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BRANDI NIELAND
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BILL NO.: House Bill 831
Reducing Greenhouse Gas Emissions –
Commercial and Residential Buildings

COMMITTEE: Environment and Transportation

HEARING DATE: February 25, 2022

SPONSORS: Delegate Stein
Delegate Barve

POSITION: Support

The Office of People's Counsel strongly supports House Bill 831. The bill will benefit residential utility customers by lowering the upfront costs of electrifying the State's multi-family housing and reducing the probability that residential customers will face unaffordable energy bills as natural gas rates increase to support utility investments in the natural gas system.

Background

House Bill 831 directs the Department of the Environment to develop building emissions standards for certain commercial and multifamily buildings to achieve a 20% reduction in direct building emissions by January 1, 2030, and net-zero building emissions by January 1, 2040.

HB 831 would create the Building Energy Transition Implementation Task Force under the chair of the Secretary of the Environment with members from various state agencies, including People's Counsel, and representative groups appointed by the Governor. The Task Force will examine policies and programs to reduce emissions from the building sector, develop a plan for retrofitting buildings to reduce emissions, and explore financial incentives through existing state programs and tax credits to

decarbonize buildings. The Task Force will make recommendations to the Governor and General Assembly.

Comments

1. HB 831’s multi-family housing provisions will protect and benefit residential utility customers as the State acts to meet the challenges of climate change.

Technical analyses show that electrification is the lowest cost means for meeting the State’s climate policies for residential customers. This is the finding in the report of the Mitigation Working Group of the Maryland Commission on Climate Change:

“Residential customers can save costs by electrifying all building end uses compared to using gas.” The MWG’s conclusion is supported by analyses performed by our office, and it is widely supported by analyses performed in other States.

Natural gas utility rates are rising and will continue to rise as the State electrifies. Despite the need to electrify, gas utilities are accelerating their infrastructure investments at an unprecedented rate. Setting aside investments for connecting *new* gas customers—investments that by themselves are significant—the State’s three largest utilities alone have plans to invest approximately \$4.8 billion over the next 20 years to replace *existing* infrastructure. Utilities plan to recover these investments from customers over many decades, through the end of the century. The revenue requirement for these investments is allocated across all customers. As customers leave the gas system to electrify, however, rates will increase for those remaining on the system, causing even more customers to leave the gas system.

Navigating the transition to electrification will be most challenging for less affluent customers, especially those living in multi-family housing who do not control their energy sources. Without intervention by the General Assembly, these households are highly vulnerable to paying high rates as others electrify and save money. They are most likely to remain on fossil fuels longer than more affluent customers who are able and can afford to electrify. Put simply, policies are necessary to ensure that low and moderate-income households are among the first to electrify, not the last.

HB 831 directly addresses the challenges of electrification for residential customers on a budget by requiring standards that will promote early weatherization and electric heat pump installations in multi-family dwellings. It is thus a critical component of State policies for meeting the challenges of climate change.

2. HB 831's other provisions further the interests of residential utility customers.

The creation of the Building Energy Transition Implementation Task Force should also yield short- and long-term benefits for residential customers. The Task Force will help the State plan for the energy transition. Better planning will help to avoid uneconomic investments and lower costs for customers.

HB 831's inclusion of financial incentives through EmPOWER program is an important component of the bill. The recommendations contemplated by HB 831 would increase the efficacy of the EmPOWER program and provide stakeholders with clear guidance as to how the EmPOWER program can be utilized to support a transition to electrification of Maryland's building sector.

Extensive retrofits to existing housing will have to take place for Maryland to meet its climate goals. The potential financial burdens from electrification borne by Maryland's low-income and moderate-income ratepayers must be mitigated by public policies supporting the electrification of their households. HB 831 takes a critical step in the right direction.

Recommendation: OPC requests a favorable report from the Environment and Transportation Committee to HB 831.