Committee: House Economic Matters

HB 0878 Renewable Energy -- Electric and Gas Bills (100% Clean Renewable Energy Equity Act of 2018)

Position: Favorable

Hearing Date: March 5, 2018

Chesapeake Physicians for Social Responsibility (Chesapeake PSR) urges a favorable report on HB 0878.

HB 0878 represents a new approach to buying clean, renewable energy. It builds on lessons learned in Maryland and other states about how to design an effective Renewable Portfolio Standard (RPS). By instituting the reforms called for in HB 878, Maryland will be better able to respond to the urgency of climate change and bring economic benefits to our state.

Maryland’s Current RPS Needs Reform

In reviewing data from the Public Service Commission (PSC), Chesapeake PSR now concludes that Maryland’s lack of progress in building clean energy is because of serious design flaws in Maryland’s 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:

- 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 estimate that Maryland ratepayers spent approximately $296.7 million on the purchase of non-solar RECs. Of this, approximately $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.

**HB 878 Reforms Maryland’s RPS**

We support HB 0878 because it would reform the way renewable energy is defined and purchased in Maryland. It does this by:

- Defining renewable energy to include only generation from wind, solar, tidal and small hydropower.
- Requiring utilities to enter into power purchase agreements for the purchase of renewable energy and eliminating the use of unbundled RECs.
- Ending counterproductive subsidies for polluting sources of energy such as biomass, incineration and black liquor.

We also support HB 0878 because it would provide an aggressive but achievable path to 100 percent clean energy in a way that will maximize the benefits for Maryland ratepayers. It does this by:

- Creating targets for solar build-out that are ambitious but mirror what has already taken place in California.

¹ These are biomass liquid, blast furnace gas, and agriculture crops.
• Creating targets for wind development are consistent with the goals of other East Coast states such as Massachusetts, New York, and New Jersey.

• Employing mechanisms to ensure that a large share of the new clean energy required will be generated in Maryland.
  - For solar, HB 0878 would provide predictable support to build over 5,200 megawatts of solar energy in Maryland without the boom-or-bust effects of our present approach.
  - For wind, HB 0878 would require long-term contracts supporting the continuous expansion of offshore wind that Maryland must have to compete as an Atlantic Coast hub for offshore wind.

Finally, we support HB 0878 because it would protect low-income households from unaffordable energy cost burdens by capping expenses for those households at six percent of disposable income. This will help reduce evictions, improve health outcomes and stabilize communities.

HB 0878 will allow Maryland to transition to 100 percent clean renewable electricity more quickly, at lower cost, and with greater economic benefit for the residents of Maryland than would our current RPS or proposals to raise the RPS to 50 percent by 2030.

**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.