Committee: House Economic Matters
SB 0732 Clean Energy Jobs Act
Position: Oppose
Hearing Date: March 6, 2018

Chesapeake Physicians for Social Responsibility (Chesapeake PSR) urges an unfavorable report on SB 0732.

We oppose the Clean Energy Jobs Act because it expands the serious design flaws in Maryland’s current RPS. The General Assembly should not increase the renewable energy targets in the RPS until these design flaws are addressed.

Maryland’s Current RPS Needs Reform

In reviewing data from the Public Service Commission (PSC), Chesapeake PSR now concludes that significant reforms are needed to Maryland RPS.

Despite hundreds of millions of dollars in investments by Maryland ratepayers in the state’s RPS, only about 4% of Maryland’s electricity in 2016 came from wind or solar generated in Maryland.

Our review of PSC data indicates that most of the renewable energy credits (RECs) used to comply with Maryland’s RPS were associated with forms of energy production that:

- Are not new renewable energy;
- Do not promote economic development in Maryland;
- Are not local; and
- And are not “green” at all.

We have provided data, present in Attachment A, which provides a breakdown on the estimated amount of money spent by Maryland ratepayers to buy RECs as part of Maryland’s RPS from 2008-2016 for all energy sources except solar and several rarely used RECs.¹

Between 2008-2016, we estimated that Maryland ratepayers spent approximately $296.7 million on the purchase of non-solar RECs. Of this, only an estimated $42.7
$42.7 million was used to purchase RECs generated in Maryland, and of this $42.7 million, $33 million was spent to purchase RECs from Maryland incinerators.

Other findings are that Maryland ratepayers spent:

- $77 million to purchase black liquor, biomass and incineration RECs from Virginia.
- $7.3 million to purchase black liquor RECs each from Tennessee and North Carolina.
- $42.7 million to purchase wind RECs from Illinois.
- $19 million to purchase small hydro RECs from New York.
- $679,000 to purchase landfill gas RECs from Ohio.

We conclude that Maryland ratepayers were, in most instances, probably buying electronic credits, referred to as “unbundled RECs,” not actual energy. Unbundled RECs do little to address the state’s dependence on fossil fuels, impose unnecessary costs on Maryland ratepayers, and are used to make Maryland’s energy mix look is greener than it is.

SB 0732 would exacerbate the design flaws in Maryland’s RPS

Under SB 0732, about one-half of the RPS could come from unbundled RECs by 2030. That means that by 2030 the number of unbundled RECs in the RPS could be as high as 18 million. While the REC markets are notoriously difficult to predict, and our calculations are preliminary, if REC prices remain at $12.53, that means that Maryland ratepayers could end up paying $225.5 million for electronic certificates in 2030. These certificates would come mostly from out-of-state, and would do little if anything to alter Maryland’s dependence on fossil fuels.

Many of these unbundled RECs would be supporting the use of out-of-state polluting energy sources such as biomass, black liquor, and incineration. A large percentage would also come from mid-western wind facilities.

It is fair to ask why Maryland ratepayers are subsidizing the midwestern wind assets when the price of wind from large developments in the Midwest is equal to or lower than the price of electricity from fossil fuels. In other words, if these wind farms are being built because market forces in that region already favor wind development, why are Maryland ratepayers paying for this instead of incentivizing new clean energy closer to home?

Chesapeake PSR opposes SB 0732 because it will likely expand subsidies to polluting forms of energy production and fall short of its own stated targets for truly clean energy production and job development. Serious reforms are needed to the way energy is purchased in the RPS. SB 0732 does not address these reforms, and
as a consequence, will impose unnecessary costs on Maryland ratepayers and slow Maryland’s transition to a clean energy economy.

**Attachment A:** *Estimated Amount Spent by Maryland Ratepayers to Buy Renewable Energy Credits (RECs) under Maryland’s RPS 2008-2016*, Chesapeake Physicians for Social Responsibility, 2018.

\(^1\) These are biomass liquid, blast furnace gas, and agriculture crops.