values. The legislation strengthens Maryland's climate goals by prioritizing cost-effective implementation and maintaining building asset values.

The economic benefits of this policy are substantial. Energy efficiency improvements reduce operating costs, while planned electrification through heat pump installations aligns with natural equipment replacement cycles. This approach minimizes disruption and allows building owners to optimize their investment timing. Many efficient buildings already meet the 2030 targets without requiring additional investment, demonstrating the practicality of the standards.

The bill provides essential flexibility through building-by-building compliance pathways rather than rigid mandates. The Alternative Compliance Payment establishes clear maximum cost exposure, allowing businesses to effectively plan and budget for necessary improvements. Enhanced administrative support from the Maryland Department of Environment helps owners identify the most cost-effective solutions for their specific properties.

From a market perspective, HB0049 protects long-term property values by facilitating efficient decarbonization and preventing costly future retrofits. The legislation's energy efficiency requirements ensure that electrification occurs through efficient technologies like heat pumps

rather than costly resistance heating, protecting both building owners and tenants from unnecessarily high utility bills.

This carefully crafted enhancement to Maryland's climate policy balances environmental goals with business practicality. By providing clear pathways, cost controls, and implementation support, HB0049 enables building owners to maintain their competitive position while contributing to Maryland's clean energy future.

Respectfully submitted,

Jeff Mauk
Director, State Policy, Eastern Region, Ceres

HB0049 Building Energy Performance Standards_ E an

Uploaded by: Laurie McGilvray

Position: FAV



Committee: Environment and Transportation
Testimony on: HB0049 - Environment - Building Energy Performance Standards - Compliance and Reporting
Organization: Maryland Legislative Coalition Climate Justice Wing
Submitting: Laurie McGilvray, Co-Chair
Position: Favorable
Hearing Date: February 12, 2025

Dear Chair and Committee Members:

Thank you for allowing our testimony today in support of HB0049. The Maryland Legislative Coalition Climate Justice Wing, a statewide coalition of nearly 30 grassroots and professional organizations, urges you to vote favorably on HB0049.

Building Energy Performance Standards (BEPS), required pursuant to the Climate Solutions Now Act, represent a critical tool to make Maryland's buildings more energy efficient, healthier, less costly to heat and cool, while helping us meet our greenhouse gas reduction targets. Maryland's [electricity demand has declined over the past twenty years](#) despite a growing economy and increased population, because the state invested in energy efficiency. Now, at a time of increasing electricity demand, energy efficiency is one of the most cost-effective ways to reduce our consumption, without building new electricity generation and transmission. These BEPS regulations will accelerate the pace of large buildings becoming more energy efficient.

Over the last year, the Maryland Department of the Environment (MDE) has done a great job working with building owners and other stakeholders to design the policies included in HB 0049. Specifically, the bill increases MDE's administrative capacity to support building owners, gives some flexibility to those who need it, and sets upper limits on how much any building owner will be required to pay.

We urge you to refrain from amending the bill and to respect these four redlines:

1. **Protect Emission Reduction Requirements** – Building emission requirements are the foundation of BEPS and should not be weakened. Under current law, buildings 35,000 square feet and larger must benchmark their energy performance and report it to MDE. By 2030, these building must emit 20% fewer emissions than the average building of its type and have net zero direct greenhouse gas emissions by 2040. This means that high performing buildings are already in compliance with the 2030 standards, but other buildings have more work to do.
2. **Protect Energy Use Intensity Standard** - Energy Use Intensity (EUI) is the total energy consumed by a building in one year (gas and/or electric) divided by the size of the building (total gross floor area). Buildings with lower energy use per area have lower EUI (think measure of energy efficiency). We want efficient buildings that also reduce greenhouse gas emissions. Having an EUI Standard ensures that buildings will use

efficient heat pumps rather than energy-hog resistance heating, which will also lower bills and reduce energy demand on the grid.

3. **Do Not Exempt Certain Types of Buildings** - No entire category of building, such as multifamily buildings, should be exempted from BEPS. The Alternative Compliance Payment sets an upper limit on how much any building owner will have to pay if they don't meet the targets. Any needed exceptions or adjustments should be made on a building-by-building basis through an application process to MDE rather than for a class of building types.
4. **No Credits for Offsite Renewables** – Buildings should not be allowed to “offset” their onsite emissions by buying credits from offsite renewable energy. The point of BEPS is to lower energy use in buildings. A work-around such as buying offsite renewable energy credits undermines the goals of BEPS and should not be allowed.

We urge you to support HB0049 without weakening amendments and request a FAVORABLE report in committee.

350MoCo

Adat Shalom Climate Action

Cedar Lane Unitarian Universalist Church Environmental Justice Ministry

Chesapeake Earth Holders

Chesapeake Physicians for Social Responsibility

Climate Parents of Prince George's

Climate Reality Project

ClimateXChange – Rebuild Maryland Coalition

Coming Clean Network, Union of Concerned Scientists

DoTheMostGood Montgomery County

Echotopia

Elders Climate Action

Fix Maryland Rail

Glen Echo Heights Mobilization

Greenbelt Climate Action Network

HoCoClimateAction

IndivisibleHoCoMD

Maryland Legislative Coalition

Mobilize Frederick

Montgomery County Faith Alliance for Climate Solutions

Montgomery Countryside Alliance

Mountain Maryland Movement

Nuclear Information & Resource Service

Progressive Maryland

Safe & Healthy Playing Fields

Takoma Park Mobilization Environment Committee

The Climate Mobilization MoCo Chapter

Unitarian Universalist Legislative Ministry of Maryland

WISE

HB0049_FAV_BEPS_ENT_HoCoCA.pdf

Uploaded by: Liz Feighner

Position: FAV



HoCoClimateAction.org
Howard County, Maryland

HB0049 - Building Energy Performance Standards - Compliance and Reporting

Hearing Date: February 12, 2025
Sponsor: Chair, Environment and Transportation
Committee: Environment and Transportation
Submitting: Liz Feighner for HoCo Climate Action
Position: Favorable

[HoCo Climate Action](#) is a [350.org](#) local chapter and a grassroots organization representing approximately 1,400 subscribers. It is also a member of the [Climate Justice Wing](#) of the [Maryland Legislative Coalition](#).

We urge you to **vote favorably on HB0049 without weakening amendments** to this Building Energy Performance Standards (BEPS) bill which would make adjustments to BEPS, passed in 2022 as part of the Climate Solution Now Act, to help with implementation, while maintaining the core tenants of BEPS.

HB0049 effectively makes it easier for some buildings to comply with BEPS while maintaining the climate and health benefits of the program. The Maryland Department of the Environment has done great work to engage with building owners and other stakeholders to design this policy. HB0049 increases MDE's administrative capacity to support building owners, gives some flexibility to building owners who need it, and sets upper limits on how much any building owner will be required to pay. These measures improve the BEPS policy and we urge a favorable report.

We urge you to refrain from amending the bill and to respect these four redlines:

1. **Protect Emission Reduction Requirements** – Building emission requirements are the foundation of BEPS and should not be weakened. Under current law, buildings 35,000 square feet and larger must benchmark their energy performance and report it to MDE. By 2030, these buildings must emit 20% fewer emissions than the average building of its type and have net zero direct greenhouse gas emissions by 2040. This means that high performing buildings are already in compliance with the 2030 standards, but other buildings have more work to do.
2. **Protect Energy Use Intensity Standard** - Energy Use Intensity (EUI) is the total energy consumed by a building in one year (gas and/or electric) divided by the size of the building (total gross floor area). Buildings with lower energy use per area have lower EUI (think measure of energy efficiency). We want efficient buildings that also reduce greenhouse gas emissions. Having an EUI Standard ensures that buildings will use efficient heat pumps rather than energy-hog resistance heating, which will also lower bills and reduce energy demand on the grid.

3. **Do Not Exempt Certain Types of Buildings** - No entire category of building, such as multifamily buildings, should be exempted from BEPS. The Alternative Compliance Payment sets an upper limit on how much any building owner will have to pay if they don't meet the targets. Any needed exceptions or adjustments should be made on a building-by-building basis through an application process to MDE rather than for a class of building types.
4. **No Credits for Offsite Renewables** – Buildings should not be allowed to “offset” their onsite emissions by buying credits from offsite renewable energy. The point of BEPS is to lower energy use in buildings. A work-around such as buying offsite renewable energy credits undermines the goals of BEPS and should not be allowed.

We urge you to **support HB0049 without weakening amendments** and request a FAVORABLE report in committee.

Howard County Climate Action

Submitted by Liz Feighner, Steering and Advocacy Committee

www.HoCoClimateAction.org

HoCoClimateAction@gmail.com

HB 49 - MoCo_Elrich_FAV (GA 25).pdf

Uploaded by: Marc Elrich

Position: FAV



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

February 12, 2025

TO: The Honorable Marc Korman
Chair, Environment and Transportation Committee

FROM: Marc Elrich
County Executive

RE: House Bill 49, *Environment - Building Energy Performance Standards - Compliance and Reporting*
Support

I am writing to express my strong support for House Bill 49, *Environment - Building Energy Performance Standards - Compliance and Reporting*, which would clarify the authority of the Maryland Department of the Environment (MDE) to enforce the State's existing Building Energy Performance Standards (BEPS) law.

Ensuring that our buildings are energy efficient and capable of utilizing clean energy resources is critically important to achieving state and local climate goals, including our goal here in Montgomery County to eliminate greenhouse gas emissions by 2035. Building energy performance standards will encourage reinvestment in our communities in ways that improve buildings for those who work and live in them, support local jobs, foster long-term cost savings, reduce local air pollution, and align with our climate goals.

This legislation makes two important changes. First, it would enable MDE to establish an alternative compliance pathway for site energy use intensity (energy efficiency) targets required of covered buildings. Second, it would direct that revenue from alternative compliance payments be invested in the State's Strategic Energy Investment Fund, which could be used to help struggling building owners make necessary upgrades. These are reasonable changes that would help building owners to comply with this important policy. We support these changes and look forward to partnering with the State to help all covered buildings in Montgomery County to meet or exceed statewide standards.

I respectfully request that the Environment and Transportation Committee give this bill a favorable report.

cc: Members of the Environment and Transportation Committee

HB 49 - CBF - FAV.pdf

Uploaded by: Matt Stegman

Position: FAV



CHESAPEAKE BAY FOUNDATION

*Environmental Protection and Restoration
Environmental Education*

House Bill 49

Environment – Building Energy Performance Standards – Compliance and Reporting

Date: February 12, 2025

To: Environment & Transportation Committee

Position: **FAVORABLE**

From: Gussie Maguire
MD Staff Scientist

Chesapeake Bay Foundation (CBF) **SUPPORTS** HB 49 which improves upon the Building Energy Performance Standards established in the 2022 Climate Solutions Now Act. Buildings subject to the bill provisions include commercial, multifamily residential, and state-owned buildings over 35,000 square feet, excluding historic properties, schools, and manufacturing and agricultural buildings. The initial Act targeted greenhouse gas emissions; HB 49 includes energy use intensity targets.

Maryland must continue to work towards electrification to reduce fossil fuel emissions, but not all electrified solutions also reduce energy demand. An apartment building owner could replace all gas heat with inexpensive electric baseboard heaters, but because baseboard heaters are relatively inefficient, the building will use more energy overall- and as not all electricity in Maryland comes from clean renewable sources, increased demand may be supplied from fossil fuel-burning power plants. Setting energy use intensity requirements ensures that electrification proceeds in a sustainable fashion.

The bill further provides a mechanism for MDE to assess and collect alternative compliance payments for buildings that cannot, for whatever reason, meet the energy use intensity requirements the department may set. Payments collected are to be deposited in the Strategic Energy Investment Fund (SEIF). The SEIF has been the primary source of funding for major State climate resiliency and clean energy infrastructure projects. In the Governor's proposed FY 2026 budget plan, SEIF funds are used to maintain vital environmental programs in several agencies. The alternative compliance payments called for in the bill are a win-win, providing a strong incentive for property owners to do everything reasonable to meet energy use intensity standards while providing resources for the initiatives supported by SEIF when they fall short.

CBF urges the Committee's FAVORABLE report on HB 49.

For more information, please contact Matt Stegman, Maryland Staff Attorney, at mstegman@cbf.org.

Maryland Office • Philip Merrill Environmental Center • 6 Herndon Avenue • Annapolis • Maryland • 21403

The Chesapeake Bay Foundation (CBF) is a non-profit environmental education and advocacy organization dedicated to the restoration and protection of the Chesapeake Bay. With over 200,000 members and e-subscribers, including 71,000 in Maryland alone, CBF works to educate the public and to protect the interest of the Chesapeake and its resources.

AstraZeneca_BEPS Testimony_2.10.25.pdf

Uploaded by: Amy Prentice

Position: FWA

February 12, 2025

House Environment and Transportation Committee
Chairman Marc Korman
251 Taylor House Office Building
Annapolis, Maryland 21401

RE: SB 256 / HB 49 - Environment - Building Energy Performance Standards – Compliance and Reporting

Support with Amendments

Chair Korman and Members of the Environment and Transportation Committee,

Thank you for the opportunity to comment on SB 256 / HB 46 – Building Energy Performance Standards – Compliance and Reporting. We appreciate your attention to this important matter.

AstraZeneca is a global, science-led biopharmaceutical company that focuses on the discovery, development and commercialization of prescription medicines in Oncology, Rare Diseases and BioPharmaceuticals, including Cardiovascular, Renal & Metabolism, and Respiratory & Immunology. Based in Cambridge, UK, AstraZeneca operates in over 125 countries, and its innovative medicines are used by millions of patients worldwide.

We are proud that Maryland is home to three key AstraZeneca sites including: one of five strategic Research & Development Centers in Gaithersburg, Frederick biologics Manufacturing Center and our soon to open Rockville cell therapy Manufacturing Center. These Maryland sites employ a diverse community of over 5,000 individuals.

Current Building Energy Performance Standards (BEPS), as structured, would harm AstraZeneca operations and the larger life science industry. As the third largest life science cluster in the Country, it is critical that policies support life science operations and future growth.

We respectfully request amendments to this legislation that would provide a categorical exemption from the current BEPS for life sciences research and development buildings.

Activities at life sciences R&D centers, such as ours in Gaithersburg, include development and production of medicines for clinical trials at laboratory and pilot scale. Both development and production require a high focus on business resilience to prevent disruption to process power and heating. This precludes much of the electrification required to reduce and eventually achieve the BEPS zero net direct emissions, as both power and gas or fuel heating must be maintained for resilience.

AstraZeneca Maryland sites utilize Renewable Natural Gas (RNG) as a decarbonization strategy. As RNG use is still uncommon, the BEPS benchmarking tool ENERGY STAR Portfolio Manager does not currently provide an adjustment for RNG use as it does for use of renewable power. Therefore, net direct intensity calculated by the tool would not be representative of emissions impact for AstraZeneca sites.

In addition, while Maryland continues to address building energy performance standards, Counties are simultaneously establishing separate requirements; increasing the complexity and challenges of compliance. **To support a more aligned approach to standards, we recommend amended language prohibiting Counties and municipalities in Maryland from establishing or enforcing BEPS for any building type that are also excluded by the State.**

With a community of over 2,700 life science businesses, resilient R&D activities are critical to the industry and to advances in healthcare. As the burden of disease grows and the population ages, we believe that science is key to helping unlock the answers to healthcare challenges. We are harnessing science to create novel therapies and vaccine, help people with chronic diseases live better, healthier lives, redefine cancer care and pioneer treatments for rare diseases.

AstraZeneca remains committed to reducing building energy intensity such as reducing air exchange rates while maintaining the stringent critical space specifications required to meet US FDA Good Manufacturing Practice/Good Laboratory Practice regulations and health & safety regulations. Our commitment to environmental sustainability does not only include a focus on building operation natural resource efficiency but also on optimizing space utilization through the densification and co-location of lab functions, ensuring a more sustainable approach to laboratory operations.

We appreciate Maryland's efforts to address climate change. AstraZeneca believes a healthy environment is critical to the health of people, communities, and our world. We look forward to continuing our ambition of accelerating the delivery of net-zero healthcare, proactively managing our environmental impact, and investing in nature and biodiversity.

Thank you,



Geoffrey A. Gallo
Head of Corporate & State Government Affairs
AstraZeneca

25.02.12 Testimony House TE Committee Willoughby.p

Uploaded by: Brenda Viehe-Naess

Position: FWA

TESTIMONY ON HB 49
By the Board of Directors of the Willoughby Condominium of Chevy Chase
Before the House Environment and Transportation Committee
February 12, 2025

Chair Korman, Vice Chair Boyce, and Members of the House Environment and Transportation Committee,

The Willoughby is Moderate Priced, Affordable Housing

I am Brenda Viehe-Naess, a resident testifying on behalf of the Board of Directors of the Willoughby Condominium in Chevy Chase. The Willoughby is an 815 unit building with almost 2,000 residents, built in 1968. The Willoughby is affordable, moderate priced housing,

The residents are diverse across many demographics, including economically, ethnically, and in terms of age. There are young people in their first jobs, families with children, and retirees, some on fixed incomes. As the Treasurer of the Board of Directors, I am well aware that all of them are very concerned about increasing costs.

We Support Energy Conservation and the Reduction of Global Warming

We are very supportive of State and County efforts to reduce greenhouse gases, conserve energy, and reduce the impact of global warming on our families and future generations. We are working with an energy consultant recommended by the Montgomery County Green Bank to develop affordable ways to enhance our building's energy efficiency and reduce greenhouse gas emissions.

We want to do as much as we can to support the State's work, but there are financial limits to what is realistic and affordable. Our 57-year-old building requires regular maintenance and the replacement of major equipment, such as façade maintenance, electrical systems, and fire alarms. These major repairs and improvements are costly, but failing to do them would jeopardize the building's safety and the residents' quality of life. We cannot postpone these essential projects.

The Cost of Compliance with State Regulations is Extremely High and Onerous for Moderate Income Residents

The State regulations under the Climate Solutions Now Act of 2022 impose unrealistic demands upon condominiums, which are, in reality, collections of individual owners in single family homes stacked one above and alongside the other. The amount that our owners can afford to pay is limited.

While median multifamily properties consume energy at a rate that is at least **12% higher** than similar office buildings due to their 24/7 need for cooking/heating/air conditioning/etc., the state has set an EUI target for multifamily housing that is **47% lower** than its target for commercial office properties. The target is unrealistic and draconian. It is impossible for us to reach at an affordable cost.

State regulations would require us to replace our current gas boilers and water heaters with more efficient boilers, water heaters or electric heat pumps and pay a fine as well, or pay a more substantial fine to the State. It appears that the cost of eliminating our gas boilers and water heaters

and replacing them with heat pumps would be extremely high, based on the cost estimates for similar projects in nearby Maryland buildings:

- At the low end of a range, the cost of electrification (exclusive of cooking) would run about \$36 per square foot, or roughly \$30 million for the Willoughby. That works out to an average cost of almost \$40,000 per unit owner.
- At the high end, based on the actual full electrification of the Hampshire Towers, the cost ran \$16 million for a 250,000 square foot building (paid for by \$9 million from the owner and \$7 million from public funds). If similar costs were incurred by the Willoughby, the cost would be more than \$60 million. The average cost per unit owner would be \$60,000.

Both estimates far exceed the amount we have in reserves. Even with a loan to spread the cost over several years (if we can get such a large loan, which is questionable), the increase in condo fees would be onerous. Condo fees would have to be increased to cover the cost of the loan, some owners would be unable to pay the higher fees, and some would face foreclosure and bankruptcy. Many would sell to avoid such exorbitant costs, and the price of units would drop --- at the Willoughby and throughout the state.

It is not true that electrification will pay for itself. The “simple payback period” in the Hampshire Towers electrification was estimated to be about 100 years --- meaning that all residents of the building will have moved out. The simple payback method is flawed because it ignores financing costs and the time value of money.

If the Willoughby is unable to comply with BEPS and becomes subject to the “alternative compliance payment” (or penalty) for greenhouse gas emissions, our consultants have estimated that we will be required to pay about \$10 million between 2030 and 2040. That added \$1 million per year would be a substantial increase in the condominium fees, and would create hardship for many owners, both young and old. The Maryland Department of Environment is also seeking authority to impose penalties on owners of buildings that do not meet energy efficiency targets that have not yet been established. The penalties for not meeting these unknown targets would apparently be added to the greenhouse gas penalties.

For older, moderate income buildings, the cost of compliance with the state BEPS regulation is prohibitive. If enforced without change, the proposed regulation would lead to hardship for individuals, panicked sales in many Maryland buildings, a drop in property tax revenues, and deficiencies for the condominiums themselves which would face delinquencies in paying condo fees. Quite simply, the current regulations are inconsistent with the State’s policy of expanding affordable housing for moderate income residents.

SB256 Needs Three Essential Amendments to Enable Moderate Income Buildings to Meet Environmental Goals

Is there a way to preserve affordable housing in Maryland and still make progress on our environmental goals? We believe the answer is YES. These amendments to the current bill (HB 49) would substantially improve our ability to comply:

- First, the bill should be amended to allow *alternate pathways that establish a waiver if payback periods can't be met due to technical or economic burdens*.
- Second, *if the local jurisdiction has established energy performance standards, the building should be subject to that standard only*. It should be relieved of the unfair burden of dual regulation.
- Third, due to delays in issuing final regulations, the *period for compliance before penalties are imposed should be extended*.

As introduced, HB 49 does not provide necessary provisions to enable older, moderate income buildings to comply with its goals. We would support a bill that adds these three provisions making it more workable. But we cannot support the bill without those critical provisions.

AOBA_HB49_FWA.pdf

Uploaded by: Brian Anleu

Position: FWA



Bill: **House Bill 49 – Environment – Building Energy Performance Standards – Compliance and Reporting**

Committee: **Environment and Transportation**

Date: **February 12, 2025**

Position: **Favorable with amendments**

The Apartment and Office Building Association (AOBA) of Metropolitan Washington is a non-profit trade association representing the owners and managers of more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George’s counties. AOBA submits the following testimony in support of House Bill 49 with amendments.

There are two components to state BEPS: the net direct emissions (NDE) component, which requires building owners to get to zero emissions by 2040; and the site energy use intensity (EUI) component that requires building owners to reduce energy consumption. The site EUI component was delayed by the General Assembly until the first year of benchmarking is completed and additional analysis on the cost of site EUI is conducted. The Maryland Department of the Environment (MDE) is widely expected to reintroduce the site EUI component in 2027.

HB 49 codifies MDE’s authority to regulate site EUI and impose Alternative Compliance Fees (ACF). Site EUI is a measure of all the energy used to meet building energy loads. It is calculated using the benchmarking tool to divide the building energy use by the building’s gross floor area and is expressed as a thousand British thermal units (kBtu) per square foot per year. ACFs are charged to building owners that have not met the targets set in the state BEPS regulations. The bill also assesses an administrative fee on building owners for filing benchmarking reports with MDE. Lastly, HB 49 directs ACFs to the state Strategic Energy Investment Fund.

AOBA members understand the importance of reducing greenhouse gas emissions to fight climate change. In fact, many members have made considerable investments in robust sustainability practices. However, AOBA is concerned about the impact that BEPS will have on housing affordability in the state. According to case studies completed for AOBA by Steven Winters Associates, state BEPS will cost upwards of \$20,000 - \$40,000 per unit. This does not include the heavy up costs, which are required



to increase electrical capacity to the building; the cost of financing the energy efficiency measures; or the loss of tenant income due to tenant displacement while the improvements are completed.

Furthermore, many of the measures have marginal costs that far exceed the “business as usual” costs. These costs are not offset by energy savings over the useful life of the measure. For example, it can be more than four times as expensive to replace a gas-fired system with a heat pump because heat pumps require changes to building infrastructure (e.g., ductwork, utility connections). Heat pumps also have additional components (e.g., compressor, reversing valves, condensers, etc.) that make them inherently more expensive to engineer and manufacture.

As introduced, HB 49 will only compound these costs. To ease the administrative burden of complying with state BEPS and reduce the impact on housing affordability, AOBA urges the Committee to make the following amendments to the bill:

1. Exempt buildings in counties with BEPS from the state regulations;

While Montgomery County is currently the only county with its own BEPS regulations, several others are reportedly considering their own standards. AOBA supports the ability to regulate BEPS at the county rather than state level because counties have a better understanding of local building conditions and building owner needs. County BEPS also reduces the administrative burden and cost of implementation on MDE. Building owners should not, however, be required to comply with both county and state BEPS.

There are several ways to craft this exemption in a way that aligns with the state’s climate goals. The first option is to exempt county BEPS that apply to more buildings than the state regulations. Montgomery County BEPS, for example, applies to buildings 25,000 square feet or more, which is 1,900 more buildings than state BEPS threshold of 35,000 square feet. The second option is to require counties to demonstrate that their BEPS regulations result in comparable emission reductions to the state regulations.

County BEPS should not, however, be required to be “as stringent” as state BEPS. Stringency is subjective and influenced by building owner behavior. For example, while state BEPS allows building owners to pay Alternative Compliance Fees (ACFs) for not meeting the state targets, Montgomery County BEPS does not provide this option. This suggests that the county standards will achieve deeper levels of emissions reductions, regardless of whether the state standards are more stringent. If the Committee elects to set a stringency requirement, Montgomery County BEPS should be grandfathered in recognition of the time and resources that the county has invested in developing its standards.

2. Remove or substantially modify the authority to impose ACFs for site EUI;

State BEPS already imposes fees for failing to achieve the state’s emissions reduction targets. Regulating site EUI is intended to reduce building energy consumption, which lowers energy demand and offsets grid emissions. Reducing energy consumption is a noble goal, given the state’s rising energy costs. However, site EUI targets go far beyond that goal and will be costly for building owners to comply with.

ACFs will not provide much relief to multifamily building owners or their tenants. AOBA understands that MDE intends to impose the higher of the emissions (GHG) or EUI fees. AOBA used Montgomery County benchmarking data to calculate the impact of GHG and EUI fees on rents and condominium fees in the county. For the purposes of this analysis, AOBA used the \$230 - \$270 GHG fee established in the state BEPS regulations, and a proposed site EUI fee \$0.05 cent per kBTU. To illustrate the impact of these fees, AOBA examined two scenarios: one where no changes occur due to logistical, technological, or economic infeasibility of energy efficiency measures; and another where buildings implement cost-effective measures over a 15-year period.

According to this analysis, rents and condo fees are projected to increase by 3% and 6%, respectively, by 2040 under the no-change scenario. These increases are in addition to the normal increases from inflation and rising operating expenses for both housing types.

Figure 1.

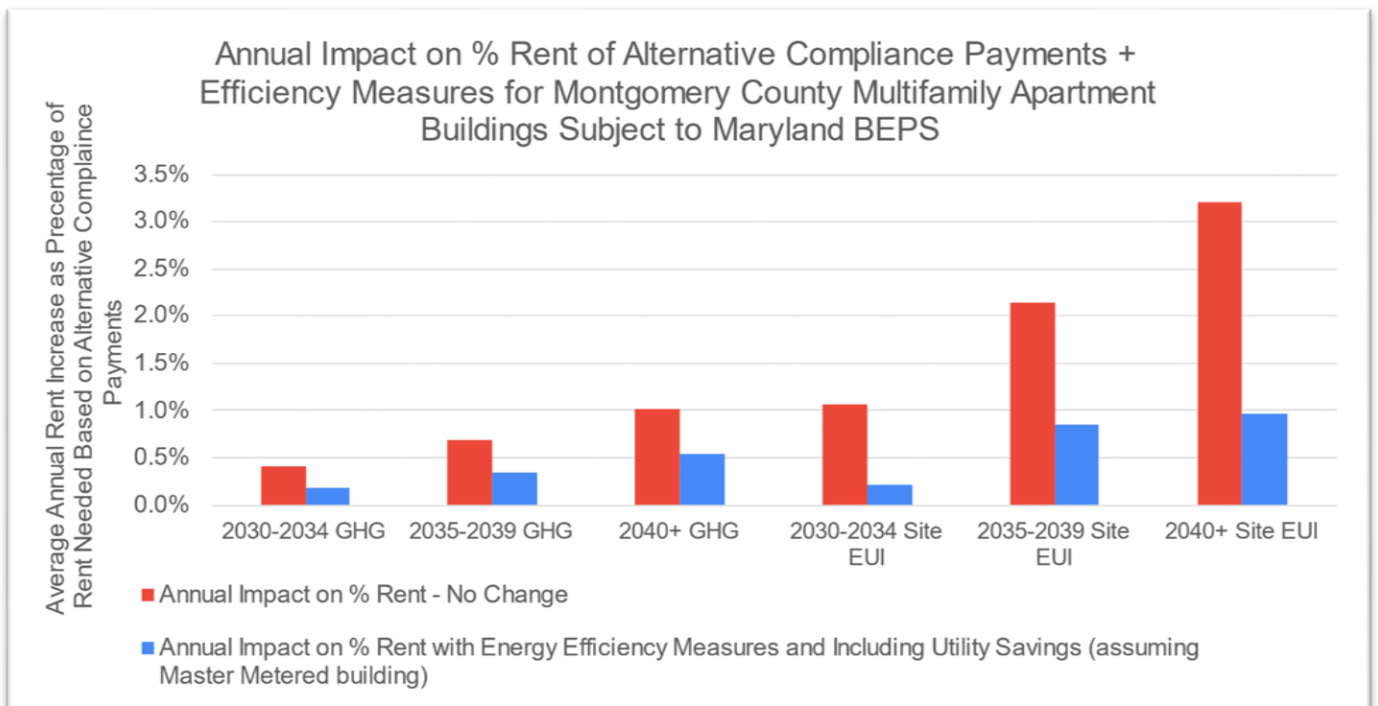
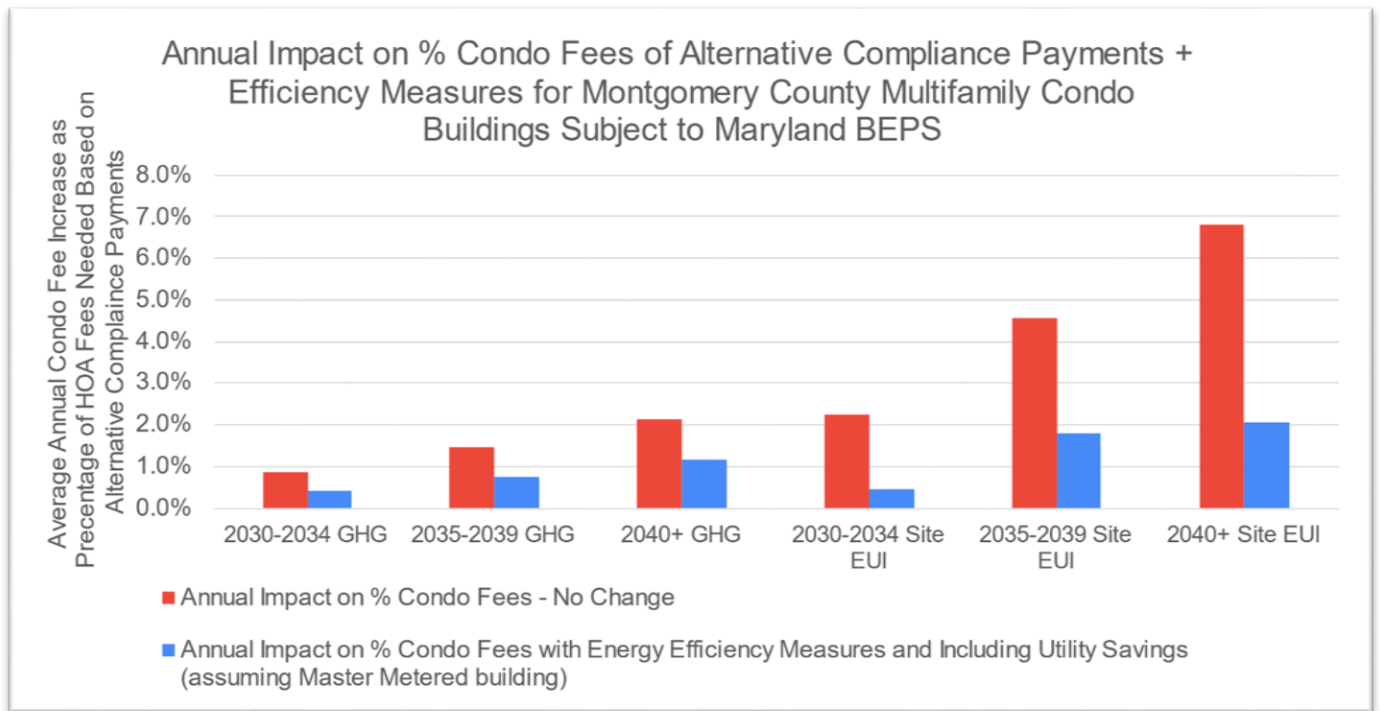


Figure 2



AOBA urges the Committee to remove MDE’s authority to impose ACFs for site EUI. If the Committee elects to retain this fee, it should be tied to grid and regional-specific emissions factors. This would directly tie site EUI to actual grid emissions, so that the impact of the fee is reduced as the renewable energy increases and grid emissions decrease.

3. Adjust and/or waive penalties and fees for multifamily;

Given the housing affordability crisis, MDE should be required to waive penalties and fees for multifamily buildings through 2035. This waiver should apply to all multifamily buildings, not just condominiums and co-operative housing. Applying it to condos and co-ops would only ease the compliance burden on wealthier residents, while less affluent renters bare the full costs. In addition, any penalties and fees imposed from 2035 – 2039 should be tied to the 2030 interim targets. The Climate Solutions Now Act did not expressly require a second interim target. MDE elected to establish a second interim target in 2035 to give building owners additional guidance on the progress they should be making towards the final 2040 target.

4. Require MDE to establish Alternative Compliance Pathways (ACP);

ACPs provide building owners with additional flexibility to comply with the regulations while accounting for economic infeasibility, technological limitations, and lifecycle asset replacement schedules. For example, it would be impractical to replace a gas-fired piece of equipment with 10 or more years of useful life. Both Montgomery County and Washington, DC have ACPs the provide building owners with the flexibility to implement cost effective energy efficiency measures on realistic timelines. AOBA has heard that MDE is considering an ACP with a one-time fee waiver of up to 5 years for economic infeasibility. This one-time fee waiver may not be sufficient for buildings that have

physical space or other financial limitations to implement energy efficiency measures. AOBA urges the Committee to allow ACPs to continue in five-year increments until the limiting factors are resolved.

5. Cap site EUI targets;

It may not be economically or technologically feasible for some buildings to meet the BEPS targets. This also places considerable pressure on naturally occurring affordable housing to redevelop. Montgomery County has capped its site EUI targets at 30% from the building’s baseline. Even with this cap, the county estimates that two-thirds of building owners will be able to meet its EUI targets. The result is that the county will achieve between a 92 – 96% emission reduction from BEPS.

6. Require MDE to expand their definition of economic infeasibility and financial distress conditions.

Both Montgomery County and Washington, DC have better definitions of financial distress conditions that account for the cost of compliance for multifamily building types. The definition of economic infeasibility, for example, should be the same across all building types. The practical impact of this amendment is that building owners would only have to implement measures that have a simple payback of 10 years or less. A 25-year simple payback period does not work because many of the measures do not have a useful life of 25 years or more. Figure 3 below is a case study of BEPS measures required to comply with state BEPS that was prepared for AOBA by Steven Winters Associates. The only measure with a lifespan of 25 years is cooking fuel conversion.

Figure 3.

Table 6 EEM package for Maryland BEPS compliance

Energy, Cost, Lifespan, and Simple Payback												
#	EEM Category	Name	Incremental Site EUI Savings (%)	Electric Savings (kWh/Yr)	Natural Gas Savings (therms/Yr)	Direct GHG Emissions Savings (kgCO ₂ e/SF)	Measure Cost /SF	BAU Cost/ SF	Marginal Cost/ SF	Simple Payback (Yrs)	Marginal Cost Simple Payback (Yrs)	Lifespan (Years)
1	Load Reduction	DHW Piping Insulation	<1%	-	600	0.02	\$0.02	-	\$0.02	4	4	15
2	Load Reduction	Water Treatment	4%	3,400	2,400	0.12	\$0.12	-	\$0.12	3	3	8
3	Load Reduction	Lighting Upgrade	<1%	8,400	-	0.00	\$0.02	-	\$0.02	2	2	10
4	Load Reduction	Low Flow Fixtures	<1%	23,200	400	0.02	\$0.08	-	\$0.08	<1	<1	3
5	Load Reduction	Building Controls Upgrades	6%	37,100	2,100	0.11	\$0.78	-	\$0.78	10	10	15
6	Load Reduction	Programmable Thermostats	1%	4,000	500	0.03	\$0.27	-	\$0.27	EUL	EUL	10
7	Electrification	DHW System Upgrade	9%	-43,800	7,200	0.36	\$5.16	\$0.68	\$4.49	EUL	EUL	15
8	Load Reduction	CW to DHW Heat Exchanger	1%	-	800	0.04	\$0.74	-	\$0.74	EUL	EUL	5
9	Electrification	Cooking Fuel Conversion	2%	-30,400	2,600	0.13	\$1.50	-	\$1.50	EUL	EUL	30
10	Envelope Improvement	ENERGY STAR Doors and Windows	10%	28,800	6,200	0.31	\$7.32	\$6.08	\$1.24	EUL	EUL	20
Totals for Interim 1 Site EUI and Direct Emission Target			34%	30,700	22,800	1.14	\$16.01	\$6.76	\$9.26	-	-	-
11	Load Reduction	Appliance Retrofit	<1%	13,000	-	0.00	\$0.95	\$0.25	\$0.70	EUL	EUL	10
12	Envelope Improvement	Air Barrier Continuity	1%	23,400	300	0.02	\$2.68	-	\$2.68	EUL	EUL	20
13	Electrification	HVAC System Upgrade	8%	-124,500	11,600	0.57	\$17.66	\$1.17	\$16.49	EUL	EUL	15
Totals for Interim 2 Site EUI and Direct Emission Target			44%	-80,800	34,400	1.71	\$37.30	\$8.18	\$29.13	-	-	-
14	Envelope Improvement	Roof Insulation	<1%	2,500	700	0.11	\$4.10	\$3.07	\$1.03	EUL	EUL	20
15	Envelope Improvement	Exterior Wall Insulation	2%	3,900	2,200	0.03	\$13.69	-	\$13.69	EUL	EUL	20
TOTALS (Measures to Meet Maryland BEPS)			47%	-51,000	37,600	1.84	\$55.10	\$11.25	\$43.85			

7. Prohibit counties from imposing rent caps on ACFs and BEPS measures;

Both Montgomery and Prince George's Counties have instituted strict rent control caps that prevent multifamily building owners from fully recovering the cost of energy efficiency measures required to comply with BEPS. While both counties allow for capital improvement petitions, their definition of capital improvements is limited to structural changes. As seen in the Figure 3, not all energy efficiency measures are structural in nature. Without full cost recovery, many of these BEPS measures become economically infeasible to finance. Furthermore, neither county rent control law accounts for ACFs. As noted in Figure 3, housing providers may have to raise rents if they cannot implement energy efficiency measures to meet the BEPS targets. Without the ability to raise rents to pay for ACFs, housing providers will have to defer other operating and capital needs.

8. Require MDE to include on-site renewable when calculating site EUI;

This amendment would encourage on-site renewables, which strengthens grid resiliency and reduces grid emissions. The on-site renewable energy credit should count whether the electricity generated is used on-site or exported back to the grid.

9. Tie annual reporting fee revenue with ACP implementation; and

This fee appears to be tied to benchmarking submissions. AOBA could not find any other jurisdiction in the region that charges an annual reporting fee. Benchmarking is done through ENERGY STAR Portfolio Manager and can be exported by MDE automatically. Nevertheless, AOBA recognizes the need for MDE to generate additional revenue to administer BEPS. To that end, this fee should be directed towards implementing ACPs.

10. Require MDE to complete case studies on specific building types.

Case studies may help inform MDE and the General Assembly's approach to BEPS implementation. These case studies can be restricted to a subset of the most common types of buildings for budget purposes but should include at least the following multifamily housing types: 1 low-rise (4 stories or less), 1 mid-rise (5-8 stories), and 1 high-rise (above 8 stories).

AOBA urges the Committee to vote favorable with the amendments outlined above on House Bill 49. For more information, please contact Brian Anleu at banleu@aoba-metro.org.

HB0049 Environment - Building Energy Performance S

Uploaded by: Chris Parts

Position: FWA



10 February 2025

The Honorable Delegate Marc Korman
Chair of the Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, Maryland 21401

Re: Letter of Support for HB 0049
Environment – Building Energy Performance Standards – Compliance and Reporting

Dear Chair Korman and members of the Environment and Transportation Committee:

I am writing to voice AIA Maryland's support for House Bill 0049 with proposed amendments by MDE. As a reminder, direct emissions from the combustion of fossil fuels **in buildings** contributes to approximately 40% of our greenhouse gas emissions in the state. While our climate change goal to reduce emissions currently in place is good, the Building Energy Performance Standards with Energy Use Intensity (EUI) measures are a more comprehensive and impactful approach because they drive to address the root cause of emissions in the building sector. The Building Energy Performance Standards focus on efficiency, taking steps in design and construction to lower the energy our buildings need to keep the indoor environment comfortable. This legislation does more than just a switch our buildings off fossil fuel, but it helps drive down the demand for power while keeping us comfortable indoors.

The EUI measures provide a fair comparison across building types wherein buildings are compared to their peers with the long term goal of net-zero direct greenhouse gas emissions by 2040. EUI targets enable the owner to choose the most efficient path to achieve the performance required with guidance from the design team modeling parameters. The amendments proposed by MDE allow greater flexibility toward achieving the goals, but they keep the end game in sight. Allowing flexibility as MDE has suggested enables the economics of improvements to come into play by enabling property owners to plan improvements to align with the scheduled useful life of equipment or other factors impacting building upgrades.

Blanket exemptions for building types should not be considered. All buildings can manage improvements that make them perform better and make them more climate resilient. We have seen numerous cases in recent history wherein the more resilient structures prove to be valuable, whether it be major weather events that can disconnect structures from utilities or other conditions wherein a more resilient structure and building envelope prove to be valuable to occupants.

Enabling on-site renewable energy to be part of the equation is a valuable amendment. It promotes one of the most cost-effective means of energy generation and it provides a very short source to use pathway. When on-site energy generation is enabled, it provides another option for owners assessing their best path to performance, or simply a means of incrementally reducing overall energy demand.

The benefits of BEPS begin with the targets to enable a measured path toward better building performance. Through meeting efficiency goals, our buildings become more comfortable in all seasons, they are more resilient to climate change and utility bills are lower. The path toward these measured performance improvements has been slow but expected. We know it has health and economic benefits and we believe strongly that MDE has added amendments that make the transition to higher performance buildings flexible

to work with individual needs. We are pleased to support this bill as amended and we ask for your to vote in favor of HB 0049 with amendments.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Parts', with a long horizontal line extending to the right.

Chris Parts, AIA
Director, Past President, AIA Maryland

MarylangHB49-BEPS_2-12-2025.pdf

Uploaded by: Clifford Majersik

Position: FWA



Written Testimony in support of HB0049

Environment and Transportation Committee

Cliff Majersik - cliff@imt.org
Senior Advisor
The Institute for Market Transformation
February 12, 2025

Thank you, Chairman Roy and members of the Committee, for the opportunity to testify in strong support of the Maryland's Building Energy Performance Standard (BEPS) and HB0049.

My name is Cliff Majersik. I'm a Senior Advisor to the Institute for Market Transformation. IMT is a national nonprofit organization. We partner with government, business, and community to improve the efficiency and performance of the buildings where people live, work, and play. **IMT advises all 14 states and localities in the United States that have adopted BEPS.** With philanthropic support, IMT has also assisted the Maryland Department of the Environment with technical assistance, best practices, and stakeholder engagement.

The Building Energy Performance Standard is the cornerstone of the Climate Solutions Now Act of 2022. Keeping BEPS strong is critical to Maryland achieving its climate commitments and protecting Marylanders from chronic air pollution-induced health illnesses, including asthma.

The Maryland Department of the Environment has done great work to engage with building owners and other stakeholders to design HB0049. It will provide additional flexibility for building owners to comply with BEPS and provide much needed resources for BEPS implementation. HB0049 incorporates best practices from other states and cities that adopted BEPS before Maryland and from the IMT Model Law, which serves as the starting point for most new BEPS laws.

BEPS improves energy efficiency and reduces on-site combustion of fossil fuels at the same time. There are tremendous benefits from both the direct pollution reduction and the efficiency gains, and doing both at the same time is important.

Maryland's [electricity demand has declined over the past twenty years](#), despite a growing economy and a growing population. This has been possible because the state invested in energy efficiency over this time period. The most cost-effective way to 'generate' electricity is by reducing electricity demand through efficiency. At a time of projected energy demand growth

The near-term building targets for BEPS are designed so that buildings can comply simply by investing in energy efficiency. These investments will create benefits for the building owners in the form of reduced energy bills. Many buildings, especially those that have already invested in efficiency, will not have to make any changes to comply with the 2030 target.

IMT has [catalogued several academic studies](#) which have all found that higher performing commercial buildings not only save money on their energy bills, but have higher occupancies and sales prices. In short, building improvements typically yield excellent financial returns.



As BEPS legislation is discussed, we ask lawmakers to respect these four redlines:

Protect Emission Reduction Requirements

These requirements are the bedrock of BEPS and should be protected.

Protect Energy Use Intensity (EUI) Standard

Critically, HB0049 gives building owners the option to pay alternative compliance fees in lieu of meeting BEPS energy efficiency standards. This provides greater certainty and flexibility to building owners. The energy efficiency or “energy use intensity (EUI)” standards are critical to maintaining energy affordability. If a building replaces its gas furnace, it can either electrify with an efficient heat pump or with inefficient resistance heat. To over simplify, resistance heat is just running electricity through wires that have a lot of resistance. It is how a toaster heats up and how baseboard heating works, and it uses about three times more electricity than a heat pump.

For the owner of a multifamily building that is replacing a gas furnace to comply with BEPS, resistance heating is typically cheaper to install, but it will result in higher electricity bills for the tenants compared to a heat pump—bills that the building owner won’t have to pay. An Energy Use Intensity Standard ensures that buildings will be decarbonized with efficient heat pumps, which lower bills and reduces energy demand on the grid, reducing the need to build new transmission lines or build new power generation.

Do NOT Exempt Large Groups of Buildings

Maryland should ensure that no entire category of building, such as multifamily buildings, is exempted from BEPS. The Alternative Compliance Payment sets an upper bound on how much any building owner will have to pay. Any needed exceptions or adjustments should be made on a building-by-building basis through an application process to MDE. These adjustments should be specific, and not allow for loopholes that buildings can exploit on masse. This is exactly what HB0049 does.

No Credits for Offsite Renewables

Allowing buildings to “offset” onsite emissions by buying credits from offsite renewable energy will undermine the entire BEPS program. Opening this door would allow building owners to not improve their property, but simply purchase Renewable Energy Credits instead. Maryland already has policies in place to incentivize the building of renewable energy. BEPS is Maryland’s policy for decarbonizing our buildings, and it should stay that way.

HB0049-ET_MACo_SWA.pdf

Uploaded by: Dominic Butchko

Position: FWA



House Bill 49

Environment - Building Energy Performance Standards - Compliance and Reporting

MACo Position: **SUPPORT**

To: Environment & Transportation Committee

WITH AMENDMENTS

Date: February 12, 2025

From: Sarah Sample and Dominic J. Butchko

The Maryland Association of Counties (MACo) **SUPPORTS HB 49 WITH AMENDMENTS**. This bill requires counties to comply with energy use intensity standards that will be set by the Maryland Department of the Environment or pay alternative compliance and administration fees.

Maryland is implementing Building Energy Performance Standards (BEPS) as required under the Climate Solutions Now Act of 2022. The goal is for covered buildings to efficiently achieve net-zero direct greenhouse gas emissions and comply with energy use intensity targets by 2040. With some narrow exceptions, county buildings that are larger than 35,000 square feet are mandated to reach these targets or pay a fee based on the degree to which they are out of compliance. While counties appreciate the interest in exploring energy efficiency and alternative energy sources, the bill is very unclear on what will be required.

From a cost perspective, there are three unknown variables present in the bill. Without the energy use intensity targets explicitly stated, it is impossible for each jurisdiction to know what it will take to get all eligible buildings into compliance. Additionally, for buildings that are unable to meet the eventual standards, a fee will be assessed along with an administrative surcharge for the processing of the fee. Both of these costs are unclear in the bill. This leaves counties with no way to forecast what is anticipated to be substantial costs to comply with the new mandates.

Counties appreciate the State's commitment to reducing greenhouse emissions and air pollution as well as promoting responsible energy use tracking and consumption, but with no clear benchmarks, it is not possible to anticipate the impact on county governments and taxpayer dollars. Similar to the existing greenhouse gas emission standards, HB 49 should be amended to make clear what the standards are for energy use intensity as well as both penalties associated with alternative compliance.

With more clarity, counties will be able to plan for the costs associated with this mandate, and for those reasons MACo urges a **FAVORABLE WITH AMENDMENTS** report for HB 49

HB 49_COPT Defense Properties_FWA.pdf

Uploaded by: Jason Weintraub

Position: FWA

The Honorable Marc Korman.
Chairman, House Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, Maryland 21401

February 10, 2025

RE: House Bill 49 (Environment – Building Energy Performance Standards – Compliance and Reporting) Favorable with Amendments

Dear Chairman Korman,

The Climate Solutions Now Act required the Department of Environment to include “*special provisions or exceptions to account for ... the unique needs of ... military buildings [and] critical infrastructure*”¹. Despite that clear direction from the General Assembly, the Building Energy Performance Standards made no provisions for these buildings. The attached amendment implements the original legislative intent to exempt military buildings that house national security assets and missions from energy use intensity (EUI) standards and provides that owners are not required to disclose information which these tenants withhold concerning their assets and missions.

COPT Defense, an S&P MidCap 400 Company, is a self-managed REIT focused on owning, operating and developing properties in locations proximate to, or sometimes containing, key U.S. Government (“USG”) defense installations and missions (referred to as its Defense/IT Portfolio). COPT Defense's tenants include the USG and their contractors, who are primarily engaged in priority national security activities, and who generally require mission-critical and high security property enhancements. As of December 31, 2024, the Company’s Defense/IT Portfolio of 195 properties, including 24 owned through unconsolidated joint ventures, encompassed 22.4 million square feet and was 96.8% leased. Over half of the Company's portfolio is in Maryland, 115 buildings containing approximately 12 million square feet.

According to the [Maryland Manual On-Line](#), Fort George G. Meade is the largest employer in Maryland with over 50,000 employees, the third largest workforce of the Army's facilities. The military industry generates more than \$57 billion in Maryland and constitutes 17% of Maryland's total economic output. Maryland is home to 15 of the nation's top 20 aerospace and defense firms. More than 10,000 aerospace and defense contractors in Maryland generate over \$39 billion each

¹ Environment Article 2-1602 (C)(2)(ii)(3)

year. As of 2020, Maryland ranked first for research and development (R&D) federal obligations worth over \$24.5 billion.

Among COPT Defense's many tenants are USG agencies and contractors involved in sensitive national security. The work performed by these tenants requires a significant amount of computing power and often the tenants are using the buildings beyond the traditional 9-5 work-week. In many instances, COPT Defense does not have access to those leased properties nor the ability to control the crucial national security activities that tenants perform in the leased spaces. Despite those limitations, the Department of the Environment's regulations would require COPT Defense and other similar property owners, to "benchmark" all energy used by the tenants and disclose that information to the Department. The initial benchmark report is due in September 2025.

Once the benchmarking is completed, the regulations require COPT Defense to force tenants to make changes to energy usage on the property including, potentially, changes to electricity used within "sensitive compartmented information facilities" specified in federal and state law. However, given the nature of the work being performed in these buildings, including large and small data centers, the tenants will not be able to curtail the energy needed to perform their respective missions.

COPT Defense supports House Bill 49 if amendments are adopted to implement the requirement in the Climate Solutions Now Act that the Maryland Department of the Environment exempt certain buildings as provided in the attached amendment.

For further information:

Jason Weintraub

jweintraub@gfrlaw.com

Amendment to House Bill 49 to address military buildings – offered by COPT Defense:

On Page 3, after line 2 and on page 4, after line 17, insert:

“(V) EXEMPT FROM ENERGY USE INTENSITY REQUIREMENTS A BUILDING THAT:

(1) CONTAINS AN AREA DESIGNED AND BUILT TO MEET THE STANDARDS
FOR:

(i) A SENSITIVE COMPARTMENTED INFORMATION FACILITY
MEETING THE SPECIFICATIONS ESTABLISHED BY THE NATIONAL COUNTERINTELLIGENCE
AND SECURITY CENTER, OR ITS SUCCESSOR AGENCIES; OR

(ii) A SIMILAR CLASSIFICATION FOR A SECURE AREA UNDER THE
LAWS AND REGULATIONS PROMULGATED BY THE STATE OF MARYLAND OR THE UNITED
STATES GOVERNMENT; AND

(2) IS LEASED TO A TENANT OR USED BY AN OCCUPANT THAT IS:

(i) AN AGENCY OF THE U.S. DEPARTMENT OF DEFENSE, NATIONAL
SECURITY AND U.S. INTELLIGENCE AGENCIES, OR HOMELAND SECURITY; OR

(ii) A BUSINESS THAT IS PERFORMING A CONTRACT IN SUPPORT OF
AN AGENCY IN SUBPARAGRAPH (I) OF THIS PARAGRAPH; AND

(VI) EXEMPT AN OWNER OF A BUILDING FROM AN ENERGY USE INTENSITY
REPORTING REQUIREMENT IF:

(1) THE BUILDING MEETS THE REQUIREMENTS IN SUBSECTION (V) OF THIS
SECTION; AND

(2) THE TENANT DOES NOT PROVIDE ENERGY USE INFORMATION TO THE
OWNER DUE TO CONCERNS ABOUT THE CONFIDENTIALITY OF THE FACILITY'S SECURE
AREA.”;

And on page 3, in lines 3, 9, and 11, and on page 4, in lines 16, 18, and 24, in each instance, strike “(v)”, “(vi)” and “(vii)” and substitute “(VII)”, “(VIII)”, and “(IX)”.

Grosvenor Park III Statement on HB 49.pdf

Uploaded by: Jeanne Anderegg

Position: FWA

Thank you for the opportunity to submit testimony on HB 49. On behalf of my housing community, Grosvenor Park III Condominium, I urge you to adopt amendments to HB 49 that would:

1. Permit buildings subject to county BEPS requirements to meet county requirements in lieu of state BEPS requirements.
2. Create an alternative path for condos that are unable to meet state requirements for technical reasons or due to unreasonable cost.
3. Expand the definition of financial distress conditions in a way that acknowledges the financial impact on condominiums of state mandates such as BEPS and reserve study funding requirements.
4. Set reasonable caps on site EUI and GHG reduction requirements to ease the cost and burden on building owners.

These amendments would help to address the central problem that Grosvenor Park III faces in meeting the state BEPS: our 1960s-era, gas-heated high-rise building of 413 units is simply unable to meet these standards, even though we support the goals and have attempted to meet them. If the projected fines for failing to meet these targets are levied against us, GP III residents, many of whom are of modest means and on fixed incomes, will face huge increases in their already high monthly fees. Amid rising costs for insurance, energy and building maintenance, these additional burdens threaten our continued existence as a condominium.

An environmentally conscious community, GP III has been reducing its energy use over the years as we maintain our building. We have, for example, replaced old boilers and other equipment with higher-efficiency models. We have upgraded our elevators and chillers to be more energy-efficient, redid our HVAC systems, and installed LED lights throughout the building. In other words, we have been proactively reducing our carbon footprint in every way available to us for years. As a result, in 2022, we had a 52.4 EUI and ranked in the 89th percentile for energy efficiency in EPA ratings. Achieving further reductions would come at enormous cost and pose overwhelming technical challenges.

In 2023, after employing every obvious method of reducing our EUI, we hired, with financial support from Montgomery County Green Bank, an engineering firm, Prime Partners Engineering (PPE), to study the feasibility of electrifying services that now run on gas. Their report, completed in February 2024, found that we have no realistic options for meeting the BEPS requirements or eliminating fossil fuels.

Specifically, PPE looked at three different approaches to reducing our reliance on fossil fuels:

1. The greatest impact would come from replacing gas boilers with electric ones. However, the difficulties in doing this in our building are virtually insurmountable. The preferred replacement would require quadrupling our electrical capacity, an upgrade so costly that PPE eliminated it as a reasonable option without even providing us with a cost estimate. An alternative that requires a less substantial increase in electrical capacity would cost

between \$5-\$8 million, displace residents for weeks, and fill a space the size of a tennis court, space that is not available in our building. A last option, not covered in the PPE report, would use a combination of electric boilers, heat pumps, and other equipment. This would require new plumbing systems as well as electrical systems and major renovations to the walls and other infrastructure. We would essentially be gutting the building at unfathomable expense and displacing residents for an unknown number of months. We estimate the ultimate cost would exceed the insured value of the building.

2. We would even need increased electrical capacity to do a more modest conversion of gas stoves to electric ones. This upgrade would also cost between \$5 million-\$8 million and displace residents for up to 4 weeks. After this expense and disruption, we would still fall far short of the BEPS.
3. At less expense (around \$1 million) but with the same disruption for residents, we could replace our current electrical system and at the same time redistribute power so we could electrify Laundry Room clothes dryers that now run on gas. Again, the impact on our progress in meeting BEPS goals would be minimal.

In short, since we cannot electrify our heating/hot water systems, we have no means of meeting BEPS requirements with current technology. Moreover, these findings will apply to a number of high-rise condos of our vintage. The state, then, is singling out one group of citizens, people who have chosen the low-carbon footprint lifestyle of condo living, setting impossibly high targets for them, and penalizing them for being unable to meet these unreasonable—in fact, unachievable—requirements. Meanwhile those living in other types of housing bear none of the burden of the government's efforts to respond to climate change. Condos such as GP III, with shared walls need less energy for heating and cooling, use almost 65% less energy per household than single family detached houses (source: U.S. Energy Information Agency). And within this type of maximally efficient housing, GP III is near the top, with its EPA-rated 89th percentile of condominiums, as noted above. It is clearly unfair to ask us to pay very heavy fees for our inability to meet challenging standards while residents in single family homes continue to use more energy without any penalty. The amendments listed above would at least somewhat lessen the impact of this injustice on our residents.

Thank you for your attention and for this opportunity to share the views of Grosvenor Park III. State BEPS requirements pose an existential threat to our continuing existence as a condominium that provides moderate income housing for approximately 750 Maryland residents. We urge you to support these reasonable amendments that will result in progress towards meeting climate goal while not bankrupting the citizens our state government serves.

MDE HB49 SWA.pdf

Uploaded by: Jeremy D. Baker

Position: FWA



**The Maryland Department of the Environment
Secretary Serena McIlwain**

***House Bill 49
Environment – Environment - Building Energy Performance Standards - Compliance and
Reporting***

Position: Support with Amendments
Committee: Environment and Transportation Committee
Date: February 12, 2025
From: Jeremy D. Baker, Director of Government Relations

The Maryland Department of the Environment (MDE) **SUPPORTS HB 49 WITH AMENDMENTS.**

The Climate Solutions Now Act (CSNA) of 2022 required MDE to adopt Building Energy Performance Standards (BEPS) regulations including net direct emissions (GHG) and energy use intensity (EUI) targets for covered buildings. In December 2024, MDE adopted BEPS regulations, including reporting requirements and emissions standards. The Department would like to add more flexibility to address stakeholder concerns while still upholding the goals established in CSNA. As such, MDE is confident the following departmental amendments will create more flexibility and tailored solutions for key industries.

Amendments in Summary

1. Give credit for on-site renewable energy - to promote on-site renewables and reduce the cost of achieving Energy Use Intensity standards;
2. Set a low Alternative Compliance Payment rate for Energy Use Intensity standards (5 cents per kbtu for energy use over target levels) - to reduce the cost of compliance with Energy Use Intensity standards through a cost cap, and provide cost certainty to building owners;
3. Allow waivers from making any Alternative Compliance Payments for five years in the 2030-2039 timeframe for buildings that submit alternative compliance plans - to reduce the cost of compliance and accommodate building owners who need additional time to comply with interim standards;
4. Allow waivers from making any Alternative Compliance Payments for excess emissions or energy use associated with reduction measures that are economically infeasible (do not achieve simple payback within a certain amount of time, accounting for incentives and avoided payments). This change would reduce the cost of compliance by excusing building owners from paying for the least cost-effective building improvement projects. This exemption could be renewed every 5 years as technology changes;
5. Provide a training course for engineering and other contractors, and require waiver applications to be prepared by engineering who have completed the training - to provide some quality assurance of the contractors used by building owners;
6. Include a \$100 annual reporting fee - to help MDE provide more support to covered building owners;

7. Excuse a building from making both Energy Use Intensity and Greenhouse Gas Alternative Compliance Payments if both are due - to reduce the cost of compliance by paying only the higher of the two fees if both are due;
8. Deposit all Alternative Compliance Payment revenue in SEIF and direct MEA to redistribute it to the covered building community to help them comply with BEPS - to provide additional financial support to covered buildings; and
9. Allow buildings to comply with a county or city BEPS program instead of the statewide BEPS program if the county/city program is at least as stringent as the statewide program - to simplify compliance for covered buildings in counties or cities with their own BEPS.

MDE appreciates your consideration of this important legislation that will not only reduce emissions, but encourage energy efficiency, spur economic growth, and provide flexibility for Maryland's diverse building stock.

Accordingly, MDE asks for a **FAVORABLE WITH AMENDMENTS** report for HB 49.

testimony final HB 49 2-9-24.pdf

Uploaded by: Jim Lieberman

Position: FWA

Board of Directors
Leisure World Community Corporation
3701 Rossmoor Boulevard
Silver Spring, MD 20906

**TESTIMONY OF THE LEISURE WORLD COMMUNITY CORPORATION
ON FEBRUARY 12, 2025 BEFORE THE HOUSE ENVIRONMENT & TRANSPORTATION COMMITTEE
HB 49 - ENVIRONMENT - BUILDING ENERGY PERFORMANCE STANDARDS - COMPLIANCE
AND REPORTING**

FAVORABLE WITH AMENDMENTS

Honorable Chair Marc Korman and Vice Chair Regina Boyce and Members of the House Environment & Transportation Committee:

This testimony is being submitted on behalf of the Leisure World Community Corporation. Leisure World is a senior (55+) adult community in Silver Spring Maryland, located on 610 acres. The community was constructed over a 60-year period as a self-contained community and has a wide range of property values. The average age of the residents of Leisure World is 78 and many of these seniors are on limited or fixed incomes that are challenged with the current housing costs.

Leisure World supports the goal of reducing greenhouse gases though it must be recognized that our community faces significant challenges in meeting BEPS and associated reporting regulations. At Leisure World there are 32 buildings with over 3000 units that are subject to the Maryland's Building Environmental Performance Standards (BEPS) and impacted by HB 49.

HB 49 amends Maryland Law Article Environment 2-1602 to include two new fees. The bill amends 2-1602(c)(2)(v) by adding an alternative compliance fee paid by owners of buildings subject to BEPS for buildings who fail to meet energy use intensity (EUI) targets that are not expected to be established until 2027. In addition, the bill adds a paragraph 1602(c)(2)(vii) to provide for establishing an annual reporting fee to cover costs of the State in implementing the BEPS requirements.

Leisure World Community Corporation urges the Committee to amend the provisions in HB49 by adopting the following four amendments for the reasons set out below to provide a more achievable path for addressing climate change:

- 1) Amend 2-1602(c)(2)(v) and (c)(3) to adopt the Montgomery County Building Performance Improvement Plan approach as the Alternative Compliance Pathway for both the failure to meet the greenhouse gas emission targets as well as the failure to meet the EUI targets. A penalty should only be imposed if the Performance Improvement Plan is not met.

- 2) Amend the fee amount proposed in paragraph 2-1602(c)(2)(vii) to be a graduated fee to reflect the effort the Maryland Department of the Environment must expend for a particular building.
- 3) Amend 2-1602 to exempt buildings in jurisdictions that have adopted BEPS requirements having the goal of decreasing energy usage and greenhouse gases.
- 4) Amend section 11-109(d) of the Maryland Condominium Act to clarify that governing bodies of condominiums have the authority to 1) require, if necessary, changes within individual units to meet BEPS targets applicable to their buildings and 2) require unit owners to reimburse condominiums if their actions cause the building to be assessed penalties for the condominium's failure to meet BEPS targets.

I

The provisions of this bill will only increase the housing costs of our residents as well as dwellers in multifamily housing across the State. Specifically, the current law already provides for an alternative compliance pathway by requiring a fee for greenhouse gas emissions attributable to the failure to meet the greenhouse gas emission targets. The reduction of greenhouse gas emissions is the essence of reducing climate change. This greenhouse gas penalty provides sufficient incentive for gaining compliance. It is unnecessary to establish another alternative pathway fee that adds costs to buildings who are in good faith seeking to reduce their energy usage to meet BEPS standards.

HB 49 needs to be amended to provide in 2-1602(c)(2)(v) and (c)(3) a better approach for the Alternative Compliance Pathway for both the failure to meet the greenhouse gas emission targets as well as the failure to meet the EUI targets by adopting the Montgomery County Building Performance Improvement Plan approach to address the failure to meeting BEPS target requirements. Such an approach will reflect the challenges of aging buildings for infrastructure changes that is required by the existing language in 2-1602(c)(2)(ii)(1). Building Performance Plans need to recognize that needed changes cannot always be accommodated within the existing building structures because of sizes of utility closets and building issues such as wiring, electric supply capacity, etc. Pay back issues also need to be considered as changes are costly and must be added to HOA fees that already are a significant challenge for residents given the age of the buildings and the need to increase reserves for aging roofs and other equipment as a result of increased equipment and labor costs. Section 2-1602(c)(3) should be amended so that the penalty amount in that section should only be imposed if there is lack of a good faith effort to implement an approved Building Performance Improvement Plan as proposed above.

II

As to the annual reporting fee of HB 49 in 2-1602(c)(2)(vii), this is a fee to cover the costs associated with implementing current law that benefits all Marylanders. However, this fee is only paid by the buildings subject to BEPS and not all those who benefit from BEPS. This is essentially a tax to cover the administrative cost of government. We recognize that Maryland faces a huge budget issue, but this is a fee that should be paid by all Marylanders not just

building owners. It is unfair to charge just one group of Marylanders to support a program that benefits all Marylanders. It can only result in increased housing costs for those who live in multifamily buildings. Marylanders already face a housing crisis that this legislation will exasperate.

HB 49 needs to be amended, if a fee is deemed necessary, to provide in Section 2-1602(c)(2)(vii) that the amount of the fee reflect the effort the Maryland Department of the Environment must expend for the particular building. It should be tied to the different degrees of building compliance. As proposed, the same fee would be paid by a building that fully meets the emission and EUI targets as a building that substantially misses those targets. For example, at Leisure World there are 13 all electric buildings with 390 units that meet the greenhouse gas targets without adding or changing any existing equipment but given their size must report. Thus, this bill requires the residents of these buildings to increase their HOA fees to pay a fee to demonstrate that they are already in compliance. Why should building residents pay the same fee to demonstrate that they are already in compliance? Buildings that require substantial time and effort of MDE staff should be required to pay a higher fee. Having graduated fees may add to the incentive of meeting the standards.

III

Importantly, HB49 also needs to be amended to address the challenges when there is more than one jurisdiction that has adopted BEPS requirements with the goal of decreasing energy usage and greenhouse gases. Buildings located in jurisdictions with such BEPS requirements should be exempt from the State's BEPS requirements. Not to do so creates legal confusion and unnecessary costs for meeting different targets, different implementation deadlines, implementing duplicate reporting requirements, implementing different alternative pathways, and facing different penalties for failure to meet requirements. Having dual requirements causes the need to unnecessarily expend limited government resources to implement essentially duplicate programs. Building owners will need to unnecessarily expend additional funds to meet duplicative requirements. The result can only increase costs for Marylanders and make Maryland an undesirable State for businesses and residences. From the Leisure World perspective, it will increase housing costs that are already too high.

Montgomery County is a jurisdiction that has adopted and implemented BEPS requirements. It has hired staff, implemented reporting requirements, and enforced requirements. It is in the final stage of completing its EUI regulations. This effort is years ahead of the State. Maryland should take advantage of the progress of Montgomery County and focus the limited resources of the State on jurisdictions that have not yet established and begun implementing BEPS requirements and programs. **Leisure World strongly believes that HB 49 needs to amend 2-1602 to allow the Montgomery County BEPS program to preempt the State's BEPS program.**

IV

In considering HB 49, the Committee should be aware of an implementation issue for condominiums. In some situations, changes to equipment in common areas of condominiums may not be sufficient to meet BEPS required targets. To meet these targets, equipment or appliance changes within individual units owned in fee simple such as HVAC systems, stoves, and water heaters may be needed especially if unit owners use equipment or appliances fueled by natural gas. However, it is not clear what condominiums can do if individual unit owners who own their units in fee simple refuse to implement changes costing unit owners thousands of dollars. This is because the condominium boards of directors have the authority to address common areas. But absent health and safety needs, it is questionable whether condominiums governing bodies have the legal authority to force individual unit owners to change their appliances and HVAC systems or change temperature settings to reduce energy usage in their Individual owned units.

There is a need for an amendment to section 11-109(d) of the Maryland Condominium Act to clarify the authority for Counsel of Unit Owners or their delegates to have the authority to 1) require, if necessary, changes within individual units to meet BEPS targets applicable to their buildings and 2) require unit owners to reimburse condominiums if their actions cause the building to be assessed penalties for the condominium's failure to meet BEPS targets.

Having this authority is critical for buildings to implement BEPS. To provide such authority absent changes to the Condominium Act, bylaw changes will be needed to be agreed upon by unit owners. However, unit owners may not agree to such changes given the economic impacts and their lifespans. Without this legal authority or agreement by unit owners, the buildings may not meet BEPS targets and thus face penalties. **Alternatively, HB 49 could be amended to require an opinion from the Attorney General as to whether the Condominium Act provides the governing body the authority to 1) require, if necessary, changes within individual units to meet BEPS targets applicable to their buildings and 2) to require unit owners to reimburse condominiums if their actions cause the building to be assessed penalties for the condominium's failure to meet BEPS targets.**

For the above reasons, Leisure World requests amendments to HB49.

Respectfully submitted,

Patricia Hempstead
Chair of the Board of Directors

HB0049 (SB0256) - FWA - Environment - Building Ene

Uploaded by: Landon Fahrig

Position: FWA



Maryland

Energy Administration

TO: Chair Korman, Vice Chair Boyce, and Members of the Environment and Transportation Committee
FROM: MEA
SUBJECT: HB 49 - Environment - Building Energy Performance Standards - Compliance and Reporting
DATE: February 12, 2025

MEA Position: FAVORABLE WITH AMENDMENTS

This bill proposes several common sense amendments to the Building Energy Performance Standards (BEPS) that was enacted as part of the Climate Solutions Now Act of 2022. The amendments - including additions and clarifications on the scope and use of alternative compliance payments (ACP) and a modest fee to bolster the Department of Environment (MDE)'s administrative capacity - will help create more regulatory certainty and streamline implementation. Further amendments, as proposed by MDE after sustained conversations with industry stakeholders, would provide pathways for compliance without compromising the legislative objective of reducing emissions from covered buildings.

Notably, the bill would give MDE the authority to collect a modest ACP for energy use intensity and clarifies that any ACP revenue collected by MDE would be deposited into the Strategic Energy Investment Fund (SEIF), which is managed by the Maryland Energy Administration (MEA). A proposed MDE amendment would further clarify that MEA will use this revenue to design and deliver programs to help buildings covered by the BEPS policy with compliance, which could include grants or loans to help defray some of the upfront costs of energy efficiency and electrification, or technical assistance to chart pathways for compliance. This mirrors the long-standing approach that the State has chosen for ACPs generated from the Renewable Portfolio Standard. MEA would invest BEPS ACP revenue in cost-effective, low-overhead programs to help covered buildings reduce their energy use intensity and direct greenhouse gas emissions.

Additional amendments proposed by MDE include giving credit for on-site renewable energy to help offset the policy's Energy Use Intensity standards, as well as an ACP waiver if a building submits a retrofit plan to MDE. MEA is supportive of this added flexibility.

MEA urges the committee to issue a report of **favorable as amended**, including the amendments being proposed by MDE.

Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).

HB49 - Environment -BEPS-Compliance and Reporting

Uploaded by: Leslie Weber

Position: FWA

TO: The Honorable Marc Korman
Chair, Environment and Transportation

HB49

**Favorable with
Amendments**

FROM: Leslie Ford Weber
Associate Director, Maryland Government Affairs

DATE: February 10, 2025

RE: HB49: Environment – Building Energy Performance Standards – Compliance and Reporting

Johns Hopkins supports with amendments **HB 49: Environment – Building Energy Performance Standards – Compliance and Reporting**. As introduced, this bill establishes an alternative compliance fee to the attainment of the anticipated Net Site Use Intensity (EUI) targets. Johns Hopkins has its own sustainability goals and supports the State’s climate initiative. We appreciate the opportunity for buildings to seek alternative compliance pathways to meet the goals established in the Climate Solutions Now Act (CSNA) of 2022 for both the reduction in direct Greenhouse Gas (GHG) emissions and EUI.

When the legislature passed the CSNA, it directed MDE to include “special provisions or exceptions to account for...the unique needs of particular buildings or occupancy types, including health care facilities, laboratories, assisted living and nursing facilities, military buildings, critical infrastructure, and buildings used in life sciences...”. It has been the experience of both the Johns Hopkins Health System (JHHS) and Johns Hopkins University (JHU) during the comment periods for the draft and final regulations, that MDE did not include any special provisions or exceptions to account for the unique needs of our health care facilities, laboratories and life sciences buildings. We ask this legislature to amend HB49 to explicitly establish the special considerations.

Hospitals Should Not be Covered Buildings

The JHHS has a sustainability committee that is currently looking at a variety of measures to reduce GHG emissions from our facilities, increase the share of clean energy that powers those facilities and increase energy efficiency across the system. In making its recommendations, the committee considers the state of technology, cost, return on investment and the impact on our sustainability goals.

Hospitals have unique building needs and provide vital life-saving services 24 hours a day, every day. Additionally, with the State’s hospital financing system there is limited funding available to make the necessary investments for the buildings and equipment to implement the State’s climate’s goals.

Hospital and ambulatory surgical centers also have unique needs to generate steam at a minimum temperature of 250° F. The moist heat is used to warm our buildings and, most importantly, to sterilize surgical equipment which is essential to patient safety. At present, there is no way to retrofit electric boilers with this capacity into our existing buildings. All-electric boilers require more square feet to accommodate. This has not been recognized by MDE when it promulgated the regulations to implement the CSNA.

For these reasons, Johns Hopkins joins the Maryland Hospital Association in requesting that hospitals be added to the list of building types that will be exempt from the BEPS standards in Maryland. This could be accomplished as noted below:

Environment 2-1601

(E) (2) "COVERED BUILDING" DOES NOT INCLUDE:

(I) A BUILDING DESIGNATED AS A HISTORIC PROPERTY UNDER FEDERAL, STATE, OR LOCAL LAW;

(II) A PUBLIC OR NONPUBLIC ELEMENTARY OR SECONDARY SCHOOL BUILDING;

(III) A HOSPITAL;

~~(III)~~ (IV) A MANUFACTURING BUILDING; OR

~~(IV)~~ (V) AN AGRICULTURAL BUILDING.

Clarification on Backup Generators and Steam Production

Johns Hopkins has consistently requested the exclusion of emissions from generators that ensure continuous power supply to protect patient care, research and animal welfare. However, when MDE promulgated regulations, it limited the exclusion for generators only if "a federal or State regulation requires a covered building...to use a backup generator or other equipment that shall run on combustible fuels."

It is a Joint Commission standard that requires hospitals to have backup generators that can support the facility for at least 72 hours, not a federal or state regulation. Similarly, standards for research integrity and continuity compel JHU and the Applied Physics Lab to ensure that ongoing laboratory experiments are not compromised by a power interruption, not a federal or state regulation.

We respectfully request that the legislature direct MDE to exclude emissions from generators without qualification and to recognize the unique demands of generating steam to safely care for patients. As mentioned earlier, fossil fuels are essential to these processes for the foreseeable future. In the CSNA, the legislature ensured that equipment used in the preparation of food was excluded. We believe the production of steam and backup generation should be similarly treated. This could be accomplished in the language of the original bill with the additions below:

Environment 2-1602

(E) IN CALCULATING THE STATEWIDE STANDARDS DEVELOPED BY THE DEPARTMENT UNDER THIS SECTION, AN OWNER OF A COVERED BUILDING MAY NOT CONSIDER GREENHOUSE GAS EMISSIONS OR ENERGY USE BY A COMMERCIAL TENANT OF THE COVERED BUILDING THAT:

(1) IS A FOOD SERVICE FACILITY AS DEFINED IN COMAR 10.15.03.02; AND

(2) ENGAGES IN COMMERCIAL COOKING AND WATER HEATING. *OR*

(3) Generates steam for essential systems of a healthcare facility, laboratory, assisted living and nursing facility, military building, scientific research facility, critical infrastructure, and a building used in life science; or

(4) Provides backup generation for essential systems of a healthcare facility, laboratory, assisted living and nursing facility, military building, scientific research facility, critical infrastructure, and a building used in life sciences

Capped Compliance Fee

Johns Hopkins notes that the CSNA directed the MDE to offer only one alternative compliance pathway to attaining the interim and final standards, but there are models in the state and elsewhere that the legislature could consider offering to Maryland building owners and operators to certify compliance.

The singular path identified in the CSNA is a fee payment set at a level no “less than the social cost of greenhouse gases adopted by the [Maryland] Department [of the Environment] or the U.S. Environmental Protection Area.” MDE has outlined a steadily increasing fee structure between 2030-2040. Johns Hopkins Medicine estimates that its liability for alternative compliance fees would begin at over \$5 million a year and rise to over \$23 million a year after 2040.

Johns Hopkins is concerned that the fee schedule poses an excessive financial burden, particularly for tax-exempt organizations. Resources diverted to paying fees are resources not available to advance our education, research and patient-care mission. The fees associated with a failure to meet interim and final EUI targets would be in addition to those assessed for GHG emissions. As you are aware, hospitals in Maryland operate under a capped revenue model that both limits investments in capital and the flexibility to pass on increased costs to patients, including these types of fees.

We encourage the committee to adopt language to cap these fees for nonprofit organizations in Maryland. This could be accomplished with language similar to this:

Environment 2-1602

[2-1602. (c) (3)] The Department may not set an alternative compliance fee that is less than the social cost of greenhouse gases adopted by the Department or the U.S. Environmental Protection Agency except that alternative compliance fees assessed against non-profit organizations recognized under section 501(c)(3) of the U.S. Internal Revenue code cannot exceed 1% of the social cost of greenhouse gases adopted as above.

Accordingly, Johns Hopkins respectfully requests a **FAVORABLE WITH AMENDMENTS** committee report on **HB49**. Thank you.

HB 49 FWA Testimony 2_13_25 Lanciano.pdf

Uploaded by: Luke Lanciano

Position: FWA

Chair Marc Korman
Environment & Transportation Committee
250 Taylor House Office Building
251 Taylor House Office Building
Annapolis, Maryland 21401

House Bill 49 – FWA Favorable with Amendments

Chairperson Korman, Vice Chair Boyce, and Members of the Committee,

Thank you for the opportunity to testify today regarding House Bill 49 and the State's Building Energy Performance Standards (BEPS). My name is Luke Lanciano, and I serve as the Director of Sustainability at The Tower Companies, a Maryland-based real estate firm established in 1947. Our company develops and operates millions of square feet of commercial and multifamily real estate in the region, with a core commitment to reducing our environmental impact and operating our buildings at the highest efficiency standards.

As a LEED Accredited Professional in Operations and Maintenance, a Certified Energy Manager through the Association of Energy Engineers, and a Fitwel Ambassador, I have dedicated my career to advancing sustainable building practices. Approximately 90% of the buildings in our portfolio are ENERGY STAR certified, and 95% are LEED certified. We have actively benchmarked our energy use for over a decade and have contributed as stakeholders in the BEPS programs developed in Washington, D.C., and Montgomery County. Furthermore, we are deeply engaged in ambitious climate initiatives, including the Department of Energy's Better Buildings Challenge and Better Climate Challenge, as well as the Urban Land Institute's Net Zero Imperative. Our commitments include a 50% reduction in emissions by 2028 from a 2018 baseline and achieving net-zero operational emissions by 2050.

While I support the objectives of House Bill 49, I believe several amendments would enhance its effectiveness:

- 1. Exemption for Montgomery County**

Montgomery County has developed a comprehensive BEPS program over several years. Exempting buildings in Montgomery County from the State's BEPS requirements would reduce compliance costs for the Maryland Department of the Environment and streamline compliance for affected buildings. The current framework creates overlapping, yet distinct, regulatory requirements, increasing complexity and potential costs for building owners.

2. **Establish Fines Consistent with GHG Emissions by Fuel Source**

The State must establish internal expertise on building science and operations before instituting a fine structure based on Site Energy Use Intensity (EUI). The State's previous attempt to set Site EUI targets using a limited dataset of high-performing, self-selected buildings was appropriately rejected by the General Assembly. Fines should not be imposed until a robust, comprehensive dataset is developed and State officials have a thorough understanding of building operations, and those fines should be established based on the GHG emissions of those fuel sources, and the Social Cost of Carbon, rather than by establishing an arbitrary fine per unit of energy.

3. **Economic Realities of Fuel-Switching**

Fuel-switching mandates must account for real-world economic impacts. Currently, electricity rates are significantly higher than natural gas, making the transition from high-efficiency gas boilers to electric heat pumps economically challenging, particularly for renters. During extreme cold periods, air-source heat pumps experience reduced efficiency, further exacerbating costs. There need to be clearly defined compliance pathways to help buildings adapt without displacing tenants or raising energy costs, and the State should implement caps for energy reductions to help existing buildings adapt over time without excessive penalties.

4. **Refinement of BEPS Metrics and Fine Structures**

While net-direct emissions targeting appropriately addresses Scope 1 emissions, the Site EUI metric does not differentiate between renewable and non-renewable energy sources. The proposed fine structure should account for emissions reductions achieved through renewable energy procurement or onsite generation, helping to support the growth of solar across the state. A more equitable approach would tailor fines based on the Social Cost of Carbon for market-based emissions rather than imposing flat fees based on energy use.

5. **Addressing Barriers to Electrification Retrofits**

Many buildings lack the infrastructure and engineering support needed to support full electrification, and current incentives do not adequately

address this transition's high costs. Electrification retrofits require expensive upgrades to electrical infrastructure, and absent load-reduction measures, natural gas remains the most cost-effective energy source for heating and hot water. The State should offer targeted incentives for electrification retrofits, as well as engineering resources, and state-funded case studies showing how operating buildings can best integrate new technologies to gradually decarbonize their buildings. A successful financing model to address some of the larger funding challenges could be modeled after Montgomery County's Energy Efficient Buildings Property Tax Credit, which provides tax abatements to offset high upfront costs for energy efficiency improvements. The Montgomery County Green Bank's Technical Assistance Program also offers a good model for needed engineering and auditing support to assist with planning decarbonization.

Conclusion

The energy transition required to zero out emissions from the building sector requires one of the largest peacetime mobilizations of resources in history. While House Bill 49 is an important step for the State, it must be carefully structured to avoid unintended economic burdens while still advancing decarbonization goals. By addressing the concerns outlined above, the State can create a more effective, achievable, and equitable path toward a sustainable building sector.

Thank you for your time and consideration. I welcome any questions you may have.

HB 49 - National Aquarium - Support with amendment

Uploaded by: Maggie Ostdahl

Position: FWA



Date: February 12, 2025

Bill: HB 49 Environment – Building Energy Performance Standards – Compliance and Reporting

Position: Support with amendments

Dear Chair Korman and Members of the Committee:

The National Aquarium respectfully requests a favorable report with amendments for HB 49, which relates to compliance and reporting for Building Energy Performance Standards and would alter the alternative compliance fee under certain circumstances.

The National Aquarium is a nonprofit organization that connects people with nature to inspire compassion and care for our ocean planet. The Aquarium welcomes 1.2 million guests a year, generates \$430 million in statewide annual economic impact, \$36 million in state and local tax revenue, and supports 3,400 jobs statewide. Combating climate change is one of our three strategic conservation priorities. Since 2010, the National Aquarium has reduced our greenhouse gas emissions by 31%. In 2022, we announced our commitment to achieve net-zero scope 1 and scope 2 greenhouse gas emissions by 2035, a commitment which exceeds the state's emissions reduction goal both in scope and in timeline. One of the final and most expensive projects remaining is electrifying our natural gas-powered boilers.

The National Aquarium unequivocally applauds Maryland's necessary and ambitious climate goals and appreciates the work of the Maryland Department of Environment (MDE) to establish and implement Building Energy Performance Standards (BEPS) as required by the Climate Solutions Now Act of 2022. Unfortunately, the current law lacks the necessary flexibility to account for unique building needs across the state. Under current law and regulations, the National Aquarium could be responsible for \$2.8 million in cumulative alternative compliance fees from 2030-2035. We do not believe it aligns with the state's climate goals to impose financial penalties on an organization who is committed to exceeding the state's emissions reductions goals. We also do not think it is in the interest of the state to penalize a nonprofit who has been at the forefront of educating the public about climate change and a leader in reducing greenhouse gas emissions from our own operations while helping Maryland communities build resilience to climate impacts.

The current law assumes that buildings can gradually reduce their emissions beginning in 2025 to reach net-zero in 2040. This may be true for some buildings, but a gradual reduction is challenging for organizations like the National Aquarium who have already been working on decarbonization for years and whose remaining emissions are primarily tied up in a single system. More than 95% of the Aquarium's remaining direct emissions are attributable to our high efficiency natural gas-powered boilers, installed in 2015 with support from the Maryland Clean Energy Center. It is not possible to partially replace or partially electrify a boiler system to gradually reduce emissions, and it is not feasible for the National Aquarium to replace the system before fees would be levied in 2030. Furthermore, alternative compliance fees would prohibitively interfere with replacing the boilers and achieving net-zero emissions by 2035.

The National Aquarium supports adding an alternative compliance mechanism that allows flexibility for building owners who need it without creating loopholes that defeat the need for and purpose of the program. The National Aquarium recommends MDE have clear authority

to establish additional alternative compliance pathways that allow building owners to align reasonable equipment replacement plans with meeting the state's goals, as is the practice in other jurisdictions¹. MDE should adopt by regulation a process for building owners to apply for and receive a waiver of fees provided there is an approved plan and requirement that building owners report regularly on their progress. The National Aquarium applauds MDE for their written comments in response to the October 9 hearing on the proposed BEPS regulations in which they acknowledged the need for authority from the General Assembly to provide additional alternative compliance pathways.

As we work to meet our own ambitious organizational commitment to achieve net-zero emissions by 2035, the National Aquarium recognizes and actively supports Building Emissions Performance Standards. MDE must be able to implement this critical program in a way that does not inadvertently or overly penalize building owners. We urge the Committee issue a favorable report with amendments that reflect these changes.

Contact:

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¹ Ordinance Amending City of Boston Code, Ordinances, Chapter VII, Sections 7-2.1 and 7-2.2, Building Energy Reporting and Disclosure (2021).
https://www.boston.gov/sites/default/files/file/2021/12/Final%20Amended%20Docket%200775%20BERDO%202_0.pdf

MMHA - 2025 - HB49 - FWA.pdf

Uploaded by: Matthew Pipkin

Position: FWA



Bill Title: House Bill 49, Environment - Building Energy Performance Standards - Compliance and Reporting

Committee: Environment and Transportation

Date: February 12, 2025

Position: Favorable with Amendments

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

House Bill 49 gives the Maryland Department of the Environment (MDE) the authority to regulate site energy use intensity (EUI) and impose Alternative Compliance Fees (ACF). Site EUI is a measure of all the energy used to meet building energy loads. It is calculated using the benchmarking tool to divide the building energy use by the building's gross floor area and is expressed as a thousand British thermal units (kBtu) per square foot per year. ACFs are charged to building owners that have not met the targets set in the state BEPS regulations. The bill also assesses an administrative fee on building owners for filing benchmarking reports with MDE. Lastly, House Bill 49 directs ACFs to the state Strategic Energy Investment Fund

MMHA members recognize the importance of reducing greenhouse gas emissions in the fight against climate change and have already made significant investments in sustainability initiatives. However, MMHA is concerned about the impact that BEPS will have on housing affordability in Maryland. Case studies conducted for MMHA by Steven Winters Associates estimate that compliance with state BEPS could cost \$20,000 to \$40,000 per unit—not including substantial upfront expenses needed to increase a building's electrical capacity, the cost of financing energy efficiency measures, or the financial burden placed on tenants who may be displaced during renovations.

Additionally, many required measures have marginal costs that far exceed standard business expenses and are not offset by energy savings over their useful life. For example, replacing a gas-fired system with a heat pump can be more than four times as expensive due to necessary modifications to building infrastructure (e.g., ductwork, utility connections) and the added complexity of heat pump components (e.g., compressors, reversing valves, condensers).

As introduced, House Bill 49 would only compound these costs. To ease the administrative burden of BEPS compliance and mitigate its impact on housing affordability, MMHA urges the Committee to consider the following amendments:



- Exempt counties with BEPS from the state regulations: Montgomery County is currently the only county with its own BEPS regulations. It is our understanding, however, that several other counties are considering their own. MMHA supports the ability to regulate BEPS at the county rather than state level because counties have a better understanding of local building conditions and building owner needs. County BEPS also reduces the administrative burden and cost of implementation on MDE. Building owners should not, however, be required to comply with both county and state BEPS.

There are several ways to craft this exemption that would still align with the state's climate goals. MMHA's preferred option is to exempt counties with regulations that are either as stringent as the state's or that apply to more buildings. Montgomery County BEPS, for example, applies to buildings over 25,000 square feet, which is 1,900 more buildings than the state. Alternatively, the exemption could be for site EUI only and it would apply to building types where the county and state EUI targets are aligned. Once again, Montgomery County's EUI targets mostly align with the initial EUI targets proposed by MDE.

- Remove or substantially modify the authority to impose ACFs for site EUI: The state regulations already impose fees for failing to achieve the state's building emissions targets. Regulating site EUI reduces building energy consumption, which offsets grid emissions. A 5 cent ACF for site EUI would result in high rent and condo fee increases as seen below.

MMHA urges the Committee to remove MDE's authority to impose ACFs for site EUI. Should the Committee wish to retain this fee, it should be tied to grid and regional-specific emissions factors. This would directly tie site EUI to actual grid emissions, so that the impact of the fee is reduced as the grid becomes cleaner.

- Adjust and/or waive penalties and fees for multifamily: Given the housing affordability crisis, MDE should be required to waive penalties and fees for multifamily buildings through 2035. This waiver should apply to all multifamily buildings, not just condominiums and co-operative housing. Applying it to condos and co-ops would only ease the compliance burden on wealthier residents, while less affluent renters bare the full costs. In addition, any penalties and fees imposed from 2035 – 2039 should be tied to the 2030 interim targets. The Climate Solutions Now Act did not expressly require a second interim target. MDE elected to establish a second interim target in 2035 to give building owners additional guidance on the progress they should be making towards the final 2040 target.
- Require MDE to establish Alternative Compliance Pathways (ACP): ACPs provide building owners with additional flexibility to comply with the regulations while accounting for economic infeasibility, technological limitations, and lifecycle asset replacement schedules. For example, it does not make sense to replace a furnace with 10 or more years of useful life. Both Montgomery County and Washington, DC have ACPs



the provide building owners with the flexibility to implement cost effective energy efficiency measures on realistic timelines.

- Cap site EUI and GHG reduction requirements: It may not be economically or technologically feasible for some buildings to meet the BEPS targets. This places considerable pressure on naturally occurring affordable housing to redevelop. Montgomery County has capped its site EUI targets at 30% from the buildings baseline. Even with this cap, the county still expects that two-thirds of building owners will be able to meet its EUI targets. The result is that the county will achieve between a 92 – 96% emission reduction from its BEPS.
- Require MDE to expand their definition of economic infeasibility and financial distress conditions. Both Montgomery County and DC have more advantageous definitions of financial distress conditions that account for the cost of compliance for multifamily building types. The definition of economic infeasibility, for example, should be the same across all building types. The practical impact of this amendment is that building owners would only have to implement measures that have a simple payback of 10 years or less. A 25-year simple payback period does not work because many of the measures do not have a useful life of 25 years or more.
- Prohibit counties from imposing rent caps on BEPS measures: Both Montgomery and Prince George’s Counties have instituted strict rent control caps that prevent multifamily building owners from fully recovering the cost of energy efficiency measures required to comply with BEPS. While both counties allow for capital improvement petitions, their definition of capital improvements is limited to structural changes. Not all energy efficiency measures are structural in nature. Without full cost recovery, many of these BEPS measures become even more economically infeasible.
- Require MDE to include onsite renewable when calculating site EUI: This amendment would encourage onsite renewables, which strengthens grid resiliency and reduces grid emissions. The onsite renewable energy credit should count whether the electricity generated is used onsite or exported back to the grid.
- Direct the annual reporting fee towards implementing ACPs: This fee appears to be tied to benchmarking submissions. MMHA could not find any other jurisdiction in the region that charges an annual reporting fee. Benchmarking is done through ENERGY STAR Portfolio Manager and can be exported by MDE automatically. Nevertheless, MMHA recognizes the need for MDE to generate additional revenue to administer BEPS. To that end, this fee should be directed towards implementing ACPs and to fund resident displacement.
- Require MDE to complete case studies on specific building types. Given the housing affordability crisis, MDE should be required to complete additional case studies on multifamily building types to better understand costs and challenges. Multifamily



MARYLAND MULTI-HOUSING ASSOCIATION, INC.

building types include 1 low-rise, 1 mid-rise, 1 high-rise, and 1 affordable housing property.

For these reasons, we respectfully request a favorable report with amendments on House Bill 49.

HB 49 BEPS - Compliance and Reporting - SWA.pdf

Uploaded by: Natasha Mehu

Position: FWA



Maryland
Hospital Association

House Bill 49 - Environment - Building Energy Performance Standards – Compliance and Reporting

Position: *Support with Amendments*

February 12, 2025

House Environment and Transportation Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in support with amendments of House Bill 49.

While hospitals support efforts to combat climate change, the unique nature of hospitals—and the potentially deadly consequences of power failure on patient safety—requires special consideration for an exemption from the Climate Solutions Now Act of 2022 (Act). These conditions include care settings like intensive care units, surgical operating rooms, and emergency departments that need continuous and guaranteed access to power; HVAC systems that must meet strict ventilation requirements; and steam generation sufficient to disinfect and sanitize medical equipment.

For example, hospitals are subject to strict ventilation requirements that require intensive energy use. The Centers for Medicare & Medicaid Services (CMS) regulate air pressure, exchange rate, relative humidity, and temperature range in different areas of the hospital. In addition to ensuring patient comfort, temperature, humidity, and other atmospheric variables must be carefully regulated to minimize bacterial and fungal growth. Failure to adhere to these federal standards may jeopardize patient health and subject hospitals to potential civil monetary penalties from CMS.

The Act included a special provision for hospitals. It created a new Section 2-1602(c)(2)(ii)(3) under the Environment Article, which provided that regulations promulgated under the Act shall include special provisions or exceptions to account for the unique needs of health care facilities. Despite good faith conversations with the Department, participation in meetings, and comments submitted on draft regulations, hospitals' concerns over the state of existing technology, cost, return on investment, and ability to meet the goals were not taken into consideration and the regulations were passed without the special exemptions as authorized by the Act as passed. Given the exhaustion of these efforts, MHA believes it is the appropriate time and manner to clarify and strengthen the exemptions for hospitals in statute by amending HB 49.

It's important to note that financing for capital projects—such as buying new equipment or retrofitting existing infrastructure to meet net-zero standards—is not part of the annual revenue

adjustments. The current Model does not account for expenses necessary to comply with the proposed BEPS, and hospitals would need new funding sources to help meet the new standards.

Given all the above, hospitals need to be exempted from being a covered building and assured critical equipment for steam and backup generation are exempted as well. Amendments No. 1 and No. 2 below achieve those goals. As an alternative to the first two, we proposed amendment No. 3. For these reasons, we request a favorable with amendments report on HB 49.

For more information, please contact:
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MHA's Proposed Amendments

The following amendments address concerns that MHA previously raised that have not been properly addressed in the Climate Solutions Act of 2022 or the promulgation of regulations that followed its passage:

Amendment No. 1: This amendment achieves MHA's primary goal of exemption. It exempts the health care sector and more specifically hospitals from the definition of a covered building.

MD. Code Ann. Environment §2-1205

(F) In developing and adopting a final plan to reduce statewide greenhouse gas emissions, the Department shall consult with State and local agencies as appropriate.

(G) (1) Unless required by federal law or regulations or existing State law, regulations adopted by State agencies to implement a final plan may not:

- (i) Require greenhouse gas emissions reductions from the State's manufacturing **OR HEALTHCARE** sector; or
 - (ii) Cause a significant increase in costs to the State's manufacturing **OR HEALTHCARE** sector.
- (2) Paragraph (1) of this subsection may not be construed to exempt greenhouse gas emissions sources in the State's manufacturing **OR HEALTHCARE** sector from the obligation to comply with:
- (i) Greenhouse gas emissions monitoring, recordkeeping, and reporting requirements for which the Department had existing authority under § 2–301(a) 7 of this title on or before October 1, 2009; or
 - (ii) Greenhouse gas emissions reductions required of the manufacturing **OR HEALTHCARE** sector as a result of the State's implementation of the Regional Greenhouse Gas Initiative.

(H) A regulation adopted by a State agency for the purpose of reducing greenhouse gas emissions in accordance with this section may not be construed to result in a significant increase in costs to the State's manufacturing **OR HEALTHCARE** sector unless the source would not incur the cost increase but for the new regulation.

MD. Code Ann. Environment §2-1601

(E) (2) “Covered building” does not include:

(I) a building designated as a historic property under federal, state, or local law;

(II) a public or nonpublic elementary or secondary school building;

~~(III)~~ **A HOSPITAL;**

~~(III)~~ **(IV)** a manufacturing building; or

~~(IV)~~ **(V)**an agricultural building.

Amendment No. 2: This amendment exempts specific hospital equipment. For example, hospital medical equipment must be disinfected to prevent infection. While there are several sterilizing methods, steam and heat remain prevalent in hospitals. Energy use to generate steam or increase heat to the requisite temperature necessary to eliminate pathogens must be available to safeguard patient safety.

MD. Code Ann. Environment §2-1602

(E) In calculating the statewide standards developed by the department under this section, an owner of a covered building may not consider greenhouse gas emissions or energy use by a commercial tenant of the covered building that:

(1) is a food service facility as defined in COMAR 10.15.03.02; and

(2) engages in commercial cooking and water heating. **OR**

(3) GENERATES STEAM FOR ESSENTIAL SYSTEMS OF A HEALTHCARE FACILITY, LABORATORY, ASSISTED LIVING AND NURSING FACILITY, MILITARY BUILDING, SCIENTIFIC RESEARCH FACILITY, CRITICAL INFRASTRUCTURE, AND A BUILDING USED IN LIFE SCIENCES; OR

(4) PROVIDES BACKUP GENERATION FOR ESSENTIAL SYSTEMS OF A HEALTHCARE FACILITY, LABORATORY, ASSISTED LIVING AND NURSING FACILITY, MILITARY BUILDING, SCIENTIFIC RESEARCH FACILITY, CRITICAL INFRASTRUCTURE, AND A BUILDING USED IN LIFE SCIENCES

Amendment No. 3: This amendment is being proposed as an alternative to the first two. Hospitals would prefer to be exempted from being a covered building and assured critical equipment for steam and backup generation are exempted as well. However, as an alternative, we propose capping the “Alternative Compliance” fees for nonprofits such as hospitals:

MD. Code Ann. Environment §2-1602

(C)(3) the department may not set an alternative compliance fee that is less than the social cost of greenhouse gases adopted by the department or the U.S. Environmental Protection Agency **EXCEPT THAT ALTERNATIVE COMPLIANCE FEES ASSESSED AGAINST NON-PROFIT ORGANIZATIONS RECOGNIZED UNDER SECTION 501(C)(3) OF THE U.S. INTERNAL REVENUE CODE CANNOT EXCEED 1% OF THE SOCIAL COST OF GREENHOUSE GASES ADOPTED AS ABOVE.**

HB49 written testimony ARG.pdf

Uploaded by: Rick Briemann

Position: FWA



Bill Title: House Bill 49, Environment - Building Energy Performance Standards - Compliance and Reporting

Committee: Environment and Transportation

Date: February 11, 2025

Position: Favorable with Amendments

This testimony is offered on behalf of Atlantic Realty Group (ARG). ARG is a family- owned housing provider and property manager that operates over 1,900 apartments in Baltimore City and Baltimore County. The apartments are in naturally occurring affordable housing (NOAH) neighborhoods with average rents of \$1,270 across all locations.

House Bill 49 expands the alternative compliance fee structure to include greenhouse gas emissions resulting from failure to meet direct reduction targets, as well as energy use attributable to noncompliance with energy use intensity (EUI) targets. The bill also introduces an annual reporting fee to cover administrative costs associated with implementing Building Energy Performance Standards (BEPS) and directs alternative compliance fees to the Maryland Strategic Energy Investment Fund.

Atlantic Realty Group has studied the costs to tackle the reduction in greenhouse gas emissions as required under the Climate Solutions Now Act of 2022 and the recent MDE BEPS regulations. Internal estimates put the costs of compliance at \$40,000 per unit. In prior testimony by various condominium groups, they are estimating costs of \$75,000 per unit. Should our small business be required to make the upgrades, rent will have to be increased by \$400 a month. This will greatly impact the already fragile affordable housing stock in Maryland. Additionally, the upgrades will be completed on perfectly good working equipment that has yet to reach the end of its expected life in order to comply.

The work that will occur is not easy and will be disruptive to our residents' comfort of living. In many cases it will require residents to have their tenancy ended at the end of the lease in order for the upgrades to be installed. With limited options in the market, residents will be financially burdened with moving expenses, application fees, security deposit, and rent due on alternate housing. Other considerations are being studied to complete the work while the resident continues to reside during the renovation, but environmental elements may make this work impossible to do while the home is being occupied. Since walls and piping will be disturbed there will be the need for containment areas to ensure lead-paint and asbestos are properly



handled during the renovation process. Residents will lose their choice of energy to heat and cook in their home as the EUI requirements will demand full electrification of the home.

The other concern ARG has about the proposed legislation is how this bill gives the authority to MDE to ration electricity. Requiring an EUI mandate will tell MDE they have the authority to determine the proper temperatures to heat and cool your home. If there is no compliance, then there will be fees to an owner to pay for their residents using too much energy. This presents a health and safety issue for our residents. Rationing of energy is dangerous and EUI data was not intended to be used in this fashion. The proposal of setting compliance fees is counterproductive to the overall goal of lowering greenhouse gas emissions. While the fees will help fund other projects, at some point there will be more fees collected than opportunities to lower greenhouse gas emissions. EUI is being used to manage the utility grid due to inadequate energy policies over the years. ARG has concerns that building owners and ultimately our tenants will be paying the price to manage the energy consumption. EUI is a benchmarking tool for the building being measured.

As someone who served on the Building Energy Transition Implementation Task Force, I am encouraged by the bill that includes the recommendations of the Task Force, however much of what I and other business leaders proposed was not included in the Task Force final report. I encourage the committee to speak with the members of the business community to ensure their voice is finally heard.

HB49 as proposed will have crippling impacts to the safety of residents and unrecoverable financial impacts on the multifamily building owners. It is recommended that the following amendments be considered.

1. Remove all alternative compliance fees
Replace the ACFs with incentives to property owners that meet the EUI and greenhouse gas emission reductions through property tax incentives that lower the property tax or eliminate the tax for a period of time.
2. Funding for resident relocation and vacancy loss
Require loans and grants to pay for residents to be relocated during the renovation process. Building owners should be able to claim losses for vacancy as the proposed projects will exceed the normal vacancy rate.
3. Remove the annual reporting fee
This fee appears to be tied to benchmarking submissions. We could only find one other jurisdiction with such a fee. None in the region (DC, Montgomery, NYC, Boston). The Maryland Department of Environment (MDE) will collect benchmarking data automatically in ENERGY STAR Portfolio Manager.



ENERGY STAR is nationally recognized and does not require any special tools to analyze the data.

4. Remove the site EUI penalty.
The regulations already charge emissions penalties. Site EUI targets are intended to offset grid emissions, so charging site EUI penalties effectively penalizes building owners for the grid not being green. Alternatively, fees should be tied to the grid being 80% green.
5. Adjust and/or waive penalties and fees for multifamily.
Require MDE to waive penalties and fees for multifamily through 2035. The 2035 interim targets are not set required by the Client Solutions Now Act.
6. Cap site EUI and greenhouse gas emissions (GHG) reduction requirements.
Montgomery County is capping the site EUI reduction requirements at 30% from the baseline to ease the cost and burden on building owners.
7. ACPs need to be permanent.
Many buildings will never meet the targets due to the age of the building and other variables. Once it is determined the building has improved to a reasonable level, the building should be compliant without further penalty.
8. Require MDE to expand their definition of financial distress conditions.
Montgomery County has a more favorable definition of “under resourced buildings” that recognizes the challenges of compliance for condos, housing, etc. Under resourced buildings are only required to implement cost effective measures with a simple payback of 10 years. The state standards should align with the county to better account for costs and payback.
9. Include solar for calculating site EUI and include car charging EUI.
Car charging consumes energy and should be included in site EUI calculations. Solar as renewable energy will lower site EUI.
10. Align end of life-cycle replacement with building compliance of EUI
Building owners should not have to replace newer equipment before its useful life. This can be part of the alternative compliance pathway.

For these reasons, we respectfully request a favorable report with amendments on House Bill 49.

Rick Briemann, Vice President, 240-751-3200

P.O. BOX 193 COCKEYSVILLE, MD 21030
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HB49 final.pdf

Uploaded by: ROBERT LAROSSA

Position: FWA

Chair Marc Korman
Environment and Transportation Committee
250 Taylor House Office Building
251 Taylor House Office Building
Annapolis, MD 21401

I am testifying concerning HB49 that addresses BEPS mandates. I hold the following relevant credentials in the molecular biology arena; B.A. (Johns Hopkins) as well as M.Phil. and Ph.D. (both from Yale). I was a Postdoctoral Fellow in Biochemistry (Stanford) before spending a 34-year career at the DuPont Company, a pre-eminent leader in Industrial and Environmental Safety. I was elected to Fellowship in the American Academy of Microbiology and promoted to Research Fellow at DuPont. I have been a member of NIH Study Sections and the Editorial Boards of both the Journal of Bacteriology and Applied and Environmental Microbiology.

The Elizabeth Condominium, located in Friendship Heights, MD and opened in 1975, contains 355 units. It is on **sound financial footing with adequate reserves** in place to replace aging, often original, infrastructure. It is the home to newborn children and 100 year old seniors. Some residents are starting families and careers while others are on fixed, retirement incomes.

In the past decade all windows were replaced, the garages were refurbished, the mechanical loft was upgraded, the ground floor lobbies were redone, the pool was modernized, a communication system for emergency personnel was installed and the residential corridors were renovated. Some projects (lobbies and corridors) were cosmetic while the elevator work replaces failing equipment essential to a high-rise that had proven to be no longer reliable and safe. Similarly, providing communication technology to first responders increases everyone's security while the garage work literally solidified the foundation upon which the Elizabeth is built by replacing vast amounts of concrete.

Other **work has decreased our environmental footprint**. The window project resulted in lowering our HVAC costs and energy consumption. The garage program sealed our foundation minimizing runoff into adjacent wetlands. Loft work anticipated the need to replace our heating and cooling systems. Pool modernization has dramatically decreased the amount chlorine in our swimming water. **Repeatedly, the Elizabeth has succeeded in being environmentally responsible.**

Currently, we are in the midst of upgrading our six original elevators and planning to replace our boilers. All of this has been accomplished while paying off a major loan. We believe **these projects have made us more energy efficient, sustainable and attractive.**

We pride ourselves on **doing due diligence**. Our boilers are now 50 years old and failing. They must be replaced this Spring; to that end we had contracted with ERA

Building Solutions who produced a detailed energy audit in mid-2024. **In light of the proposed BEPS regulations we revisited the Energy Audit** earlier this year with ERA Building Solutions. We also **contracted with a mechanical engineering firm**, Thomas Downey, **and a Federal facilities manager** visited our premises to broaden inputs regarding our sustainability position and the most responsible path forward for our stakeholders, residents and neighbors. The concurrence of these three separate expert opinions reassured us that we are on the right path.

Key finding included that **new technologies**, which could help **to meet the proposed BEPS mandates**, have **unknown functional lifetimes**, a likely **insufficient work force** to maintain the equipment and **many other economic unknowns**. **They are not yet “ready for prime-time.”**

Back of the envelope calculations concerning the installation of a BEPS-mandated electrified **boiler system indicate that it will increase our current monthly \$1700 HOA** (home owner association) **average unit fee by 14%** versus new gas boilers while still **failing to meet the proposed BEPS mandates**. This **failure will add another 4% penalty** to each of our owners **increasing the yearly average HOA outlay** for each building unit **from about \$20,000 to about \$24,000**. This increase is likely an underestimate of the cost of converting our boilers from gas- to electrical-power. This will hurt our residents, property values and Friendship Heights. You can see why citizens across the state are concerned. The proposed legislation is likely to negatively impact property values and exacerbate housing problems state-wide.

I believe the following points are essential:

- **Only a single set of rules (County or State) should apply** to any property. Such a view needs to be enshrined in the proposed legislation.
- Realizing that **one-third of Montgomery County Buildings, mostly of older vintage, cannot meet the proposed BEPS regulations**, they should be treated differently than newer multi-unit construction. **This exception to the BEPS mandate is critical** for the wide range of properties who have worked collaboratively to address this issue. Their conclusions are quite similar to ours.
- A planned amendment will mandate **recertification of exceptions** on a regular basis. I suggest that a **decade is an appropriate time-period between re-evaluations**. This seems to be an apt interval in which progress in improving technological reliability and expanding workforce availability can be evaluated.

Robert A. LaRossa, Ph.D.
Vice-President, Elizabeth Condominium Association
4601 N. Park Avenue
Chevy Chase, MD 20815
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HB 49 - UMMS - SWA (2-10-25).pdf

Uploaded by: Will Tilburg

Position: FWA

House Bill 49 – Environment – Building Energy Performance Standards – Compliance and Reporting

Position: Support with Amendments

February 12, 2025

House Environment and Transportation Committee

The University of Maryland Medical System supports House Bill 49 – Environment – Building Energy Performance Standards – Compliance and Reporting and requests a favorable report on the bill with the amendment outlined below. House Bill 49 (“HB 49”) is departmental legislation requested by the Maryland Department of the environment (“MDE” or the “Department”) that would (1) extend alternative compliance pathways fees established under the Climate Solutions Now Act of 2022 to expressly include energy use attributable to a building’s failure to meet energy use intensity targets, and (2) authorize the Department to establish a fee on the submission of annual energy use reports.

The University of Maryland Medical System (UMMS) provides primary, urgent, emergency and specialty care at 12 hospitals and more than 150 medical facilities across the state. The UMMS network includes academic, community and specialty hospitals that together provide 25% of all hospital-based care in Maryland. Our acute care and specialty hospitals are located in 13 counties and Baltimore City, and serve urban, suburban and rural communities. At present, UMMS owns or leases nearly 400 buildings statewide. Of these, an estimated 53 buildings meet the statutory definition of a “covered building” and will be subject to the building energy performance standards developed by MDE pursuant to the Climate Solutions Now Act of 2022 (the “Act”). Based on third party analyses, UMMS estimates that a majority of these buildings will be unable to meet the emissions standards adopted by MDE for hospitals or other health care facilities. Conservatively, the cost to bring our covered buildings into compliance would exceed \$200 million.

Recognizing the complexities of health care facilities that require significant reliability and redundancy safeguards under federal law, must be able to operate 24/7/365, and are responsible for providing critical care to patients, the General Assembly directed the Department to give special consideration to the energy demands of hospitals. Specifically, the Act directed MDE to adopt regulations that “include special provisions or exceptions for...the unique needs of

UNIVERSITY OF MARYLAND MEDICAL SYSTEM

**University of Maryland Medical Center • University of Maryland Medical Center Midtown Campus •
University of Maryland Rehabilitation and Orthopaedic Institute • University of Maryland Baltimore Washington Medical Center •
University of Maryland Shore Regional Health – University of Maryland Shore Medical Center at Easton -
University of Maryland Shore Medical Center at Chestertown - University of Maryland Shore Medical Center at Dorchester -
University of Maryland Shore Emergency Center at Queenstown •
University of Maryland Charles Regional Medical Center • University of Maryland St. Joseph Medical Center •
University of Maryland Upper Chesapeake Health System – University of Maryland Upper Chesapeake Medical Center -
University of Maryland Harford Memorial Hospital •
University of Maryland Capital Region Health – University of Maryland Bowie Health Center –
Mt. Washington Pediatric Hospital**

particular building types, including health care facilities...” (Environment Article § 2-1602(c)(2)(ii)(3)).

On September 6, 2024, MDE published draft Maryland Building Energy Performance Standards (BEPS) in the Maryland Register. The draft regulations did not exempt or establish special provisions to address the unique needs of health care facilities, as mandated under the Act. Rather, the draft BEPS established the same (1) emissions standards timeline, (2) percentage decrease in net direct emissions beginning in 2035, (3) final net zero direct emission standard beginning in 2040, and (4) alternative compliance fee schedule as all other covered buildings. The Maryland Hospital Association (MHA) and several hospitals submitted comment on the draft BEPS regulations highlighting that the proposal was inconsistent with the Act and did not take into consideration the special energy needs of hospitals, emergency departments, or other health care facilities. Despite the significant concerns raised by MHA and others the final BEPS rule was adopted in December without any substantive changes.

Uncertainty surrounding the availability of federal funds to subsidize building renovations will exacerbate the challenges faced by hospitals and other covered buildings seeking to comply with the BEPS. In the “Estimate of Economic Impact” that accompanied the draft BEPS, MDE estimated that the economic impact of the rule on covered buildings would be mitigated by the availability of federal funds through the federal Bipartisan Infrastructure Law and Inflation Reduction Act. The federal funding freeze that was recently announced is likely to significantly reduce or eliminate the availability of these funds, and further limit the ability of hospitals and other covered buildings to comply with the BEPS.

UMMS is committed to reducing its greenhouse gas emissions and combatting climate change. All recent construction or planned new construction, such as the UM Shore Regional Medical Center in Easton, is projected to meet the net zero direct greenhouse gas emissions standard. However, existing properties that provide critical and continuous care across the State will not be able to meet interim emissions standards due to the specialized humidification, ventilation and sterilization requirements of hospitals. Subsequently, UMMS joins MHA and other hospitals in requesting that the Committee clarify its intent in the Climate Solutions Now Act of 2022 to exempt or otherwise accommodate the unique energy demands of hospitals and other health care facilities.

For these reasons, the University of Maryland Medical System supports HB 49 and respectfully requests a *favorable* report on the bill, with the proposed amendment.

For more information, please contact:

Will Tilburg, Vice President, Government and Regulatory Affairs
University of Maryland Medical System
William.tilburg@umm.edu

AMENDMENT NO. 1

On page 2, after line 8, insert:

2-1601.

(e) (1) “Covered building” means a building that:

- (i) 1. Is a commercial or multifamily residential building in the State; or
2. Is owned by the State; and

(ii) Has a gross floor area of 35,000 square feet or more, excluding the parking garage area.

(2) “Covered building” does not include:

- (i) A building designated as a historic property under federal, State, or local law;
- (ii) A public or nonpublic elementary or secondary school building;

(III) A HEALTH CARE FACILITY, AS DEFINED IN § 19-114 OF THE HEALTH-GENERAL ARTICLE;

[(iii)] **(IV) A manufacturing building; or**

[(iv)] **(V) An agricultural building.**

LeadingAge Maryland - 2025 - HB 49 - BEPS EUI Fina

Uploaded by: Aaron Greenfield

Position: UNF



TO: House Environment and Transportation Committee
FROM: LeadingAge Maryland and LifeSpan Network
SUBJECT: House Bill 49 Environment - Building Energy Performance Standards - Compliance and Reporting
DATE: February 12, 2025
POSITION: Unfavorable

LeadingAge Maryland opposes House Bill 49 Environment - Building Energy Performance Standards - Compliance and Reporting.

Together LeadingAge Maryland and LifeSpan Network represent more than 140 not-for-profit aging services organizations as well as for-profit communities serving residents and clients through continuing care retirement communities, affordable senior housing, assisted living, nursing homes and home and community-based services. Our missions are to be the trusted voice for aging in Maryland, and our vision is that Maryland is a state where older adults have access to the services they need, when they need them, in the place they call home. Many of our members belong to both associations.

House Bill 49 expands the alternative compliance fee structure to include greenhouse gas emissions resulting from failing to meet direct reduction targets and *energy use attributable to failing to meet energy use intensity (EUI) targets*. The bill also introduces an annual reporting fee to cover the administrative costs of implementing building energy performance standards and directs alternative compliance fees to the Maryland Strategic Energy Investment Fund.

We applaud the state's efforts to address CO2 emissions and ensure that Maryland is taking steps to support climate health. However, implementation of energy use intensity targets will most certainly impact aging services providers, particularly not for profits, and exacerbate the financial and operational viability of a wide range of critically necessary organizations, especially affordable senior housing. Our members provide affordable housing, supportive services, and medical and personal care services to individuals with chronic illnesses, disabilities, or aging-related conditions, and face a range of financial and operational challenges. These challenges have been growing due to factors such as increasing demand for services, rising costs, and a complex regulatory environment. Notably, our members who provide affordable senior housing play a critical role in providing safe, and supportive housing for older adults on fixed or limited incomes. The new requirements and costs necessitated by the Building Energy Performance Standards would be untenable for many of these communities.

We oppose this legislation. However, if the Committee moves House Bill 49, we would offer the following amendments to help ameliorate the impact on the industry:

- Exempt counties with BEPS from the state regulations: Montgomery County is currently the only county with its own BEPS regulations. It is our understanding, however, that several other counties are considering their own. We support the ability to regulate BEPS at the county rather than state level because counties have a better understanding of local building conditions and building owner needs. County BEPS also reduces the administrative burden and cost of implementation on MDE. Building owners should not, however, be required to comply with both county and state BEPS.

There are several ways to craft this exemption that would still align with the state's climate goals. Our preferred option is to exempt counties with regulations that are either as stringent as the state's or that apply to more buildings. Montgomery County BEPS, for example, applies to buildings over 25,000 square feet, which is 1,900 more buildings than the state. Alternatively, the exemption could be for site EUI only and it would apply to building types where the county and state EUI targets are aligned. Once again, Montgomery County's EUI targets mostly align with the initial EUI targets proposed by MDE.

- Remove or substantially modify the authority to impose ACFs for site EUI: The state regulations already impose fees for failing to achieve the state's building emissions targets. Regulating site EUI reduces building energy consumption, which offsets grid emissions. A 5 cent ACF for site EUI would result in high rent and condo fee increases.

We urge the Committee to remove MDE's authority to impose ACFs for site EUI. Should the Committee wish to retain this fee, it should be tied to grid and regional-specific emissions factors. This would directly tie site EUI to actual grid emissions, so that the impact of the fee is reduced as the grid becomes cleaner.

- Adjust and/or waive penalties and fees for Long-Term Care Facilities: Given the constraints on the industry, MDE should be required to waive penalties and fees for providers through 2035. This waiver should apply to all facilities, not just condominiums and co-operative housing. In addition, any penalties and fees imposed from 2035 – 2039 should be tied to the 2030 interim targets. The Climate Solutions Now Act did not expressly require a second interim target. MDE elected to establish a second interim target in 2035 to give building owners additional guidance on the progress they should be making towards the final 2040 target.
- Require MDE to establish Alternative Compliance Pathways (ACP): ACPs provide building owners with additional flexibility to comply with the regulations while accounting for economic infeasibility, technological limitations, and lifecycle asset replacement schedules. For example, it does not make sense to replace a furnace with 10 or more years of useful life. Both Montgomery County and Washington, DC have ACPs that provide building owners with the flexibility to implement cost effective energy efficiency measures on realistic timelines.

- Cap site EUI and GHG reduction requirements: It may not be economically or technologically feasible for some buildings to meet the BEPS targets. This places considerable pressure on naturally occurring affordable housing to redevelop. Montgomery County has capped its site EUI targets at 30% from the buildings baseline. Even with this cap, the county still expects that two-thirds of building owners will be able to meet its EUI targets. The result is that the county will achieve between a 92 – 96% emission reduction from its BEPS.
- Require MDE to expand their definition of economic infeasibility and financial distress conditions: Both Montgomery County and Washington DC have better definitions of financial distress conditions that account for the cost of compliance for multifamily building types. The definition of economic infeasibility, for example, should be the same across all building types. The practical impact of this amendment is that building owners would only have to implement measures that have a simple payback of 10 years or less. A 25-year simple payback period does not work because many of the measures do not have a useful life of 25 years or more.
- Require MDE to include onsite renewable when calculating site EUI: This amendment would encourage onsite renewables, which strengthens grid resiliency and reduces grid emissions. The onsite renewable energy credit should count whether the electricity generated is used onsite or exported back to the grid.
- Direct the annual reporting fee towards implementing ACPs: This fee appears to be tied to benchmarking submissions. We could not find any other jurisdiction in the region that charges an annual reporting fee. Benchmarking is done through ENERGY STAR Portfolio Manager and can be exported by MDE automatically. Nevertheless, we recognize the need for MDE to generate additional revenue to administer BEPS. To that end, this fee should be directed towards implementing ACPs and to fund displacement of our residents.
- Remove the annual reporting fee. This fee appears to be tied to benchmarking submissions. We could only find one other jurisdiction with such a fee. None in the region (DC, Montgomery, NYC, Boston). The Maryland Department of Environment (MDE) will collect benchmarking data automatically in ENERGY STAR Portfolio Manager, so why do they need a fee? An annual reporting fee, on top of the costs to comply with the law, is burdensome. Communities are already being burdened with the cost of benchmarking, developing compliance program, and very expensive capital cost of compliance.
- Require MDE to complete case studies on specific building types. Given the housing affordability crisis, MDE should be required to complete additional case studies on multifamily building types to better understand costs and challenges. Multifamily building types include 1 low-rise, 1 mid-rise, 1 high-rise, and 1 senior affordable housing property.

- Require technical assistance is available for both benchmarking and compliance pathway development for non-profit senior living communities. There is really no way for most organizations to determine if certain measures will help them meet the requirements without hiring energy modelers and consultants, which most organizations cannot afford.

For these reasons, LeadingAge Maryland and LifeSpan Network respectfully request an unfavorable report for House Bill 49.

For more information, please contact Aaron Greenfield at 410.446.1992 or aaron@agreenfieldlaw.com or Danna Kauffman at 410.294.7759 or dkauffman@smwpa.com.

HB 49 - UNF - MHLA - Rohrer.pdf

Uploaded by: Amy Rohrer

Position: UNF

MHLA

Maryland Hotel Lodging Association

Testimony in Opposition to HB 49

Environment - Building Energy Performance Standards - Compliance and Reporting
Environment and Transportation Committee – February 12, 2025

The Maryland Hotel Lodging Association (MHLA) serves as the sole statewide trade association dedicated to advocacy for Maryland's 750+ hotels. Our industry employs more than 25,000 individuals and provides the state with \$2 billion in state and local taxes, \$6 billion in total wages and salaries, and \$9 billion in spending by hotel guests contributing to Maryland's economy.

MHLA is supportive of the lodging industry doing all that is reasonably possible to assist the state with meeting climate goals, including working to lower emissions through building energy performance standards. However, we have questions and concerns related to HB 49 as introduced.

- This bill proposes establishment of alternative compliance fees for covered buildings that are unable to meet mandated energy use intensity (EUI) targets. The EUI targets have not yet been set, so we generally do not feel comfortable supporting an alternative compliance fee as proposed in this bill.
- The bill does not set a cap or describe how the alternative compliance fees will be calculated.
- This bill would require an annual reporting fee to cover administrative costs. We are concerned with the overall cost of compliance as this annual reporting fee is not defined or capped in the bill. Additionally, building owners will incur the expense of third-party verification of reporting every 5 years.
- This bill establishes that "alternative compliance fees" would be deposited into the Maryland Strategic Investment Fund (SEIF) but does not specify how these alternative compliance fees may be utilized. Has consideration been given to earmarking these funds for the precise purpose of helping covered building owners to comply with current and future BEPS?

We feel that a "one size fits all" approach for determining EUI at a hotel is problematic. Occupancy rates vary day by day and from one hotel to the next based on many factors, such as peak vs non-peak demand, seasonality, meetings, conventions, etc. A full-service hotel with banquet space has drastically different energy needs than a select-service hotel without any banquet or meeting space.

Additionally, it is important to point out that hotels may be unable to meet EUI targets due to factors outside of their control, i.e. the end user of energy within a hotel is often the guest who controls their own in-room amenities.

MHILA

Maryland Hotel Lodging Association

HB 49 – Oppose
February 12, 2025
page 2

Switching from gas to electric equipment presents efficiency concerns for hotels, especially in high-energy usage areas like pool heaters, laundry dryers, and boilers. For example, gas boilers typically achieve 90-95% efficiency, while electric boilers often have an efficiency rate of 99%, but their operational costs can be 3-4 times higher due to electricity's higher cost per BTU. Similarly, commercial gas dryers can complete a cycle 30% faster than electric dryers, reducing bottlenecks during peak times. Inadequate hot water supply and slower drying times could result in guest dissatisfaction, particularly during peak usage. Labor costs would be negatively impacted as well with associates waiting for either linen to be available for guestroom completion or to fold and restock for the following morning due to exponentially longer drying times. This too would be an undue burden on operators and owners. Again, replacing these two components of a hotel's operation with electrical equipment will greatly decrease efficiency, increase guests' frustrations and actually increase our energy usage and costs due to the fact that there are no viable, efficient electrical options at this time.

There are many costs and challenges that must be considered by a hotel looking to come into compliance with Maryland BEPS, as outlined below:

- Life left on existing systems; cost and availability of new equipment (primarily boilers and laundry equipment)
- Upfront capital for retrofitting or upgrading systems
- Rewiring for electric replacements; overall capacity and reliability of the grid
- Occupancy and guest expectations throughout "construction / retrofitting" and the need for sustained operations 24/7

Whether coming into compliance with BEPS or paying alternative compliance fees, this will be a significant expense for hotel owners to bear. While we share the state's goals of sustainability, we hope to avoid having undue burdens placed on hotel owners as a result of BEPS and related legislation.

Respectfully submitted,

Amy Rohrer, President & CEO

HB0049_WGL_Todd_UNF.pdf

Uploaded by: Brandon Todd

Position: UNF



1000 Maine Avenue, SW | Suite 700 | Washington, DC 20024 | www.washingtongas.com

COMMITTEE: ENVIRONMENT & TRANSPORTATION

TESTIMONY ON: HB0049 Building Energy Performance Standards - Compliance and Reporting

POSITION: OPPOSE

HEARING DATE: February 12, 2025

Washington Gas respectfully submits this statement in **OPPOSITION** to **House Bill Building Energy Performance Standards - Compliance and Reporting**

Washington Gas Light Company (“the 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 175 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. The Company strives to improve the quality of life in our communities by maintaining a diverse workforce, working with suppliers that represent and reflect the communities it serves, and giving back through its 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.

The Company 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. However, House Bill 49 (“HB 49”) imposes fees on energy usage by building owners (including both large buildings and condominiums) if they fail to meet efficiency standards that the Department will not propose until 2027. By imposing these fees – which are not capped in the bill as filed – the Department of the Environment imposes additional penalties on building and condominium owners who are already struggling with escalating energy costs.

The Department’s own estimate, published in the Maryland Register on December 13, 2023 – is that complying with the draft energy use intensity (EUI) standard will cost building and condominium owners approximately \$8.8 billion between now and 2040. Maryland building owners cannot afford these costs when clean, reliable, natural gas is available.

The Company is committed to working with stakeholders to help achieve Maryland’s GHG emissions reduction targets. HB 49, by penalizing natural gas, eliminates an affordable way for

Maryland customers to heat their homes, cook their meals, and operate their businesses. Electrification is not the sole solution to climate change in Maryland and should not be treated as such. There is a 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.

For the above reasons Washington Gas respectfully requests an unfavorable report on House Bill 0049. Thank you for your consideration of this information.

Contact:

Brandon Todd, Vice President, Government Affairs, Policy & Advocacy, Washington Gas
M 202-744-0816 | brandon.todd@washgas.com

HB 49_BOMA_UNF.pdf

Uploaded by: Bryson Popham

Position: UNF



2331 Rock Spring Road
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February 10, 2025

The Honorable Marc Korman
Chair, House Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, Maryland 21401

RE: House Bill 49 Environment - Building Energy Performance Standards - Compliance and Reporting
OPPOSED

Dear Chairman Korman and Members of the Committee,

I am writing in my capacity as the Legislative Chairman of the Building Owners and Managers Association of Greater Baltimore (BOMA) to respectfully request an unfavorable report on House Bill 49.

BOMA, through its nearly 300 members, represents owners and managers of all types of commercial property, comprising 143 million square feet of office space in Baltimore and Central Maryland. Our members' facilities support over 19,000 jobs and contribute \$2.5 billion to the Maryland economy each year.

This legislation is a direct outgrowth of the Climate Solutions Now Act, (Senate Bill 528) from the 2022 session of the Maryland General Assembly. On behalf of our community of owners and operators of commercial and industrial buildings, BOMA was deeply involved in that legislative process. We have since been involved in the process of regulatory development at the Maryland Department of the Environment to implement the provisions of Senate Bill 528.

With regret, we note that the final regulations adopted by the Department on this subject are unworkable for our members. Therefore, BOMA has joined a group of other real property owners in our State who are similarly affected, and we are currently engaged in litigation with the Department.

Our differences with the Department have only deepened with the introduction of House Bill 49. In particular, we note the compliance requirements based on "energy use intensity," which may be found, for example, on page 3, line 8, and page 4, line 23. In the statutory/regulatory scheme, energy use intensity (EUI) is directly related to site energy use. EUI is intended to calculate such use. Unfortunately, a building-by-building assessment would be required to achieve this goal, and there are literally thousands of potentially covered buildings in this category. There will almost certainly be disputes about the measure of EUI with respect to some buildings, in addition to the unknown, but considerable, length of time required to complete such an assessment.

Furthermore, both MDE regulations in House Bill 49 contemplate the use of an alternative compliance mechanism to be used when a building does not meet its EUI target. The formula for determining an

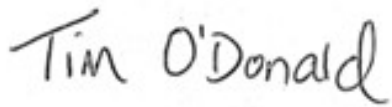
alternative compliance payment is yet to be determined. Essentially, this mechanism creates a penalty of unknown magnitude on property owners, which is fundamentally unfair.

The nature of the litigation in which BOMA and other commercial and industrial property owners are engaged is itself a fundamental issue. The building owner group has challenged the authority of the State to regulate in this area at all, based on its claim of preemption under federal law. We note that several similar lawsuits have been filed throughout the United States, and we believe it is likely that the preemption issue will be carried forward to appellate courts within the federal judicial system.

For these reasons, BOMA believes that the introduction of House Bill 49 is, at best, premature. We believe the better approach is to permit the resolution of the preemption issue in court, and that further legislation on this subject be deferred until that issue is resolved.

We therefore respectfully request an unfavorable report on House Bill 49.

Very truly yours,

A handwritten signature in black ink that reads "Tim O'Donald". The signature is written in a cursive, slightly slanted style.

Tim O'Donald
Chair, BOMA Legislative Committee

cc: Bryson Popham

HB0049_UNF_LifeSpan_Env. - Building Energy Perform

Uploaded by: Danna Kauffman

Position: UNF



TO: House Environment and Transportation Committee
FROM: LeadingAge Maryland and LifeSpan Network
SUBJECT: House Bill 49 Environment - Building Energy Performance Standards - Compliance and Reporting
DATE: February 12, 2025
POSITION: Unfavorable

LeadingAge Maryland opposes House Bill 49 Environment - Building Energy Performance Standards - Compliance and Reporting.

Together LeadingAge Maryland and LifeSpan Network represent more than 140 not-for-profit aging services organizations as well as for-profit communities serving residents and clients through continuing care retirement communities, affordable senior housing, assisted living, nursing homes and home and community-based services. Our missions are to be the trusted voice for aging in Maryland, and our vision is that Maryland is a state where older adults have access to the services they need, when they need them, in the place they call home. Many of our members belong to both associations.

House Bill 49 expands the alternative compliance fee structure to include greenhouse gas emissions resulting from failing to meet direct reduction targets and *energy use attributable to failing to meet energy use intensity (EUI) targets*. The bill also introduces an annual reporting fee to cover the administrative costs of implementing building energy performance standards and directs alternative compliance fees to the Maryland Strategic Energy Investment Fund.

We applaud the state's efforts to address CO2 emissions and ensure that Maryland is taking steps to support climate health. However, implementation of energy use intensity targets will most certainly impact aging services providers, particularly not for profits, and exacerbate the financial and operational viability of a wide range of critically necessary organizations, especially affordable senior housing. Our members provide affordable housing, supportive services, and medical and personal care services to individuals with chronic illnesses, disabilities, or aging-related conditions, and face a range of financial and operational challenges. These challenges have been growing due to factors such as increasing demand for services, rising costs, and a complex regulatory environment. Notably, our members who provide affordable senior housing play a critical role in providing safe, and supportive housing for older adults on fixed or limited incomes. The new requirements and costs necessitated by the Building Energy Performance Standards would be untenable for many of these communities.

We oppose this legislation. However, if the Committee moves House Bill 49, we would offer the following amendments to help ameliorate the impact on the industry:

- Exempt counties with BEPS from the state regulations: Montgomery County is currently the only county with its own BEPS regulations. It is our understanding, however, that several other counties are considering their own. We support the ability to regulate BEPS at the county rather than state level because counties have a better understanding of local building conditions and building owner needs. County BEPS also reduces the administrative burden and cost of implementation on MDE. Building owners should not, however, be required to comply with both county and state BEPS.

There are several ways to craft this exemption that would still align with the state's climate goals. Our preferred option is to exempt counties with regulations that are either as stringent as the state's or that apply to more buildings. Montgomery County BEPS, for example, applies to buildings over 25,000 square feet, which is 1,900 more buildings than the state. Alternatively, the exemption could be for site EUI only and it would apply to building types where the county and state EUI targets are aligned. Once again, Montgomery County's EUI targets mostly align with the initial EUI targets proposed by MDE.

- Remove or substantially modify the authority to impose ACFs for site EUI: The state regulations already impose fees for failing to achieve the state's building emissions targets. Regulating site EUI reduces building energy consumption, which offsets grid emissions. A 5 cent ACF for site EUI would result in high rent and condo fee increases.

We urge the Committee to remove MDE's authority to impose ACFs for site EUI. Should the Committee wish to retain this fee, it should be tied to grid and regional-specific emissions factors. This would directly tie site EUI to actual grid emissions, so that the impact of the fee is reduced as the grid becomes cleaner.

- Adjust and/or waive penalties and fees for Long-Term Care Facilities: Given the constraints on the industry, MDE should be required to waive penalties and fees for providers through 2035. This waiver should apply to all facilities, not just condominiums and co-operative housing. In addition, any penalties and fees imposed from 2035 – 2039 should be tied to the 2030 interim targets. The Climate Solutions Now Act did not expressly require a second interim target. MDE elected to establish a second interim target in 2035 to give building owners additional guidance on the progress they should be making towards the final 2040 target.
- Require MDE to establish Alternative Compliance Pathways (ACP): ACPs provide building owners with additional flexibility to comply with the regulations while accounting for economic infeasibility, technological limitations, and lifecycle asset replacement schedules. For example, it does not make sense to replace a furnace with 10 or more years of useful life. Both Montgomery County and Washington, DC have ACPs that provide building owners with the flexibility to implement cost effective energy efficiency measures on realistic timelines.

- Cap site EUI and GHG reduction requirements: It may not be economically or technologically feasible for some buildings to meet the BEPS targets. This places considerable pressure on naturally occurring affordable housing to redevelop. Montgomery County has capped its site EUI targets at 30% from the buildings baseline. Even with this cap, the county still expects that two-thirds of building owners will be able to meet its EUI targets. The result is that the county will achieve between a 92 – 96% emission reduction from its BEPS.
- Require MDE to expand their definition of economic infeasibility and financial distress conditions: Both Montgomery County and Washington DC have better definitions of financial distress conditions that account for the cost of compliance for multifamily building types. The definition of economic infeasibility, for example, should be the same across all building types. The practical impact of this amendment is that building owners would only have to implement measures that have a simple payback of 10 years or less. A 25-year simple payback period does not work because many of the measures do not have a useful life of 25 years or more.
- Require MDE to include onsite renewable when calculating site EUI: This amendment would encourage onsite renewables, which strengthens grid resiliency and reduces grid emissions. The onsite renewable energy credit should count whether the electricity generated is used onsite or exported back to the grid.
- Direct the annual reporting fee towards implementing ACPs: This fee appears to be tied to benchmarking submissions. We could not find any other jurisdiction in the region that charges an annual reporting fee. Benchmarking is done through ENERGY STAR Portfolio Manager and can be exported by MDE automatically. Nevertheless, we recognize the need for MDE to generate additional revenue to administer BEPS. To that end, this fee should be directed towards implementing ACPs and to fund displacement of our residents.
- Remove the annual reporting fee. This fee appears to be tied to benchmarking submissions. We could only find one other jurisdiction with such a fee. None in the region (DC, Montgomery, NYC, Boston). The Maryland Department of Environment (MDE) will collect benchmarking data automatically in ENERGY STAR Portfolio Manager, so why do they need a fee? An annual reporting fee, on top of the costs to comply with the law, is burdensome. Communities are already being burdened with the cost of benchmarking, developing compliance program, and very expensive capital cost of compliance.
- Require MDE to complete case studies on specific building types. Given the housing affordability crisis, MDE should be required to complete additional case studies on multifamily building types to better understand costs and challenges. Multifamily building types include 1 low-rise, 1 mid-rise, 1 high-rise, and 1 senior affordable housing property.

- Require technical assistance is available for both benchmarking and compliance pathway development for non-profit senior living communities. There is really no way for most organizations to determine if certain measures will help them meet the requirements without hiring energy modelers and consultants, which most organizations cannot afford.

For these reasons, LeadingAge Maryland and LifeSpan Network respectfully request an unfavorable report for House Bill 49.

For more information, please contact Aaron Greenfield at 410.446.1992 or aaron@agreenfieldlaw.com or Danna Kauffman at 410.294.7759 or dkauffman@smwpa.com.

HB0049_UNF_MTC_Env. - Building Energy Performance

Uploaded by: Drew Vetter

Position: UNF



House Environment and Transportation Committee
February 12, 2025

House Bill 49 – *Environment – Building Energy Performance Standards – Compliance and Reporting*
POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State’s largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State’s life sciences and technology communities into a united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of opposition to House Bill 49.

MTC appreciates the intent of this Maryland Department of the Environment (MDE) Departmental bill to expand the applicability of the alternative compliance pathway to include paying a fee for energy use attributable to a building’s failure to meet energy use intensity targets. However, MTC opposes the bill due to a continuing lack of clarity about the overall Building Energy Performance Standards (BEPS). Under this proposal, it is left to MDE’s discretion what the alternative compliance fee will be. Therefore, there is not enough information for businesses affected by this proposal to evaluate the financial impact. Additionally, energy use intensity (EUI) targets are not included in the bill, so we cannot evaluate the feasibility of compliance or payment of the alternative compliance pathway.

MTC continues to be concerned about the feasibility and timelines associated with the BEPS regulations. In particular, our members in the life sciences industry continue to have concerns about the definition of a “manufacturing building” to be eligible for an exemption from the requirements. The regulations define a “manufacturing building” as a “building involved in the process of substantially transforming, or a substantial step in the process of substantially transforming, tangible personal property into a new and different article of tangible personal property by the use of labor or machinery, or otherwise designated as a manufacturing building by the Department.” Many of our members in the life sciences industry are involved in the manufacture of life-saving therapies and medications, including research and development for those activities. Some of these processes are energy-intensive and do not have reasonable alternatives. The Maryland General Assembly recognized this when it passed the Climate Solutions Now Act of 2022 (CSNA). That law required that the State “As necessary, include special provisions or exceptions to account for...the unique needs of particular building or occupancy types, including health care facilities, **laboratories**, assisted living and nursing facilities, military buildings, critical infrastructure, and **buildings used in life sciences** as defined in § 3-201 of the Economic Development Article.”¹ At a minimum, the MTC would request that the Department designate laboratory research and development activities as manufacturing and, therefore, exempt them as covered buildings. We believe such an exemption is consistent with the General Assembly’s intent in the CSNA and urge the Committee to use this bill as an opportunity to provide this necessary clarity.

Thank you for the opportunity to comment on this legislation.

For more information call:

Andrew G. Vetter
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

¹ [2022 Regular Session - Senate Bill 528 Chapter \(maryland.gov\)](#)

HB 49 MDCC Environment - Building Energy Performan

Uploaded by: Hannah Allen

Position: UNF



House Bill 49

Date: February 12, 2025

Committee: House Environment & Transportation

Position: Opposed

Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

House Bill 49 (HB 49) seeks to add an alternative compliance fee for buildings that fail to meet Energy Use Intensity (EUI) standards in the state's Building Energy Performance Standards regulation (BEPS). It also includes the addition of an annual reporting fee building owners must pay when submitting their emissions data to the Maryland Department of the Environment (the Department). Lastly, HB 49 seeks to deposit any alternative compliance fees received into the Maryland Strategic Energy Investment Fund.

Energy Use Intensity Standards

The Chamber is concerned over the broad application of EUI targets, which could place undue burdens on businesses, particularly in industries where building energy use is heavily influenced by factors beyond the control of the property owner. HB 49 lacks clarity regarding how alternative compliance fees will be calculated, as there is not a proposed fee or a cap outlined in the legislation. This presents significant financial uncertainty for building owners. While the legislation as introduced does not propose an alternative compliance fee, discussions with the Department have indicated that they are considering a fee of five cents per kBtu/sq ft (also likely tied to inflation), which would be excessively high.

Additionally, an amendment to the Governor's budget during the 2024 legislative session requires the Department to delay finalizing EUI standards until benchmarking data on current building performance is collected, with building owners required to submit initial reports by September 1, 2025. The Department plans to propose final EUI standards through regulation in 2027. Given that the standards are not yet established and the benchmarking data is still pending, it seems premature to introduce an alternative compliance fee for EUI. Without knowing the final EUI standards, building owners cannot accurately assess the cost implications or plan effectively for compliance.

Overall, the Chamber remains concerned about the future inclusion of EUI standards as mandatory, despite their temporary removal. Instead, we believe EUI should be used as a reporting target to track building efficiency, aligning with the Climate Solutions Now Act and maintaining focus on net direct greenhouse gas emissions.

Reporting Fee

HB 49 introduces an annual reporting fee that building owners must pay to the Department when submitting their emissions data, with the fee intended to cover administrative costs. However, the legislation does not specify the amount of this fee, creating uncertainty for building owners about this additional cost and what the financial impact could be. Even if the fee is set at a low amount, building owners are concerned about the additional burden of yet another cost on top of the significant expenses required to comply with BEPS.

Alternative Compliance Fees Directed to SEIF

HB 49 proposes directing alternative compliance fees paid for both greenhouse gas emissions and EUI to the Strategic Energy Investment Fund (SEIF), which is managed by the Maryland Energy Administration. We believe that any fees paid by building owners for failing to comply with greenhouse gas emissions and/or EUI standards should be reinvested into supporting those same building owners to help offset the significant cost of compliance. As introduced, HB 49 does not specify how the funds will be used once deposited into SEIF.

According to a 2023 study by the U.S. Department of Energy's Lawrence Berkeley and Pacific Northwest National Laboratories, the total cost of implementing BEPS (2025-2040), which includes \$8.8 billion for efficiency measures and \$6.4 billion for electrification, will exceed the energy savings of \$8.96 billion anticipated during that same period¹.

While the Chamber supports sustainable goals, our primary concern lies in the increased cost burden that will be felt by businesses and consumers. Our goal is to ensure that the BEPS regulation is clear and achievable, allowing businesses, building owners, electricity consumers and energy providers to comply efficiently – without undue burden and significant, unmanageable cost increases.

For these reasons, the Chamber respectfully requests an **unfavorable report** on **HB 49**.

1

[https://mde.maryland.gov/programs/air/ClimateChange/BEPS/MARYLAND%20REGISTER%2012_15_2023%20Building%20Energy%20Performance%20Standards%2050724%20\(3\).pdf](https://mde.maryland.gov/programs/air/ClimateChange/BEPS/MARYLAND%20REGISTER%2012_15_2023%20Building%20Energy%20Performance%20Standards%2050724%20(3).pdf)



MBIA Letter of Opposition HB49.pdf

Uploaded by: Lori Graf

Position: UNF

February 2, 2025

The Honorable Marc Korman,
Chairman, House Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, Maryland 21401

RE: MBIA Letter of Opposition to HB49 Environment - Building Energy Performance Standards - Compliance and Reporting

Dear Chairman, Korman,

The Maryland Building Industry Association, representing 100,000 employees of the building industry across the State of Maryland, appreciates the opportunity to participate in the discussion surrounding **HB 63 Environment - Building Energy Performance Standards - Compliance and Reporting**. MBIA currently is opposed to the legislation as written.

As Governor Moore has made clear, the state of Maryland faces a housing crisis¹. As of 2024, the State was at least 120,000 units short according to the National Association of Realtors and Freddie Mac – and the deficit is growing.

Despite that shortfall, MDE’s own studies concluded that the Building Energy Performance Standards will cost building owners nearly \$17 billion dollars between now and 2040:

Results from a 2023 study by the U.S. Department of Energy’s Lawrence Berkeley and Pacific Northwest National Laboratories demonstrate that during BEPS implementation (2025-2040), all covered buildings combined will spend more on efficiency measures (\$8.8B) and electrification measures (\$6.4B) than the energy cost savings accrued in this period (\$8.96B).

Maryland Register Volume 50 Issue 25 – December 15, 2023.

These costs will inevitably divert funding that would otherwise support new housing and are likely to fall most heavily on affordable housing. MDE’s proposed solution to this detrimental impact is for the General Assembly to permit MDE to impose a new “alternative compliance fee” on buildings – including multifamily and affordable housing.

This fee, which will function as a tax, will be set by MDE in regulation rather than by statute. In fact, the bill, as introduced, has no cap on the amount of the tax and even provides that the tax will automatically be increased for inflation.

In addition, the switch from natural gas, heating oil and propane to electricity mandated by the standards will heighten the grid shortages faced by Maryland ratepayers and force the importation of additional electricity from out of state sources.

Should the legislation move forward, MBIA, on behalf of our members who are building and maintaining multifamily and affordable housing, request an exemption for Multi-family housing (until the housing

¹ See e.g., Make Maryland More Affordable

crisis is over) from the punitive building energy performance standards and the alternative compliance tax proposed by MDE. In the alternative, MBIA would request a cap on the fee to be imposed.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org

cc: Members of the House Environment and Transportation Committee

MCIES_2025 LOO OPPOSE.pdf

Uploaded by: Sarah Peters

Position: UNF



Bill: SB 256/HB 49- Environment- Building Energy Performance Standards – Compliance and Reporting

Position: Oppose

The Maryland Coalition for Inclusive Energy Solutions, Inc. (MCIES), a coalition of diverse stakeholders, including representatives from organized labor, manufacturing, energy production, transportation, and public utilities, advocating for the inclusivity of all energy types, including natural gas, renewable natural gas, hydrogen, propane, and nuclear power, opposes Senate Bill 256 and House Bill 49.

HB 49 gives MDE unlimited authority to set alternative compliance and annual data reporting fees. This is concerning, as it gives MDE broad discretion in assigning fees, potentially resulting in excessive costs for Marylanders, particularly for building owners and operators of properties 35,000 square feet or larger. These financial burdens and compliance challenges exceed the original intent of the Climate Solutions Now Act (CSNA).

While the lack of language limiting MDE’s authority to set compliance and annual data reporting fees is considerable, the bill also has broader negative implications on covered building owners. During an October 9, 2024, public hearing held by the MDE, many commenters raised concerns about the high upfront costs of BEPS compliance, citing their building’s unique needs and deferred maintenance.¹ They emphasized that these costs made compliance difficult. In response, MDE stated it was collaborating with the Commission on Climate Change and nonprofits to address the financial needs necessary to meet BEPS standards and other policies. However, these efforts have yet to be implemented.

Although the bill includes “special provisions or exceptions to account for building age and the need of particular buildings or occupancy type²,” it creates an uneven playing field for older buildings not designed with modern energy efficiency standards in mind. Therefore, HB 49 ultimately results in costly building renovations to comply with the BEPS standards, which may not be financially feasible for Marylanders, especially commercial building owners, and could deter investors from renting or purchasing these properties. Thus, the financial strain could be significant.³

MCIES is also concerned about the compliance fees. While these fees are directed to the Maryland Strategic Energy Investment Fund, there is no guarantee that the funds will directly

¹ Department of the Environment Air and Radiation Administration, Response to Comments, On the Proposed Regulations under COMAR 26.28, pertaining to Building Energy Performance Standards (BEPS) Public Hearing Held Virtually on October 9, 2024. <https://mde.maryland.gov/programs/regulations/air/Documents/Hearings/BEPS>.

² H.B. 49, 2025 Gen. Assemb., Reg. Sess. (Md. 2025).

³ Williams, Matthew RT, Michael Reynolds, Chris Parker, Jianli Chen, and Kody Powell. "The impact of the electrification of buildings on the environment, economics, and housing affordability: A grid-response and life cycle assessment approach." *Digital Chemical Engineering* 7 (2023): 100086.

benefit building owners or improve energy efficiency. Tying fees to the social cost of greenhouse gases could result in steep penalties, depending on how they are calculated. HB 49 is unclear on how compliance and reporting fees will be calculated or how exceptions will be applied to different building types, leaving uncertainty about how to comply. Moreover, covered building owners will also not have the support needed to help them navigate the BEPS regulations. As a result, HB 49 fails to assist covered building owners, ultimately placing them at a disadvantage.

Lastly, CSNA does not exclude the use of RNG, hydrogen, and emissions offsets to meet its greenhouse gas emissions goals, yet BEPS regulations impose stiff changes to current building standards, creating substantial financial burdens for Marylanders without providing incentives. MCIES respectfully urges MDE to develop BEPS regulations that reduce emissions through an “all-of-the-above” energy approach, embracing new and emerging technologies while minimizing financial strain on Marylanders.

The reality is that there needs to be practical solutions for this issue and for those reasons, MCIES strongly opposes HB 49 and respectfully requests an unfavorable report.

Sincerely,

Sarah Peters

Executive Director

HB49_MRA_UNF.pdf

Uploaded by: Sarah Price

Position: UNF

MARYLAND RETAILERS ALLIANCE

The Voice of Retailing in Maryland



HB49 Environment - Building Energy Performance Standards - Compliance and Reporting
Environment and Transportation Committee
February 12th, 2025

Position: Unfavorable

Background: HB49 would impose additional fees on businesses that are unable to reach the building energy performance standards requirements established in the Climate Solutions Now Act.

Comments: The Maryland Retailers Alliance (MRA) strongly opposes **HB49 Environment - Building Energy Performance Standards - Compliance and Reporting**, which would impose additional fees for energy use on businesses that are unable to meet the emissions reductions requirements established as a result of the Climate Solutions Now Act as passed in 2022. Testimony provided on that bill and throughout the regulatory process for Building Energy Performance Standards (BEPS) cautioned repeatedly that the standards set by the State are unattainable and will dramatically increase costs for businesses.

Retail business owners are making efforts to upgrade their stores to meet the standards set by the State but are hampered by the availability and cost of equipment. Not only does it cost millions of dollars to remodel, for example, a large-scale grocery store, but the lighting and refrigeration equipment that is available for businesses today cannot achieve the long-term greenhouse gas emissions reductions required by BEPS. In addition to the costs of upgrading in-store equipment in an attempt to achieve compliance, businesses are also facing the highest energy costs in five years as a result of both rate increases which were authorized by the State and the passage of SB1 in 2024 which has resulted in many competitive energy suppliers ceasing to operate in Maryland.

At the same time that businesses are preparing to comply with BEPS reductions requirements, they now must also implement the Heat Stress Illness Prevention Standard regulations promulgated by the Maryland Department of Labor in 2024. These Heat Stress standards set strict requirements for any and all indoor or outdoor workplace setting that could reach a heat index of 80 degrees Fahrenheit. One obvious solution to meet or avoid these requirements is to ensure that workplaces are maintained at a comfortable temperature for both employees and customers, yet this is at odds with the necessity to scale back the use of systems like large-scale air conditioning units in order to achieve BEPS compliance.

The Climate Solutions Now Act and BEPS regulations include an “alternative compliance pathway” consisting of a fee schedule based on the amount of greenhouse gas

emissions that a business continues to produce over the reduction requirements set by the law. “Alternative compliance” implies that businesses are voluntarily choosing to pay to offset their emissions rather than change any aspect of their operations. This does not take into account the fact that a business owner may have already taken every possible step to comply with BEPS but has still failed because the reductions standards set by the State are not achievable. To now revise those regulations not to set more realistic standards but to add an additional punitive fee for energy use for failing to meet requirements that are unattainable with existing technology and equipment options would be a slap in the face of businesses owners who are making a serious and extremely costly effort to comply with the law.

While MRA understands the need for the legislature to consider every possible source of revenue in light of the existing budget deficit, we would strongly urge the Committee to reject this proposal to impose an additional fee on businesses that cannot meet these incredibly high emissions reductions goals. Thank you for your consideration.

HB49_Desrouleaux_UNF

Uploaded by: Sasha Desrouleaux

Position: UNF



THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: House Bill 49: Environment - Building Energy Performance Standards - Compliance and Reporting

SPONSOR: Delegate Marc Korman, Chair (By Request - Departmental - Environment)

HEARING DATE: February 12, 2023 at 1:00 PM

COMMITTEE: Environment and Transportation

CONTACT: Intergovernmental Affairs Office, 301-780-8411

POSITION: OPPOSE

The office of the Acting Prince George's County Executive **OPPOSES House Bill 49: Environment - Building Energy Performance Standards - Compliance and Reporting**, altering an alternative compliance fee paid by certain owners of covered buildings under certain circumstances to include the energy use attributable to the building's failure to meet certain energy targets; requiring certain regulations to include a certain annual reporting fee to cover certain costs; requiring the Department of the Environment to deposit alternative compliance fees into the Maryland Strategic Energy Investment Fund; and generally relating to compliance and reporting for Building Energy Performance Standards.

The bill proposes to authorize the State to collect an annual reporting fee and an alternative compliance fee based on a building's energy. Covered buildings are defined as commercial, multi-family, or certain State-owned buildings. While the proposal excludes public schools from potential fee assessment, the potential impact on fees assessed to commercial and multifamily buildings in the County remains large. Prince George's County's portfolio of buildings is large and diverse, and is comprised of buildings of widely varied ages, construction types, and conditions. Alterations to buildings and major equipment in buildings proposed by the legislation will potentially impose expenditures in the millions of dollars to meet legally mandated status.

For the reasons stated above, the Office of the Prince George's County Executive **OPPOSES HB 49** and asks for an **UNFAVORABLE** report.

MD 2025 HB 49 Columbia Gas Testimony Final.pdf

Uploaded by: Scott Waitlevertch

Position: UNF

OPPOSE – House Bill 49
Building Energy Performance Standards – Compliance and Reporting
House Environment and Transportation Committee

Columbia Gas of Maryland, Inc. (Columbia) opposes House Bill 49, which creates an alternative compliance fee for building owners covered by the Maryland Department of the Environment's (MDE's) Building Energy Performance Standards (BEPS) regulations that became effective on December 23, 2024. The legislation also creates an annual data reporting fee on covered building owners who are mandated by MDE and the BEPS to submit energy use data for their buildings.

Columbia's opposition to House Bill 49 is driven by the fact the legislation permits MDE to determine the alternative compliance and annual data reporting fees without limits outlined by the Maryland General Assembly in statute.

Since May of 2023, Columbia has been significantly engaged on and concerned with the financial impact of the BEPS regulations to our customers who own or operate buildings that are 35,000 square feet or larger in Maryland. The estimated costs are staggering.

The BEPS regulations will effectively prohibit the use of natural gas or fossil fuel equipment and force covered building owners to incur major costs to replace such appliances with electric alternatives. On a statewide basis, electrification retrofits are expected to cost covered Maryland building owners billions of dollars.

The MDE's own estimate of economic impact in the final regulations calculate covered building owners will spend more than \$5.7 billion on efficiency and electrification measures to achieve \$1.2 billion in energy cost savings without an Energy Use Intensity (EUI) standard. Those estimates climb to more than \$15 billion spent on efficiency and electrification measures to provide approximately \$9 billion in energy savings with the addition of EUI standards.

These significant costs will ultimately be paid for by all Marylanders, such as residential rental tenants, small business owners who rent space, college students and parents, medical patients at hospitals and offices, parents with children enrolled in pre-school or daycare facilities, senior citizens in a senior living community or care facility, owners of condominium units and Marylanders who buy groceries – just to name some of those impacted by the billions of dollars in new costs that will be incurred due to the BEPS.

During an October 9, 2024, public hearing on the BEPS regulations a condominium organization testified it would cost their association an estimated \$5 million to \$8 million just to replace gas stoves currently in use. Another condominium organization estimated it would cost their association \$54 million in order to attempt to comply, and that even if they complete these renovations, there is no guarantee they will meet the strict compliance targets set by the BEPS.

Furthermore, MDE's economic impact study was done prior to the July 30, 2024, PJM Interconnection power market auction, which produced a \$269.92/MW-day price for most of the PJM footprint, compared to \$28.92/MW-day for the prior auction (a more than 800% increase).

We are confident the energy costs savings estimates will be even less with increasing electricity costs, and the public and Maryland General Assembly should be aware of the new economic impact to building owners.

While the December finalized regulations removed several EUI references and the site EUI Standards pursuant to the legislative amendment in Maryland's FY 2025 budget bill, we continue to point out the Climate Solutions Now Act (CSNA) does not mandate EUI standards/provisions to be included in regulations. We continue to be concerned MDE will implement the EUI standard in the future, again, driving up costs to building owners.

Columbia is troubled the proposed alternative compliance fee in House Bill 49 is to be placed in the Maryland Strategic Energy Investment Fund, but the bill does not outline how such fees may assist building owners on compliance with the BEPS regulations in the future, or whether all types of building owners will be able to gain assistance from the fund.

In addition, under the legislation, the annual reporting fee is alleged to be a fee to cover administrative costs. There are no definitions of what such administrative costs might be in the legislation.

The annual reporting fee also adds "insult to injury" to building owners who will need to spend money to collect and report their building's energy use data -- an MDE unfunded mandate under the regulations -- as well as potentially millions of dollars to come into compliance with the BEPS regulations. MDE should allocate the costs to implement and run the BEPS regulations with current budget dollars and not place an additional "tax" on Maryland building owners for a self-induced, burdensome regulatory program.

Columbia understands Maryland's ambitious goals to reduce greenhouse gas emissions and the requirements of the CSNA. However, the final BEPS regulations represent major changes to the state's building and energy standards, while adversely affecting many Marylanders with the imposition of serious financial burdens.

Columbia further understands there have been discussions surrounding possible amendments to House Bill 49. Columbia could support amendments to ease and reduce the reporting and financial burdens large Maryland building owners will experience with the BEPS regulations.

Columbia continues to believe the BEPS regulations significantly exceed what is authorized by the CSNA, and are not justified, feasible or economically realistic. Columbia believes the current BEPS regulations should be withdrawn. More practical and lawful BEPS regulations -- that reduce greenhouse gas emissions using an "all-of-the-above" energy approach, use new and emerging technologies, and limit the financial costs to Marylanders -- should be created.

Consequently, on behalf of our building owner customers, Columbia cannot support HB 49 as appropriately crafted policy in its current form and therefore urges an unfavorable report.

February 12, 2025

Contact:
Carville Collins
(410) 332-8627
carville.collins@saul.com

Contact:
Scott Waitlevertch
(724) 888-9774
swaitlevertch@nisource.com

HB 0049 EnergyPerfCompliance.pdf

Uploaded by: SHARON CARRICK

Position: UNF



Ella Ennis, Legislative Chairman
Maryland Federation of Republican Women
PO Box 6040, Annapolis MD 21401
Email: eee437@comcast.net

February 10, 2025

The Honorable Marc Korman, Chairman
and Members of the Environment and Transportation Committee
Maryland House of Delegates
Annapolis, Maryland

RE: **HB0049** – Environment - Building Energy Performance Standards Compliance and Report –
OPPOSE

Dear Chairman Korman and Committee Members,

The 1,154 members of the Maryland Federation of Republican Women oppose HB0049 because it will lead to increased costs and tax burdens for families and businesses and expand government bureaucracy.

The State of Maryland needs to decouple itself from blindly following California's environmental laws that resulted in rolling blackouts and outrageous utility bills. Maryland's climate is as diverse as its geograph. Maryland needs multiple energy sources, including nuclear and natural gas. Promotion of "cold-climate" heat pumps must be postponed until they are proven effective and available commercially at a reasonable cost.

A building covered by HB0049 that exceeds the Energy Use Intensity (EUI) standard will be required to pay two separate fees -- an annual reporting fee to cover the government's cost to administer the program and an alternative compliance fee. Those additional assessments will lead to increased rents for multi-family residential buildings, healthcare facilities, and others at a time of high housing and utility costs.

The new alternative compliance fee will be deposited into the Maryland Strategic Energy Investment Fund, earmarked for loans to covered buildings for energy efficiency projects. The bill does not define those projects or require they be evaluated for efficacy. What happens if these measures are not sufficient to lower the energy use to meet the Energy Use Intensity (EUI) mandate? Will the loans be forgiven?



Ella Ennis, Legislative Chairman
Maryland Federation of Republican Women
PO Box 6040, Annapolis MD 21401
Email: eee437@comcast.net

- 1) MDE's 2023 Baseline Data Sources & Modeling Methodology Impact Model listed 3 options to reduce energy use to meet targets:
 - a. Try to meet direct emissions target with efficiency.
 - b. Electrify space heating, water heating, other uses, until direct emissions target is met.
 - c. Reduce electric use until site energy use intensity (EUI) target is met.
- 2) Not meeting the EUI could lead to rationing of energy for a covered building, including multi-family housing and healthcare facilities, limiting energy for heating/cooling, cooking, appliances, computers, etc..
- 3) The official Building Energy Performance Standards Energy Use Intensity (EUI) has not yet been published on COMAR. The Department of the Environment website posts "unofficial" standards.
- 4) Requiring all buildings to be totally electric is not feasible today and is not likely to be feasible by 2030 or even 2035.
- 5) Forcing individuals, businesses, and healthcare facilities to comply or face financial penalties while exempting government buildings (including schools) is unfair.

It is difficult to determine the full impact of this legislation when the final standards are not yet available. The options above are overly simplistic and unrealistic when a large proportion of Maryland's energy is imported from coal- and gas-powered producers, providing no reduction in greenhouse gases. Maryland's power grid is grossly insufficient at this time with many years needed before the grid will be able to provide sufficient energy for an all-electric Maryland.

For all these reasons, please vote an **UNFAVORABLE** report for **HB0049**.

Sincerely,
Ella Ennis
Legislative Chairman
Maryland Federation of Republican Women

HB 49 - Environment - Building Energy Performance

Uploaded by: Tom Ballentine

Position: UNF



February 10, 2025

The Honorable, Marc Korman, Chair
House Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, Maryland 21401

Oppose: HB 49 – Environment – Building Energy Performance Standards – Energy Use and Non-Compliance Fee

Dear Chair, Korman and Committee Members:

NAIOP represents 22,000 commercial real estate professionals in the United States and Canada. NAIOP's membership in Maryland is comprised of more than 700 local firms and publicly traded real estate investment trusts involved in development, construction, and management of commercial, mixed-use, and light industrial real estate.

NAIOP has serious concerns about the cost and feasibility of the Maryland Building Energy Performance Standards. (BEPS) Compliance with the proposed emissions targets and other regulatory requirements presents financial and operational challenges that will be insurmountable for a considerable portion of the owners and occupants of covered commercial and multi-family buildings. HB 49 heightens these concerns.

➤ **HB 49 Has Two Primary Functions That Expand the Scope and Increase the Consumer Costs of BEPS Compliance**

First, HB 49 would solidify the Maryland Department of Environment's (MDE) authority to set enforceable Energy Use Intensity (EUI) limits on large commercial and multifamily buildings. EUI is a measurement of building energy use per square foot which would be used by MDE to allocate how much energy can be used in buildings regulated under the Maryland Building Energy Performance Standard (BEPS). EUI limits would set progressively lower energy use limits that must be met in 2030, 2035 and maintained from 2040 and beyond. These EUI energy use limits would be in addition to the existing limits on direct greenhouse gas emissions authorized under the Climate Solutions Now Act (CSNA). EUI expands BEPS to regulate all-electric buildings – which have no direct greenhouse gas emissions - and the electricity use of mixed fuel buildings.

Second, the bill provides new authority for MDE to impose "alternative compliance fees" on buildings that use more energy than allocated through the EUI limits. EUI alternative compliance fees would be assessed based on the quantity of energy used in a building. The fee is a powerful policy lever that uses increased energy costs as an enforcement mechanism to accelerate conversion of buildings to meet BEPS performance expectations. The authority for MDE to assess EUI noncompliance fees was not provided in the CNSA and the new EUI fees would be in addition to the existing fees for exceeding greenhouse gas emissions.

➤ **The High Cost of Compliance and Accelerating Annual Non-Compliance Fees**

Energy efficiency and conservation have traditionally been implemented directly through building energy codes and indirectly through utility managed incentive programs like EmPower. The building energy code and the EmPower proceedings at the Maryland Public Service Commission are grounded in a process that puts a high value on technical feasibility and cost effectiveness. Maintaining a balance between upfront capital costs and energy cost savings is crucial to protect energy consumers from escalating compliance costs.

MDE’s cost benefit analysis of BEPS determined that between 2025 and 2040 compliance with BEPS will cost building owners and occupants \$15.2 billion and only achieve \$8.2 billion in energy costs savings. The cost of measures necessary to meet EUI targets are estimated by MDE to be \$8.8 billion of the \$15.2 billion. MDE attributes \$6.4 billion of the total compliance cost to electrification of fossil fuel systems.

As introduced HB 49 allows MDE to establish both the EUI energy use limit and the amount of the noncompliance fee. We don’t know what the fee or the targets will be, but based on MDE’s previously published EUI limits, and the informally suggested fee of \$0.05 per kBtu/sq ft above the EUI allocation, commercial and multifamily buildings that are subject to the Maryland Building Energy Performance Standards (BEPS), could be facing extraordinarily high annual fees for failing to meet EUI limits.

A high-level evaluation of EUI data reported to Montgomery County as part of that county’s BEPS programs indicates that 89 multifamily buildings and 32 office buildings would be subject to EUI noncompliance fees of more than \$100,000 per year in 2030 and 14 office buildings and 33 multifamily buildings would be subject to fines of \$200,000 or more. In addition to paying the EUI fee, buildings with both fossil fuel and electric systems could be required to pay the existing greenhouse gas emissions fee.

The structure of EUI compliance means that the target energy use allocation for BEPS regulated buildings is reduced by 30% in 2035. This lower energy use allocation along with built-in inflation factor increases the fees considerably – in many case fees double between 2030 and 2035.

➤ **FY 2025 Budget Language Set Prerequisites for the Development of EUI Regulations that are Not Complete**

The FY 2025 Budget restricts MDE from expending its budget appropriations for the purpose of “adopting, establishing or enforcing site energy use intensity standards” until the Department submits a confirmatory letter to the General Assembly indicating that specified studies and reports have been completed.

Among those prerequisites is that the department first calculates building benchmarks based on the results of the direct emissions data reported by the owners of covered buildings. Building owners are required to submit energy use data September 1, 2025, covering calendar year 2024.

The budget amendment goes on to require a report containing specific information on the costs of compliance and an analysis of alternatives to regulating EUI as a means to meet greenhouse gas emissions targets. The report is also directed to include:

- An assessment of EUI compliance costs to owners of covered buildings;
- A recommendation for an EUI fee after taking into account financial incentives;

- An evaluation of mechanisms other than EUI to meet greenhouse gas emissions targets;
- An economic feasibility study of meeting EUI standards including consideration of building age, technological limitations and limits of building resources, and;
- Include recommendations addressing under resourced and covered buildings that would after considering all possible incentives including avoided penalties, would still result in building noncompliance with greenhouse gas emissions regulations and targets.

The tasks set out in the budget amendment are not complete, the uncertainty about the costs of compliance, alternatives and the availability of incentives is more relevant than it was when the budget language was approved. making HB 49 premature.

➤ **Financing Building Renovations**

It is our understanding MDE intends to offer amendments that define economic infeasibility as a simple payback period of longer than 25 years. This is an unrealistic expectation that should be reconsidered.

Most commercial real estate loans have a maximum term of 10-years. Conventional sources of financing, whether bank, life insurance company or pension fund are unlikely to consider lending on an investment with a payback period that runs 25 years, and the 25-year period is longer than the typical lifespan of the equipment being financed.

The rise in remote work and decline in office utilization following the COVID-19 pandemic has been well documented and is causing a freeze in the lending market for office buildings. Vacancy, lower effective rents, and interest rate increases have impacted all commercial real estate asset classes, reducing property values, limiting the amount of equity available for reinvestment and in many cases, reducing cash flows which significantly restricts the borrowing capacity of building owners.

Whether electrification projects can be financed will be determined by the strength of the building's rent roll and the ability of the net operating income to cover debt service with an adequate margin of safety. Electrification projects that increase debt loads and lower net operating income will be extremely difficult to finance with conventional commercial loans, put further downward pressure on building valuations and shrink the commercial tax base.

For these reasons, NAIOP respectfully requests your unfavorable report on HB 49.

Sincerely,



Tom Ballentine, Vice President for Policy

NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Environment and Transportation Committee Members

Nick Manis – Manis, Canning Assoc.

HB49-2025-MML-Unfavorable.pdf

Uploaded by: Tyler Brice

Position: UNF



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

February 12, 2025

Committee: House - Environment and Transportation

Bill: HB 49 – Environment - Building Energy Performance Standards - Compliance and Reporting

Position: *Unfavorable*

Reason for Position:

On behalf of the Maryland Municipal League (MML), representing 160 municipal governments across the state, we respectfully submit this testimony expressing our **opposition** to House Bill 49. While we fully support efforts to enhance building energy efficiency and reduce greenhouse gas emissions, the compliance and reporting requirements mandated by House Bill 49 impose significant fiscal and administrative burdens on local governments.

The bill requires extensive monitoring and annual reporting of energy performance metrics as set forth in Section 2.1 and Section 3.2 of the bill text. These sections compel building owners—and by extension, municipal entities responsible for public facilities—to collect, analyze, and submit detailed compliance data on a yearly basis. For municipalities already operating under severe budget constraints and limited staffing, these additional obligations are particularly problematic.

The diversion of scarce resources toward fulfilling these reporting requirements risks undermining other critical local priorities such as infrastructure maintenance, public safety, and essential community services. House Bill 49 does not adequately account for the challenges faced by historic and aging municipal buildings. Many of these structures were constructed prior to modern energy efficiency standards and retrofitting them to meet the new benchmarks could incur substantial, unexpected costs. The stringent reporting and compliance framework, coupled with the potential for punitive penalties in cases of non-compliance, further exacerbates the fiscal pressures on local governments and threatens to erode municipal home rule.

Finally, the provision in HB 49 allowing for delayed enforcement, as outlined in Section 4.5 of the bill, is not a viable option for most municipalities. While this provision offers local governments the ability to delay compliance until a later date, it does not address the underlying issue of the administrative and financial burdens municipalities face when dealing with the requirements. Delaying enforcement does not alleviate the need for municipalities to begin preparing for compliance, such as gathering data, performing initial assessments, and allocating resources to long-term planning. These preliminary efforts still impose a significant cost on municipalities, especially those with limited staffing and budget resources. As a result, attempting to rely on delayed enforcement only extends the

The Maryland Municipal League uses its collective voice to advocate, empower and protect the interests of our 160 local governments members and elevates local leadership, delivers impactful solutions for our communities, and builds an inclusive culture for the 2 million Marylanders we serve.

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challenge and does not resolve the core concerns related to the implementation of the bill's requirements. For these reasons, the delayed enforcement option in HB 49 fails to adequately address the fiscal strain that local governments would experience under the proposed standards.

The Maryland Municipal League respectfully expresses our opposition to the provisions of HB 49 in its current form. We encourage the committee to take these concerns into account and to work collaboratively to develop alternative approaches that support energy efficiency while preserving the critical functions and fiscal health of our municipalities. For more information, please contact Tyler Alexis Brice, Manager of Advocacy and Public Affairs, at tylerb@mdmunicipal.org or 254-652-8110.

Thank you for your consideration.

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Uploaded by: William Castelli

Position: UNF



House Bill 49 – Environment – Building Energy Performance Standards – Compliance and Reporting

Position: Unfavorable

The Maryland REALTORS® oppose HB 49, as drafted, which seeks to provide greater clarity regarding alternative compliance measures for meeting building energy performance standards (BEP).

The Maryland REALTORS® represents both residential and commercial real estate agents and brokers. Although it appreciates the Department's efforts to find an alternative compliance pathway for buildings unable to meet future performance targets, it is hard to evaluate the impact of the current bill.

HB 49 sets a fee based on a building's failure to meet greenhouse gas emission reduction targets and energy use intensity targets that have not even been set in place. Moreover, the fee, itself, is also not set. While newer buildings are likely to have an easier compliance path for BEP standards, many older buildings in Maryland will have expensive energy retrofits or alternative compliance costs. Those costs are not only borne by building owners but by the building's residential and commercial tenants.

Added to the uncertainty over these costs, residential building owners also have rent control caps in Prince George's and Montgomery Counties. As an example, about 60% of the buildings in Montgomery County must meet both the rent cap as well as the county's BEP requirements. Although the county BEP requirements impact more buildings than the State's, if over half of the buildings in the county must meet both of these requirements, it places more uncertainty over how much of the compliance costs building owners will be permitted to recover.

For these reasons, the Maryland REALTORS® recommend an unfavorable report.

**For more information contact lisa.may@mdrealtor.org or
christa.mcgee@mdrealtor.org**