

Committee: Economic Matters

Testimony on: HB1214 “Residential Retail Electricity – Green Power – Renewable Energy Credits and Marketing Claims”

Position: Support

Hearing Date: February 23, 2023

The Maryland Sierra Club and the Maryland League of Conservation Voters, together with the many organizations and an individual listed below, urge a favorable report on HB1214.

This bill establishes a much-needed “truth in advertising” standard for those Maryland electricity suppliers who wish to represent that their electricity is “green.”¹ The bill specifies that suppliers will be eligible to market to residential electricity users in this manner if the Renewable Energy Credits (“RECs”) they purchase were created from clean energy sources – solar, wind, geothermal, ocean energy, and/or a small hydroelectric power plant (less than 30 megawatts). These sources further must be among those that serve Maryland, by being located within the regional electricity grid to which our State belongs (the PJM region) or, if located outside PJM, nonetheless deliver electricity into our region. Lastly, the bill requires these suppliers include a particular disclosure statement in their marketing materials.

Background

Maryland’s Renewable Portfolio Standard (“RPS”) requires Maryland retail electricity suppliers to purchase a minimum number of RECs each year from renewable electricity generators and, in this manner, provide financial support to the renewable energy industry. A REC constitutes a financial attribute owing to the production of one megawatt-hour of electricity generated from one of the renewable energy sources. The RPS defines the requisite minimum number of RECs in terms of a percentage of the supplier’s energy sales. That percentage currently is slightly above a third, and will rise to 52.5% in 2030.²

A Maryland electricity supplier may, in its discretion, purchase a higher percentage of RECs. These additional RECs are not regulated by Maryland’s RPS, and may be associated with any type of energy source that generates RECs, i.e., the energy source need not be any of the types of renewable sources included in Maryland’s RPS, and need not come from sources that serve Maryland by being in the PJM or by otherwise delivering electricity into the PJM.

Under Maryland’s deregulated electricity supplier system, residential customers may purchase their electricity from among any one of a large number of retail suppliers. This may be their local utility or a private company registered to sell electricity in the State. As in any free market system, suppliers may make a variety of assertions about their electricity when marketing their product.

¹ Specifically, the “truth in advertising” standard will apply if and when suppliers represent that their “energy sources or renewable energy credits . . . are . . . green, eco-friendly, environmentally friendly or responsible, carbon-free, renewable, 100% renewable, 100% wind, 100% hydro, 100% solar, 100% emission-free, or similar claims.”

² The qualified RPS energy sources include several that do not generate greenhouse gas emissions (or a negligible amount), i.e., solar, wind, geothermal, ocean energy, and hydroelectric, and some that do emit greenhouse gases (e.g., trash incineration). The energy sources must serve Maryland by being located in the PJM or by otherwise delivering electricity to the PJM.

One representation that suppliers can and do make is that their energy sources or RECs are “green,” “100% wind,” “100% solar,” “carbon-free,” or the like. This is attractive to customers in Maryland who are deeply concerned about the climate crisis and want to support forms of electricity generation that do not emit greenhouse gases.

Maryland law, however, does not contain any definition for these marketing terms, and thus there are no guardrails on when these terms may be used by an electricity supplier. The end result is that suppliers’ use of these terms in their marketing materials may be ambiguous, unclear, otherwise difficult for customers to understand, or misleading, and customers who intend to purchase electricity from a supplier who supports electricity that does not emit greenhouse gases may, in fact, be doing the opposite.

HB1214

This legislation addresses this marketing issue in a simple and straightforward manner: companies who represent that their electricity is “green” (or the like) will be required to back that up by purchasing RECs that come from a green energy source (solar, wind, geothermal, ocean energy, or small hydroelectric plants).

This consumer protection does not impose any unfair burden on electricity suppliers since neither the bill nor existing Maryland law require any supplier to market its electricity as “green”; that is a choice totally left up to suppliers. The bill does not affect suppliers who choose not to market their electricity as “green”; their REC-purchasing requirements will continue to be governed by Maryland’s RPS.

The Maryland Sierra Club, the Maryland League of Conservation Voters, many other organizations, and the individual listed below strongly favor ensuring that “green” electricity suppliers live by the fundamental rule of “truth in advertising.” We therefore urge a favorable report on this bill.

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