

Core Recommendation 3. Create a Building Emissions Standard

The General Assembly should require commercial buildings to achieve net-zero greenhouse gas emissions by 2045 through a technology-neutral Building Emissions Standard. State-owned buildings should meet this standard by 2040. This would give commercial and institutional building owners the greatest flexibility in bringing their buildings in line with the state's emerging net-zero emissions target. The standard would include measurement and reporting of direct (on-site) emissions, development of plans to achieve net-zero direct emissions, and support from the state to implement the plans.

Buildings that participate in the Building Emissions Standard would:

- Measure and report direct emissions to MDE annually starting in 2025
- Submit a net-zero emissions draft plan to MDE by 2030
- Submit a final net-zero emissions draft plan to MDE by 2035
- Achieve net-zero emissions by 2045 at the latest (2040 for state-owned buildings)

The General Assembly should also provide resources to MEA to offer technical advice and financial support to help owners of covered buildings develop and implement their net-zero emissions plans. Fees for non-compliance should be reasonable, perhaps corresponding with the cost of implementing additional carbon sequestration or negative emissions technologies in Maryland. The state should create commercial tax credits and direct subsidy payments for upgrades related to building decarbonization projects large enough to reduce the simple payback period to between 3 and 7 years.

Feedback:

GHG emissions reductions goals are most directly linked with state net-zero GHG goals. However, some consideration should be made in selecting a GHG target at the state level based on:

- **Reporting, tracking, and enforcement mechanisms:** ENERGY STAR Portfolio Manager is the current reporting platform for all benchmarking programs in the US and is not well equipped today to track localized emissions nor reductions in GHGs over time through carbon offset purchases. In the US, electric emissions are calculated based on regional factors according to the eGRID subregions and direct emissions factors are computed at the national level (each fuel has one factor). As such, local RPS efforts or grid cleaning would not be reflected in Portfolio Manager calculation of GHGs at the building level. Similarly, while Portfolio Manager can track on-site solar, green power purchases, and REC retention (if the owner has that info), Portfolio Manager currently has no way to input carbon offsets purchased for on-site fossil fuel use. As a result, MDE may have to create a separate reporting mechanism for net-zero emissions plans, tracking, and enforcement which would require building owners to become familiar with another tracking tool. Alternatively, MDE may need to work with EPA to find a way to make

Portfolio Manager track GHGs at a more localized level and/or find a way to track carbon offsets within the tool¹².

- **Acceptable strategies to achieve an emissions standard:** Depending on what strategies are allowed for compliance with an emissions standard, owners may seek a lowest-cost option to comply that does not have the biggest impact on the local grid and local emissions. For instance, an inefficient building could purchase low-cost wind RECs from outside of the region and then offset emissions from on-site emissions using low-cost carbon offsets. The building would be “net zero GHG” but the building did not make any investment in reducing electricity use and demands on the grid, in reducing on-site fuel use, in electrifying, or in local green energy/carbon offsets/renewable gas/etc.
- **Conflict with local laws:** Montgomery County has proposed a site EUI target more in line with Washington State or Colorado’s plans for a % improvement over an EUI baseline or ASHRAE standard. Consideration should be made for how local jurisdictions’ performance standards can align with a state GHG target as there can be conflict in strategies for achieving one or the other. For instance, a site EUI target would not recognize off-site green power purchases or carbon offsets, but electrification could be a strategy to achieve both lower site EUI and reduced GHGs.

Core Recommendation 4. Create a Clean Heat Standard

- The General Assembly should design a Clean Heat Standard. Similar in concept to the Renewable Portfolio Standard, which effectively shifts Maryland’s electricity supply from fossil fuel to renewable energy sources, a Clean Heat Standard would slowly transition Maryland’s heating fuel supplies from fossil to low-carbon renewable sources. The standard would apply to all heating fuels sold in the state including gas, heating oil, and propane. The carbon intensity of heating fuels would slowly ratchet down, aiming for net-zero emissions by 2045.

Feedback:

A more direct route to reduce natural gas use in the state could also be to expressly allow local jurisdictions to ban natural gas/fossil-fuel use or to develop a state-level strategy in the Maryland energy/building codes to phase out fossil fuels before 2045.

Recommendation 5. Develop a Utility Transition Plan & Recommendation 11. Sunset financial subsidies for fossil fuel appliances within EmPOWER

5. The General Assembly should require the PSC to oversee a process whereby the electric and gas utility companies develop a unified plan for achieving the goal of a mostly to fully electrified building sector in Maryland.

¹ Portfolio Manager Technical Reference, Greenhouse Gas Emissions.
<https://portfoliomanager.energystar.gov/pdf/reference/Emissions.pdf?bc39-074a>

² Portfolio Manager Technical Reference, Green Power.
<https://portfoliomanager.energystar.gov/pdf/reference/Green%20Power.pdf>

11. EmPOWER Maryland and other energy programs in the state should be focused on providing financial assistance only to non-fossil fuel equipment, appliances, and infrastructure associated with the building sector and any and all incentives and subsidies for fossil fuel systems should be eliminated. This should be paired with an increased incentive size for non-fossil appliances and systems installed for limited income consumers.

Feedback:

Along with these goals, it will be important for utilities to jointly provide incentives for electrification/fuel-switching as incentives for fossil fuels are sunset and as utilities plan to electrify existing buildings. If existing buildings are not required to electrify, providing financial assistance and significant incentives for electrification as a strategy to meet a building emission standard will be necessary. Otherwise, electrification will likely remain costlier than using efficient natural gas systems and offsetting remaining emissions (if that is an acceptable strategy to meet a building emissions standard).

Recommendation 10. Allow local jurisdictions to set higher fines for non-compliance on building performance

The General Assembly should create enabling legislation to allow local jurisdictions to set higher fines for non-compliance with local building energy/emissions performance standards. The current limit is \$500.

Discussion: This Montgomery County has proposed to create Building Energy Performance Standards to guide commercial and multi-family buildings to greater energy efficiency and lower emissions. Counties including Montgomery are unable to levy a fine for non-compliance that is sufficient to motivate compliance with the standards.

Feedback:

Thanks! Montgomery County appreciates the inclusion of this recommendation.