MARYLAND
Chamber of Commerce

Via Electronic Mail

October 13, 2023

Maryland Department of the Environment
1800 Washington Blvd.
Baltimore, MD 21230

Re: Maryland's Climate Pathway Draft Report

Dear Secretary McIlwain:

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 6,800 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees, and families. On behalf of our members, we are submitting the comments below highlighting our recommendations and concerns with the draft Climate Pathway Report.

I. Economy-Wide Cap-and-Invest Program

As outlined in the report, with full implementation of current policies, Maryland is on track to reduce emissions by 51% in 2031. The cap-and-invest program makes up 4.8 out of the total 10.6 million metric tons of carbon dioxide equivalents left to close the gap and achieve 60% reductions by 2031. It is important to note that the original recommendation from the Maryland Commission on Climate Change that MDE adopted was to achieve a 50% reduction by 2030.

This modeled program will by far have the most significant impact on the state's economy but includes the least detail. It will be costly for businesses to purchase credits or invest in expensive emissions reduction technologies to comply with the set caps. The costs would be especially burdensome for small businesses and low income and disadvantaged communities. It would also be fairly easy for Maryland businesses to relocate to more business-friendly states across state lines resulting in reduced economic activity and job losses.

Industries that rely on fossil fuels could face significant challenges in reducing emissions. It is important to not implement a program like this too quick or abruptly to avoid as many layoffs and instability as possible. Additionally, cap-and-invest programs can lead to uncertainty and regulatory unpredictability. If regulations and caps are frequently changed, it can make business planning difficult, which would discourage investment. It would also likely lead to higher energy prices as companies pass on the costs of compliance to consumers. This is especially true in Maryland, which already participates in a cap-and-invest program through the Regional Greenhouse Gas Initiative (RGGI) and would therefore double cap-and-invest costs for doing business in the state.

Carbon leakage is a concern for a statewide cap-and-invest program. Industries will move their operations to other states with less restrictive carbon emissions reduction regulations to avoid the high costs of compliance. Businesses in those states can also emit greenhouse gases then import their products into Maryland, creating an unfair playing field for Maryland businesses.

Finally, the burden a program like this can place on low income and disadvantaged communities is troubling. Cap-and-invest programs can lead to increased energy costs and can be regressive as low-income households spend more of their income on basic needs like heating and cooling their home and keeping the lights on. Potential revenue should be equitably distributed.

The Chamber is most concerned with this proposed program as it lacks important details and would be the most complex program to develop and implement. It is also concerning that we won't meet our 60% goal without this proposed program being implemented and carried out successfully. We suggest that the University of Maryland (UMD) Center for Global Sustainability model other options outside of a cap-and-invest program to fill the gap in GHG reductions needed and include those scenarios in the final report. If a cap-and-invest program remains in the final report, the report should include modeling scenarios with emission cap levels, how revenue from allowances is allocated and how the program would be designed.

Instead of a potentially mandated cap-and-invest program, we encourage incentives and regional collaboration, uniformity and consistency of policies, so it reduces the incentive for businesses to relocate to more business-friendly states.

II. Electricity Sector

The report proposes the reduction of the RGGI emission cap to zero by 2040, along with a requirement that all electricity generated in Maryland originates from hydroelectric, nuclear, or renewable sources. The RGGI program involves coordination among 11 other states, all of which would need to reach a consensus on implementing these modifications. Achieving a zero emissions cap would necessitate the closure of numerous natural gas plants across these states. The likelihood of unanimous agreement from all participating states is uncertain due to the many variables involved.

Locating solar facilities has also proven to be a challenge. Solar development, especially large-scale solar, requires substantial infrastructure for transmission and grid connection. Additionally, solar farms or utility-scale solar developments require a significant amount of land. Local communities typically oppose solar siting on prime agricultural land. Agriculture is Maryland's number one industry, made up of almost 12,500 farms and nearly 21,300 producers.[1] Food production and our farming community must be prioritized when considering solar siting. We urge MDE to encourage and incentivize other non-farmland locations due to the substantial cultural and economic value of farmland.

Ensuring the capacity of the PJM grid is sufficient to meet current and future electricity demands is crucial to ensure our energy system is reliable and resilient. The transition to renewable energy sources and electrification at an ambitious pace presents challenges to the grid. Investments in grid modernization and the streamlining of permitting processes are also key. Grid infrastructure upgrades and increased capacity will be necessary before the increased demand of electrifying our homes and vehicles creates an unstable grid, especially since Maryland is a net importer of electricity.

As the Electrification Study Workgroup (ESWG) discussed in a recent meeting, they will not include a grid capacity analysis in their report due at the end of 2023 primarily because they do not have enough time to complete one, vet the results and receive stakeholder feedback. ESWG and their consultant noted that they cannot determine grid impacts without a more granular study than the grid capacity subgroup approach. **Thus, we recommend the Department or ESWG conduct an analysis or study of PJM's current capacity and the capacity needs, including the cost of upgrading aging infrastructure to achieve our climate goals.**

The Climate Solutions Now Act of 2022 also established the Energy Resilience and Efficiency Working Group, which is tasked with conducting a study of potential electric grid distribution transformation projects, methods of increasing the security of the grid, especially in the event of a widespread power outage, the lifespan and viably of non-greenhouse gas emitting energy facilities, and more. The report of the study findings is

[1] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.nass.usda.gov/Statistics_by_State/Maryland/Publications/Annual_Statistical_Bulletin/2021/2021_2022_MD_Annual_Bulletin_Final.pdf

due by December 31, 2023. However, this working group has not yet been fully established nor had its first meeting.

The reports and studies required in the Climate Solutions Now Act should be completed and evaluated before MDE issues policy proposals in the climate pathway report. This would ensure the modeling is as accurate as possible and details and costs can be clearly identified.

Finally, the Chamber urges the department to complete a study or fiscal analysis of the estimated financial costs to energy companies, electricity consumers and energy providers. It is imperative for the state, businesses and residents to understand the impact on jobs and the cost of electricity and the economy.

III. Transportation Sector

Transportation accounts for the single largest greenhouse gas emissions generator in Maryland. Maryland adopted the Advanced Clean Cars II (ACCII) rule this year. ACCII includes significantly stringent standards for gasoline cars and light trucks to reduce emissions, eventually reaching a total ban on gas-powered car sales by 2035.

The Chamber supports finding a sustainable funding solution to the transportation trust fund (TTF), as gas tax revenue continues to decline, which will happen more rapidly as electric vehicles are more widely adopted. **Owners of electric vehicles should contribute and share the costs to fund the TTF, just like gas-powered car owners do.** Electric vehicles are also significantly heavier than gas-powered cars, which cause more wear and tear on the roadways, leading to accelerated road degradation. Deploying charging infrastructure impacts roadways as construction and maintenance will happen along them, not to mention the increased demand on the grid, resulting in infrastructure needing upgraded – all reasons why electric vehicles should contribute to the TTF. Well-maintained roads allow workers to get to their jobs in a timely manner. Imposing fees on electric vehicles helps distribute the cost of infrastructure maintenance across all road users.

However, the transition to electric vehicles involves higher costs compared to traditional vehicles. Strict emissions standards, like ACCII, will lead to increased costs for automakers, which is ultimately passed onto the consumer through higher vehicle prices. Even with larger incentives, many residents, especially low-income households, are priced out of the market as electric vehicles are more expensive than traditional vehicles, along with concerns over inadequate charging infrastructure. The cost impact on the state will also be extremely large when considering incentives for buyers and dealers.

While we are not commenting on specific incentives for electric vehicles, the Department should ensure that a balance is struck between incentivizing electric vehicles and managing costs for consumers and businesses. We recommend working with the Maryland Commission on Transportation Revenue and Infrastructure Needs, as they are currently evaluating and will make recommendations concerning funding sources for the TTF. It is essential to ensure that electric vehicle adoption does not lead to a funding gap for transportation projects.

IV. Buildings Sector

The Chamber's members' main concern with building electrification is the cost burden that will be placed on businesses and consumers, along with the cost of compliance. Businesses and building owners want to comply with standards, regulations and laws, but the state must not place unrealistic standards, timelines, bans, and high fees on building owners.

Retrofitting older buildings is extremely expensive. Buildings should be allowed to use their existing equipment until it reaches the end of its useful life before they are subject to these standards. As outlined in our comments submitted to MDE on the proposed Building Energy Performance Standards (BEPS) regulations, **the Chamber urges th Department to complete a study of the estimated financial costs to building owners, electricity consumers and energy providers as outlined in § 2–1205 of the Climate Solutions Now Act.** It is imperative to understand the impact on jobs, the cost of electricity and the economy. Please refer to our comments submitted in June 2023 on the BEPS regulations for further detail and information. **Additionally, we suggest that retrofitting should not proceed until there is a robust set of incentives in place to reduce the economic impact.**

On top of the proposed BEPS regulations, the Plan calls for a zero-emission construction standard, which would restrict construction of new buildings that rely on fossil fuels for heating, which would be implemented in 2027, only about four years from now. **Before BEPS and this proposed standard is implemented, the Department should address the challenges that building electrification will place on the grid and the cost to consumers of gas services, which will likely rise as use is restricted.**

Finally, the Plan calls for setting a zero-emission appliance standard. Developing and manufacturing zero-emission appliances is more costly, which will be passed onto consumers, making them less affordable especially for low- and middle-income households. Setting stringent standards may also put pressure on appliance manufacturers and disrupt the market, leading to supply chain challenges. The market may also not be ready for zero-emission standards. This standard also limits consumer choice by mandating what people can choose to buy. Consumers have different needs, preferences and budgets. The state should manage the coexistence of older models to allow for a reasonably timed transition period.

V. Industrial and Manufacturing Sector

The Plan calls for the removal of the manufacturing sector exemption that was established in the Greenhouse Gas Reduction Act. The Chamber opposes the removal of this important exemption. Many major industries have left the state resulting in a decline of the manufacturing sector. **Given that this sector produces a small number of emissions and is an important industry to Maryland, we recommend this proposal be removed from the report.** Strict regulations on emissions in this sector could lead to manufacturers moving to neighboring states with less stringent regulations, resulting in job losses, high costs for consumers, and reduced competitiveness for Maryland-based manufacturers.

VI. Public Comment Process

We believe that the public engagement and input process exhibited some shortcomings and would have preferred for public engagement discussions to happen before modeling scenarios were completed. The industries affected by the state's greenhouse gas emissions reductions goals should be a part of developing the policies that directly impact them. **We encourage the Department to ensure the final report doesn't only contain the updated and more complete modeling done by UMD, but also the constructive comments and feedback from the public and the state's businesses that choose to create jobs and economic growth in Maryland.**

VII. Cost Impact

We suggest that an economic impact study or analysis is completed before a final report is issued, as the report does not cover the costs to consumers, ratepayers, businesses, utilities and the commercial sector from these modeled policies. The public should know how much electricity and other sources of energy will cost them – the cost implications will likely be large for every industry in the state. The cost of incentives required to mitigate the high costs of the proposals are also not specified. Studying and including the cost of incentives and other measures the state will need to take, along with analyzing long-term economic impacts, minimizing disruptions and ensuring feasibility is crucial. Aggressive goals lead to aggressive incentives and policies needed to achieve them, resulting in aggressive spending.

VIII. More Options and Detail Needed

The report only provides one pathway made up of bold and new policies to fill the gap to meet the state's greenhouse gas reduction goal. This includes extreme changes needed to be implemented to meet reductions by 2031. While 2031 may seem far away, to implement these broad sweeping changes outlined in the draft report in an equitable, responsible, realistic and not overly costly way, it will take much longer than eight years to develop sound public policy. **The impact these policies will have on the economy and residents must be taken into account, reevaluated and studied further in order to successfully work not only to achieve the state's goal, but for businesses, ratepayers, residents and the state.**

The pathway models outlined in the draft report do not go into detail or provide policymakers or the state's agencies that will be tasked with implementing these policy ideas with enough information needed to create successful policies. The draft report includes a lot of general information, which needs more clarity and detail for public comment and feedback before the final report is issued.

IX. Flexibility

The state must offer flexibility to the industries outlined in the draft report and consider the unique needs and challenges each economic sector will have. In order to meet the goal of 60% by 2031, the state would need to implement every approach outlined in the draft report and achieve them perfectly. There is no room for error. It is important to note that the state historically has not achieved our greenhouse gas reduction policies perfectly, and it should not be assumed that our policy makers will follow every modeled approach outlined in the report, especially given the bold nature of the recommendations and ideas.

Currently, Maryland has met about half of its climate reductions of 60% by 2031. However, a significant portion of these reductions have come from relatively easy and low-cost measures that pose minimal financial burden to the state and its residents. Future policies beyond the low-hanging fruit will have more extensive and financially demanding implications.

Maryland has some of the most stringent greenhouse gas reduction targets in the nation. Any plan for meeting these ambitious goals will impact every industry and resident in Maryland. We will continue to have concern over any policies that ban and tax fuels or lack an inclusive energy mix. A balance should be struck between reducing emissions, promoting technological innovation, and ensuring affordability and accessibility for consumers.

While the Maryland Chamber supports the state achieving its climate goals, more discussions, thought and economic studies need to go into policy ideas before they are recommended and implemented. Maryland job creators continue to struggle with economic uncertainty while trying to maintain operations to serve the communities where they live and work. As a state, we should be doing all that we can to support our job creators in overcoming those challenges, not creating new obstacles to their survival by adding further costs and regulations to doing business in Maryland.

We appreciate your consideration of these comments as it is our intention to provide clarity to the proposals outlined in the Climate Pathway Report so that business owners, policymakers, Maryland residents and the state can comply with ease, without undue burden and cost increases. If you have any questions, please contact Hannah Allen at hallen@mdchamber.org.

Sincerely,
Maryland Chamber of Commerce